

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

STUDENT ALTERNATIVES PROGRAM, INC.

San Antonio, Texas

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORTS

Year Ended August 31, 2018

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STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS

Year Ended August 31, 2018

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San Antonio, Texas

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INTRODUCTORY SECTION

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STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

EIN – 74-2598053

CERTIFICATE OF BOARD

<u>CHARTER DISTRICT NAME</u>	<u>COUNTY DISTRICT NUMBER</u>
Gateway Academy	240801
Mid Valley Academy	108804
Paso Del Norte Academy	071803
South Plains Academy	152803

We, the undersigned, certify that the attached Consolidated Financial Statements of Student Alternatives Program, Inc., the charter holder, was reviewed and approved disapproved for the year ended August 31, 2018 at a meeting of the Board of Directors of Student Alternatives Program, Inc. on the 19 day of January, 2019.



Signature of Board President



Signature of Board Secretary

If the Board of Directors disapproved of the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary):

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FINANCIAL SECTION

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Student Alternatives Program, Inc.
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Student Alternatives Program, Inc. (the Organization) and affiliates, which comprise the consolidated statement of financial position as of August 31, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization 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 consolidated financial statements as a whole. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the consolidated 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 11, 2019, on our consideration of the Organization'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 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 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 the Organization's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Gonzaga/Gonzalez & Associates".

January 11, 2019

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STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

August 31, 2018

	Student Alternatives Program, Inc.	Affiliated Charter Schools	Eliminations	Consolidated Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,339,943	\$ 7,498,767	\$ -	\$ 8,838,710
Cash - Restricted	145,000	-	-	145,000
Grants Receivable	-	1,256,703	-	1,256,703
Other Receivables	30,895	210,441	(5,000)	236,336
Deferred Expenses	2,320	-	-	2,320
Due from Related Entity	-	17,263	(17,263)	-
Total Current Assets	<u>1,518,158</u>	<u>8,983,174</u>	<u>(22,263)</u>	<u>10,479,069</u>
Property, Plant & Equipment, Net	<u>5,672,333</u>	<u>3,352,771</u>	<u>-</u>	<u>9,025,104</u>
Total Assets	<u>\$ 7,190,491</u>	<u>\$ 12,335,945</u>	<u>\$ (22,263)</u>	<u>\$ 19,504,173</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ 43,671	\$ 243,314	\$ (5,000)	\$ 281,985
Payroll Deductions and Withholdings	59,712	5,434	-	65,146
Accrued Wages	-	281,615	-	281,615
Due to State	-	759	-	759
Other Liabilities - Current	-	1,972	-	1,972
Accrued Expenses	-	1,814	-	1,814
Due to Related Entity	17,263	-	(17,263)	-
Current Portion of Long-Term Debt	387,814	-	-	387,814
Total Current Liabilities	<u>508,460</u>	<u>534,908</u>	<u>(22,263)</u>	<u>1,021,105</u>
Non-Current Liabilities				
Long-Term Debt, Less Current Portion	<u>1,729,333</u>	<u>-</u>	<u>-</u>	<u>1,729,333</u>
Total Non-Current Liabilities	<u>1,729,333</u>	<u>-</u>	<u>-</u>	<u>1,729,333</u>
Total Liabilities	<u>2,237,793</u>	<u>534,908</u>	<u>(22,263)</u>	<u>2,750,438</u>
Net Assets				
Unrestricted				
Available for Operations	4,952,698	-	-	4,952,698
Total Unrestricted	<u>4,952,698</u>	<u>-</u>	<u>-</u>	<u>4,952,698</u>
Temporarily Restricted				
Specific Purpose Funds	-	11,801,037	-	11,801,037
Total Temporarily Restricted	<u>-</u>	<u>11,801,037</u>	<u>-</u>	<u>11,801,037</u>
Total Net Assets	<u>4,952,698</u>	<u>11,801,037</u>	<u>-</u>	<u>16,753,735</u>
Total Liabilities and Net Assets	<u>\$ 7,190,491</u>	<u>\$ 12,335,945</u>	<u>\$ (22,263)</u>	<u>\$ 19,504,173</u>

The accompanying notes to consolidated financial statements
form an integral part of this statement.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended August 31, 2018

	Student Alternatives Program, Inc.	Affiliated Charter Schools		Eliminations	Consolidated Total
	Unrestricted	Unrestricted	Temporarily Restricted		
REVENUES AND OTHER SUPPORT					
Support					
Contributions	\$ 205	\$ -	\$ -	\$ -	\$ 205.00
Program Revenue	148,982	-	-	-	148,982
State Program Revenues	-	-	10,350,002	-	10,350,002
Federal Program Revenues	-	-	1,161,534	-	1,161,534
Fees and Other Revenue	-				
Other Revenues from Local Sources	1,377,494	226,564	-	(595,440)	1,008,618
Net Assets Released from Restrictions	-	12,079,725	(12,079,725)	-	-
Total Revenue and Other Support	1,526,681	12,306,289	(568,189)	(595,440)	12,669,341
EXPENSES					
Program Services					
General School Operations	192,599	-	-	-	192,599
Public Charter Schools	-	7,937,776	-	-	7,937,776
Support Services	-				
Administrative and General	688,446	4,368,513	-	(595,440)	4,461,519.33
Total Expenses	881,045	12,306,289	-	(595,440)	12,591,894
Change in Net Assets	645,636	-	(568,189)	-	77,447
Net Assets, Beginning of Year	4,307,062	-	12,369,226	-	16,676,288
Net Assets, End of Year	\$ 4,952,698	\$ -	\$ 11,801,037	\$ -	\$ 16,753,735

The accompanying notes to consolidated financial statements
form an integral part of this statement.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended August 31, 2018

	Student Alternatives Program, Inc.	Affiliated Charter Schools	Eliminations	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Foundation School Program Payments	\$ -	\$ 10,095,850	\$ -	\$ 10,095,850
Grant Payments	-	1,159,161	-	1,159,161
Program Revenues Received	148,983	-	-	148,983
Other Revenue Received	1,451,159	1,008,451	(595,440)	1,864,170
Payments to Vendors for Goods and Services Rendered	(1,099,691)	(4,532,513)	595,440	(5,036,764)
Payments to Personnel for Services Rendered	(287,783)	(8,094,167)	-	(8,381,950)
Net Cash Provided (Used) by Operating Activities	<u>212,668</u>	<u>(363,218)</u>	<u>-</u>	<u>(150,550)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Fixed Assets	(852,672)	(596,879)	-	(1,449,551)
Net Cash Provided (Used) by Investing Activities	<u>(852,672)</u>	<u>(596,879)</u>	<u>-</u>	<u>(1,449,551)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Notes/Loan Payable	910,000	-	-	910,000
Payment on Notes Payable	(250,110)	-	-	(250,110)
Net Cash Provided (Used) by Financing Activities	<u>659,890</u>	<u>-</u>	<u>-</u>	<u>659,890</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>19,886</u>	<u>(960,097)</u>	<u>-</u>	<u>(940,211)</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,465,057</u>	<u>8,458,864</u>	<u>-</u>	<u>9,923,921</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,484,943</u>	<u>\$ 7,498,767</u>	<u>\$ -</u>	<u>\$ 8,983,710</u>
Reconciliation to Consolidated Statement of Financial Position				
Cash and Cash Equivalents	\$ 1,339,943	\$ 7,498,767	\$ -	\$ 8,838,710
Restricted Cash and Cash Equivalents	145,000	-	-	145,000
Total Cash and Cash Equivalents	<u>\$ 1,484,943</u>	<u>\$ 7,498,767</u>	<u>\$ -</u>	<u>\$ 8,983,710</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Change in Net Assets	\$ 645,636	\$ (568,189)	\$ -	\$ 77,447
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	177,752	435,204	-	612,956
(Increase)/Decrease in Assets				
Grants Receivable	-	(254,152)	-	(254,152)
Other Receivables	73,460	95,555	-	169,015
Due from Related Entity	-	688,537	(986)	687,551
Increase/(Decrease) in Liabilities				
Accounts Payable	7,476	(814,227)	-	(806,751)
Payroll Deductions and Withholdings	(3,120)	(24,043)	-	(27,163)
Accrued Wages	-	80,263	-	80,263
Due to State	-	-	-	-
Other Liabilities - Current	-	(2,373)	-	(2,373)
Accrued Expenses	-	207	-	207
Due to Related Entity	(688,537)	-	986	(687,551)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 212,668</u>	<u>\$ (363,218)</u>	<u>\$ -</u>	<u>\$ (150,550)</u>
Supplemental Disclosure				
Interest Paid	<u>\$ 85,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to the consolidated financial statements form an integral part of this statement.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Student Alternatives Program, Inc. (SAPI or the Organization) is a nonprofit organization incorporated in Texas dedicated to establishing alternative education programs for “at risk” students. The Organization contracts with various independent school districts and counties in the State of Texas to provide education services to the “at risk” high school age students of the school districts.

The organization (SAPI) is a private, nonprofit community-based organization exempt from taxation under 26 U.S.C. Section 501(c)(3).

At August 31, 2018, the Organization had contracts with various independent school districts in the State of Texas.

Effective April 3, 1996, the Organization became the sole owner of the common stock of Academic Buildings Corporation (ABC), a Texas corporation, that is not exempt from federal taxation. ABC has acquired buildings and equipment, which it leases to the Organization.

Effective December 13, 2016 SAPI became the sole member of the Community Development Buildings Corporation (CDBC). CDBC is a nonprofit organization exempt from taxation under Section 501(c)(2) of the Internal Revenue Code (IRC). CDBC was organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under Section 501(C)(3) of the IRC of 1986, or the corresponding provision of any future federal tax code.

B. Principles of Consolidation

Financial Accounting Standard Board (FASB) – Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, Subtopic 810, *Consolidation*, requires a nonprofit organization to present consolidated financial statements when it has a controlling financial interest in either a for-profit or nonprofit entity.

Since SAPI is the sole owner of ABC’s common stock, ABC’s activities are consolidated in these financial statements.

In accordance with FASB ASC 958-810-25-2, *Recognition*, sole corporate membership in a nonprofit organization, like ownership of a majority voting interest in a for-profit entity, shall be considered a controlling financial interest. Since SAPI is the sole member of CDBC; has the authority to approve or disapprove any of CDBC’s transactions involving a sale, lease, or exchanges; and, also has the authority to dissolve CDBC and is entitled to receive its assets, CDBC’s activities are also consolidated in these financial statements.

All material inter-organization transactions between SAPI, ABC, CDBC, and the affiliated charter schools have been eliminated in consolidation, as documented in Note X.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Affiliated Organizations

Four charter districts that are branch operations of SAPI, were established in November 1998.

The charter schools provide an alternative high school diploma program to students who did not thrive in the normal high school settings or have returned for a charter school diploma after entering the work force. The charter schools operate under an open enrollment charter granted, for a ten year period, by the Texas State Board of Education. The charter schools receive funding from the Texas Education Agency (“TEA”) through the Foundation School Program, which is based on each school’s average daily attendance. Since the charter schools receive funding from local, state, and federal government sources, they must comply with the requirements of the entities providing those funds.

D. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Support and Expenses

The Organization receives a significant amount of its revenues from contracts with independent school districts and counties in the State of Texas. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Charter Schools Revenue

Revenues from the State's available school fund are based on reported attendance. Contributions received are recognized as revenue in the period received and are reported as either restricted or unrestricted support.

- Contributions with donor-imposed restrictions are reported as restricted support, which increases temporarily restricted net assets.
- Contributions without donor-imposed restrictions are reported as unrestricted support, which increases unrestricted net assets.

Governmental grant contracts that are entered into by the Organization are recognized as revenue when services are rendered or when the expenses in connection with those services are incurred.

G. Donated Services, Goods, and Facilities

Members of the Organization's board of directors volunteer their time to further the Organization's goals. These donated services are not reflected in the consolidated financial statements since the services do not require specialized skills under applicable guidelines issued by the American Institute of Certified Public Accountants.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose.

H. Property and Equipment

The Organization capitalizes all expenses for property and equipment. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. In accordance with the Texas Education Agency-Resource Guide Supplement for the affiliated charter schools, all assets acquired with a value of \$5,000 or greater are capitalized and are valued at cost or estimated cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but are charged to expense. Major improvements are capitalized and depreciated/amortized over the remaining useful lives of the related capital assets.

Property and equipment acquired with public funds received from state and federal sources generally constitute public property pursuant to Chapter 12 of the Texas Education Code.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated useful lives of property and equipment used by SAPI/ABC are as follows:

<u>Asset Classification</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	30-40 years
Furniture and Equipment	7 years
Vehicles	7 years

The estimated useful lives of property and equipment used by CDBC are as follows:

<u>Asset Classification</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25 years
Other Improvements	5 years

The estimated useful lives of property and equipment used by the charter schools are as follows:

<u>Asset Classification</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	15 years
Furniture and Equipment	7 years
Vehicles	7 years

I. Personal Leave

Regular, full-time salaried, exempt and non-exempt employees working 197 days or less during the school year can earn a maximum of 8 days of paid time off while employees working 207 or more days per school year can earn a maximum of 10 days. However, since the balance does not accumulate, a liability is not recorded in the consolidated financial statements.

J. Basis of Accounting and Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, income and expenses are recognized when earned or incurred. The accompanying consolidated financial statements and the related accounting system are organized and prepared in accordance with the Special Supplement to Financial Accounting and Reporting — Nonprofit Charter School Chart of Accounts, a module of the TEA's *Financial Accountability Resource Guide* (the "Resource Guide").

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization accounts and reports its activities in accordance with the Financial Accounting Standards Board – Accounting Standards Codification 958, *Not-for-Profit Entities*.

In accordance with these standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions or relevant law. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted — Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. At August 31, 2018, unrestricted net assets totaled \$4,952,698.

Temporarily Restricted — Temporarily restricted net assets are those resources, subject to donor-imposed restrictions, that will be satisfied by the actions of the Organization or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. At August 31, 2018, temporarily restricted net assets totaled \$11,801,037.

Permanently Restricted — Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund annual operations. The Organization did not hold any assets that were designated as permanently restricted at August 31, 2018.

K. Contributions

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions, in accordance with Accounting Standards Codification (ASC) 958-605-25, Recognition.

L. Income Taxes

The Organization is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3); and, 501(c)(2) for CDBC, of the IRC, except to the extent it has unrelated business income. No such provision has been made to the accompanying consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2014. There were no interest or penalties assessed to the Organization by the IRS during the year.

The subsidiary ABC, is a for-profit corporation subject to federal income tax and Texas franchise tax. ABC follows FASB ASC Topic 740, Income Taxes, in reporting deferred income taxes which requires that a company recognize deferred tax liabilities and assets for the expected future income tax consequences of events that have been recognized in the company's consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse. There were no deferred tax assets/liabilities recognized at August 31, 2018.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ABC's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally 3 years after the filing of the tax return. ABC determined that its tax position will more than likely be sustained upon examination by the Internal Revenue Service or other State taxing authorities. There were no penalties or interest related to income taxes recorded during the year ended August 31, 2018.

M. Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

N. 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 and 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 Organization's investments in money market mutual funds were classified as Level 1.

The fair value of the Organization's cash and cash equivalents, due from government agencies, payables, deferred expenses, and other receivables approximates the carrying amounts of such instruments due to their short-term maturity. The fair value of the debt approximates the carrying amount because the rate and terms currently available to the Organization approximate the rate and terms on the existing debt.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

II. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at August 31, 2018 consists of the following:

Cash and Cash Equivalents

Cash in Bank	\$	7,789,391
Cash Equivalents		
Certificates of Deposit		1,062,502
Money Market Mutual Funds		
PIMCO Class C		97,999
BBIF Money Fund Class III		33,818
Total	\$	<u>8,983,710</u>

Totals from Consolidated Statement of Financial Position

Cash and Cash Equivalents	\$	8,838,710
Cash – Restricted		<u>145,000</u>
Total	\$	<u>8,983,710</u>

Concentrations of Credit Risk – The Organization maintains cash in demand deposit accounts with federally insured banks. During the year, the balances in these accounts exceeded federally insured limits. The Organization also maintains two money market mutual fund accounts which are not insured or guaranteed by the FDIC or other government agency. Although the funds seek to preserve the value of the investment at \$1 per share, it is possible to lose money by investing in the fund. The Organization does not believe that it is exposed to any significant credit risk in connection with cash and cash equivalents or the extension of credit to its customers.

Restricted Cash – In accordance with an Assignment of Deposit/Share Account agreement, CDBC must maintain a minimum balance of \$145,000 in a certain savings account so long as the respective note payable is outstanding with the bank.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. PROPERTY AND EQUIPMENT

At August 31, 2018, property and equipment consists of the following:

	SAPI	Charter Schools	Total
Land	\$ 30,000	\$ 111,227	\$ 141,227
Buildings and Improvements	7,535,386	5,218,266	12,753,652
Furniture and Equipment	338,915	72,678	411,593
Vehicles	17,805	212,622	230,427
	7,922,106	5,614,793	13,536,899
Less: Accumulated Depreciation	(2,249,773)	(2,262,022)	(4,511,795)
	<u>\$ 5,672,333</u>	<u>\$ 3,352,771</u>	<u>\$ 9,025,104</u>

Depreciation expense totaled \$612,955 for the year ended August 31, 2018. Depreciation expense for SAPI and the Charter Schools were \$177,752 and \$435,203, respectively.

IV. NOTES PAYABLE

The Organization's long-term debt at August 31, 2018 consists of the following:

Note payable to BBVA Compass Bank, original amount of \$660,000, dated November 12, 2008, due in monthly installments of \$4,590 including interest at 3.25%, secured by land and building through November 12, 2023.	\$ 267,743
Note payable to Bank of America, original amount of \$512,459, dated October 25, 2005, due in monthly installments of \$4,563 including interest at 6.75%, secured by land and building through October 25, 2020.	109,955
Note payable to Bank of America, original amount of \$486,643, dated October 3, 2005 due in monthly installments of \$4,332 including interest at 6.75%, secured by land and building through October 31, 2020.	104,279
Note payable to Bank of America, original amount of \$118,174, dated October 31, 2005, due in monthly installments of \$1,060 including interest at 6.87%, secured by land and building through October 19, 2020.	25,521
Note payable to Falcon International Bank, original amount of \$440,000, dated November 17, 2003, due in monthly installments of \$3,860, including interest at 10.75%, secured by land and building through December 1, 2018.	109,941
Note payable to Comerica Bank, original amount of \$170,000 and dated April 20, 2004. This note was amended in fiscal year 2015 to a new amount of \$77,633, an interest rate of 6.1%, monthly installments of \$1,505, a maturity date extended from April 21, 2015 to 2020, and secured by land and building.	28,493

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

IV. NOTES PAYABLE (Continued)

Note payable to BBVA Compass Bank, originally dated November 4, 2010. This note was amended in fiscal year 2016 to a new amount of \$232,436, interest rate of 5.42%, monthly installments of \$2,522, a maturity date of 2025, and secured by land and building.	178,453
Note payable to Bank of America, original amount of \$203,050, dated July 24, 2007, due in monthly installments of \$1,895, including interest at 7.25% - 7.5%, secured by land and building through July 24, 2023.	93,028
Note payable to First Mark Credit Union, original amount of \$350,447 dated July 31, 2012, due in monthly installments of \$1,810 including interest at 3.75%, and secured by SAPI savings account. The original maturity date for the loan was December 15, 2016; however, this note was refinanced with Bank of America for a new amount of \$305,574 and to extend the maturity date to December 15, 2026, when the remaining outstanding principal and interest are due. The new note bears an interest rate of 3.65% and requires monthly payments of \$1,804. Collateral for the new loan is land and building.	296,231
Note Payable to Firstmark Credit Union, original amount of \$145,000 dated April 23, 2018, due in monthly installments of \$4,244, including interest at 3.4% secured by a guarantee of \$145,000 from SAPI through April 15, 2021.	129,519
Note Payable to Ruben Salazar, original amount of \$765,000 dated June 12, 2018, due in monthly installments of \$6,889, including interest at 8.65%, secured by land and building, through October 1, 2038. The interest accrued of \$8,984, from the start of the loan date to August 31, 2018, was added to principal.	773,984
Total Long-Term Debt	2,117,147
Less: Current Portion	(387,814)
Long-Term Portion	\$ 1,729,333

Future scheduled maturities of long-term debt are as follows:

Years Ending August 31,	Principal	Interest	Total
2019	\$ 387,814	\$ 111,532	\$ 499,346
2020	290,209	104,558	394,767
2021	175,221	90,857	266,123
2022	128,815	83,603	212,418
2023	133,995	76,517	210,512
Thereafter	1,001,093	585,809	1,586,902
	\$ 2,117,147	\$ 1,052,876	\$ 3,170,023

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

V. PENSION PLAN OBLIGATIONS

Plan Description

The Organization participates in a cost-sharing, multiple-employer defined benefit pension plan (Plan), administered by the Teacher Retirement System of Texas (TRS), with one exception: all risks and costs are not shared by the Organization, 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' annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701, by calling 1-800-223-8778, or by downloading the report from the TRS 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 school or independent school district (ISD) may be used for the benefit of an employee of another charter school or ISD. The risk of participating in multi-employer pension plans is different from single-employer plans. If a participating charter school or ISD stops contributing to the Plan, the unfunded obligations of the Plan gets passed along to the remaining charter schools and ISDs. There is not a withdrawal penalty for leaving the TRS system; and, there is no collective-bargaining agreement.

Legal Name of Plan	Texas Retirement System of Texas
Plan's Employer Identification Number	N/A
Total Plan Assets	\$176,942,454,000
Accumulated Benefit Obligations	\$209,611,328,797
Percentage Plan was Funded	73.74%
Expiration Date of Collective-Bargaining Agreement	N/A
Funding Improvement Plan or Rehabilitation Plan – Implemented or Pending	N/A

Information obtained from the TRS 2018 CAFR

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

V. PENSION PLAN OBLIGATIONS (Continued)

Funding Policy

Contribution requirements are not actuarially determined, but are established and amended by the Texas legislature, pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to TRS members during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the 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.

Under provisions in state law, plan members and the state are each required to contribute 7.7% and 6.8%, respectively, of the plan member's annual covered salary; and, in certain instances, the Organization is required to make all or a portion of the member's contribution and on the portion of the employees' salaries that exceed the statutory minimum. The following table shows contribution rates by type of contributor:

	Contribution Rates	
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

For the year ended August 31, 2018, the Organization contributed \$121,839, the required contributions for the year, on behalf of its employees to TRS, which included \$89,507 for Non-OASDI members. The State also contributes to TRS on behalf of charter school employees; however, these contributions are not recognized in the Organization's financial statements under FASB accounting. The Organization's contributions to the Plan did not represent more than 5% of the total contributions to the Plan. There have been no changes that would affect the comparison of employer contributions from year to year.

VI. OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The Organization participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan. TRS-Care is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575. TRS' annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701, by calling 1-800-223-8778, or by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publications heading.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

VI. OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3).

Eligible retirees and dependents enrolled in Medicare may elect to participate in one of two Medicare Health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

Funding Policy

Contribution rates for the TRS-Care plan are established in state statute by the Texas legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, school districts, and charter schools, based upon member's annual compensation. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the aggregate annual compensation paid to members during the fiscal year. Section 1575.203 establishes the active member's rate which is 0.65% of the member's annual compensation. Section 1575.204 establishes an employer contribution rate of not less than 0.25% and not more than 0.75% of the annual compensation of each active member. The actual employer contribution rate is prescribed by the Texas Legislature in the General Appropriations Act. The following table shows contribution rates to the TRS-Care plan by type of contributor:

	Contribution Rates	
	2017	2018
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding remitted by Employers	100%	1.25%

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

VI. OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

For the year ended August 31, 2018, the Organization contributed \$6,747, the required contributions for the year, on behalf of its employees to TRS. The State also contributes to TRS on behalf of charter school employees; however, these contributions are not recognized in the Organization's financial statements under FASB accounting.

VII. HEALTH CARE COVERAGE

During the year ended August 31, 2018, employees of the Organization were covered by TRS ActiveCare, a statewide health coverage program for public education employees established by the 77th Texas Legislature. The Organization contributed \$714 per employee, per month to the Plan, while the state contributed \$75 per employee, per month to the Plan. Employees, at their option, authorize payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers.

VIII. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the year ended August 31, 2018. Net assets released from restrictions relating to temporarily restricted net assets for the year ending August 31, 2018 is as follows:

	<u>2018</u>
Foundation School Program	\$ 9,781,813
Other State Programs	1,136,378
Federal Programs	<u>1,161,534</u>
Total	<u>\$ 12,079,725</u>

IX. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of functional expenses, which is included in the "Other Supplemental Information" section of this report. Accordingly, certain costs have been allocated among the programs and other activities benefited.

X. RELATED PARTY TRANSACTIONS

The Organization has adopted a policy which addresses transactions between board members of the government body and all related charter schools as well as transactions between affiliated charter schools. A copy of the policy is available for review at SAPI's corporate offices in San Antonio, Texas.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

X. RELATED PARTY TRANSACTIONS (Continued)

RENTAL COSTS

The charter schools reimbursed SAPI, ABC, and CDBC for certain costs in accordance with its cost allocation plan for its use of buildings and for corporate activities related to Charter operations. Total payments during the current year were \$170,552 from Paso Del Norte Academy; \$169,010 from Gateway Academy; \$165,511 from Mid Valley Academy; and, \$62,099 from South Plains Academy. During the year SAPI paid ABC \$28,268 in rent. These payments, which total \$595,440 and constitute related party transactions, have been eliminated from revenues and expenses in the consolidated statement of activities. As of August 31, 2018, \$17,263 was due to the charter schools from SAPI/ABC; and, \$5,000 was due to CDBC from Mid Valley Academy, for rental costs. These amounts constitute related party transactions and have been eliminated from the consolidated statement of financial position.

CONSTRUCTION COSTS

In May 2016, two buildings on the Gateway Academy campus sustained damage due to high winds in the area. One of the buildings was an asset of Gateway Academy and the other was an asset of SAPI. Because immediate repairs to the buildings were needed for operation, repairs were determined to be an emergency. To expedite repairs, it was determined that Gateway Academy would solely handle the project, including negotiations with the insurance company, and payment of all related expenses until reimbursed by the insurance company. The majority of the costs for all repairs have been recovered by insurance proceeds, with the exception of \$210,441, which is recorded as a receivable within the Other Receivables line item in the consolidated statement of financial position. Management anticipates this amount to be fully recovered through insurance proceeds.

COMMUNITY DEVELOPMENT BUILDING CORPORATION

SAPI transferred \$145,000 of nonpublic corporate funds to CDBC in accordance with CDBC's Assignment with Deposit/Share Account agreement with Firstmark Credit Union. CDBC must maintain a minimum balance of \$145,000 so long as the note payable is outstanding with the bank. As of August 31, 2018, the \$145,000 is due to SAPI from CDBC and has been eliminated from the consolidated financial statements.

XI. CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended August 31, 2018

XI. CONTINGENCIES (Continued)

Grants

The Organization 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 TEA 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 Organization have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by TEA or other grantor agencies. Management is of the opinion that no material liability will result from such audits.

XII. REGULATED INDUSRY

The majority of the Organization's activities and revenues are as a result of contracts with TEA and its operations are concentrated in the education field. As such, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

OTHER SUPPLEMENTAL INFORMATION

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Schedule of Functional Expenses

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended August 31, 2018

EXPENSES	Student Alternatives Program, Inc.		
	Program Services	Administrative and General	Total
Bank Charges	\$ -	\$ 689	\$ 689
Contracted Services - Miscellaneous	-	1,745.00	1,745.00
Depreciation & Amortization	-	177,752	177,752
Equipment & Facilities Rental	-	-	-
Insurance	-	46,889	46,889
Interest	-	85,289	85,289
Materials and Supplies	15,981	1,791	17,772
Payroll Taxes & Employee Benefits	1,375	56,098	57,473
Postage	-	1,636	1,636
Professional Services	21,225	29,608	50,833
Rent	9,656	41,026	50,682
Repairs & Maintenance	-	23,526	23,526
Salaries	119,161	108,028	227,189
Telephone	-	4,496	4,496
Travel	-	20,181	20,181
Utilities	-	21,396	21,396
Other Taxes	-	59,148	59,148
Miscellaneous	25,201	9,148	34,349
Total Expenses	\$ 192,599	\$ 688,446	\$ 881,045

Charter Schools			
Program Services	Administrative and General	Total	Grand Total
\$ -	\$ -	\$ -	\$ 689
9,012	597,265	606,277	608,022
382,377	52,826	435,203	612,955
-	-	-	-
-	277,121	277,121	324,010
-	-	-	85,289
477,689	135,510	613,199	630,971
1,172,506	411,614	1,584,120	1,641,593
-	-	-	1,636
407,282	412,104	819,386	870,219
56,083	285,824	341,907	392,589
-	-	-	23,526
5,093,693	1,472,574	6,566,267	6,793,456
-	-	-	4,496
222,995	97,642	320,637	340,818
-	501,284	501,284	522,680
-	-	-	59,148
116,139	124,749	240,888	275,237
<u>\$ 7,937,776</u>	<u>\$ 4,368,513</u>	<u>\$ 12,306,289</u>	<u>\$ 13,187,334</u>

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Consolidating Statements – Corporations

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CORPORATIONS

August 31, 2018

	Student Alternatives Program, Inc.	Community Development Buildings Corp.	Eliminations	Consolidated Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,312,380	\$ 27,563	\$ -	\$ 1,339,943
Cash - Restricted	-	145,000	-	145,000
Grants Receivable	-	-	-	-
Other Receivables	170,895	5,000	(145,000)	30,895
Deferred Expenses	2,320	-	-	2,320
Due from Related Entity	-	-	-	-
Total Current Assets	<u>1,485,595</u>	<u>177,563</u>	<u>(145,000)</u>	<u>1,518,158</u>
Property, Plant & Equipment, Net	<u>4,790,565</u>	<u>881,768</u>	<u>-</u>	<u>5,672,333</u>
Total Assets	<u>\$ 6,276,160</u>	<u>\$ 1,059,331</u>	<u>\$ (145,000)</u>	<u>\$ 7,190,491</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ -	\$ 43,671	\$ -	\$ 43,671
Payroll Deductions and Withholdings	59,712	-	-	59,712
Accrued Wages	-	-	-	-
Due to State	-	-	-	-
Other Liabilities - Current	-	-	-	-
Accrued Expenses	-	-	-	-
Due to Related Entity	17,263	-	-	17,263
Current Portion of Long-Term Debt	327,918	59,896	-	387,814
Total Current Liabilities	<u>404,893</u>	<u>103,567</u>	<u>-</u>	<u>508,460</u>
Non-Current Liabilities				
Long-Term Debt, Less Current Portion	<u>885,727</u>	<u>988,606</u>	<u>(145,000)</u>	<u>1,729,333</u>
Total Non-Current Liabilities	<u>885,727</u>	<u>988,606</u>	<u>(145,000)</u>	<u>1,729,333</u>
Total Liabilities	<u>1,290,620</u>	<u>1,092,173</u>	<u>(145,000)</u>	<u>2,237,793</u>
Net Assets				
Unrestricted				
Available for Operations	4,985,540	(32,842)	-	4,952,698
Total Unrestricted	<u>4,985,540</u>	<u>(32,842)</u>	<u>-</u>	<u>4,952,698</u>
Temporarily Restricted				
Specific Purpose Funds	-	-	-	-
Total Temporarily Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>4,985,540</u>	<u>(32,842)</u>	<u>-</u>	<u>4,952,698</u>
Total Liabilities and Net Assets	<u>\$ 6,276,160</u>	<u>\$ 1,059,331</u>	<u>\$ (145,000)</u>	<u>\$ 7,190,491</u>

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

CONSOLIDATING STATEMENT OF ACTIVITIES - CORPORATIONS

Year Ended August 31, 2018

	Student Alternatives Program, Inc.	Community Development Buildings Corp.	Eliminations	Consolidated Total
	Unrestricted	Unrestricted		Total
REVENUES AND OTHER SUPPORT				
Support				
Contributions	\$ -	\$ 205	\$ -	\$ 205
Program Revenue	148,982	-	-	148,982
State Program Revenues	-	-	-	-
Federal Program Revenues	-	-	-	-
Fees and Other Revenue				
Other Revenues from Local Sources	1,372,292	5,202	-	1,377,494
Net Assets Released from Restrictions	-	-	-	-
Total Revenue and Other Support	1,521,274	5,407	-	1,526,681
EXPENSES				
Program Services				
General School Operations	192,599	-	-	192,599
Public Charter Schools	-	-	-	-
Support Services				
Administrative and General	650,197	38,249	-	688,446
Total Expenses	842,796	38,249	-	881,045
Change in Net Assets	678,478	(32,842)	-	645,636
Net Assets, Beginning of Year	4,307,062	-	-	4,307,062
Net Assets, End of Year	\$ 4,985,540	\$ (32,842)	\$ -	\$ 4,952,698

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

CONSOLIDATING STATEMENT OF CASH FLOWS - CORPORATIONS

Year Ended August 31, 2018

	Student Alternatives Program, Inc.	Community Development Buildings Corp.	Eliminations	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Contributions	\$ -	\$ -	\$ -	\$ -
Foundation School Program Payments	-	-	-	-
Grant Payments	-	-	-	-
Program Revenues Received	148,983	-	-	148,983
Other Revenue Received	1,450,752	407	-	1,451,159
Payments to Vendors for Goods and Services Rendered	(1,076,017)	(23,674)	-	(1,099,691)
Payments to Personnel for Services Rendered	(287,783)	-	-	(287,783)
Net Cash Provided (Used) by Operating Activities	<u>235,935</u>	<u>(23,267)</u>	<u>-</u>	<u>212,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Fixed Assets	-	(852,672)	-	(852,672)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(852,672)</u>	<u>-</u>	<u>(852,672)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Notes/Loan Payable	-	910,000	-	910,000
Loan Guaranty	(145,000)	145,000	-	-
Payment on Notes Payable	(243,612)	(6,498)	-	(250,110)
Net Cash Provided (Used) by Financing Activities	<u>(388,612)</u>	<u>1,048,502</u>	<u>-</u>	<u>659,890</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(152,677)</u>	<u>172,563</u>	<u>-</u>	<u>19,886</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,465,057</u>	<u>-</u>	<u>-</u>	<u>1,465,057</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,312,380</u>	<u>\$ 172,563</u>	<u>\$ -</u>	<u>\$ 1,484,943</u>
Reconciliation to Statement of Financial Position				
Cash and Cash Equivalents	\$ 1,312,380	\$ 27,563	\$ -	\$ 1,339,943
Restricted Cash and Cash Equivalents	-	145,000	-	145,000
Total Cash and Cash Equivalents	<u>\$ 1,312,380</u>	<u>\$ 172,563</u>	<u>\$ -</u>	<u>\$ 1,484,943</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Change in Net Assets	\$ 678,478	\$ (32,842)	\$ -	\$ 645,636
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities				
Depreciation Expense	170,653	7,099	-	177,752
(Increase)/Decrease in Assets				
Grants Receivable	-	-	-	-
Other Receivables	78,460	(5,000)	-	73,460
Deferred Expenses	1	-	-	1
Due from Related Entity	-	-	(986)	(986)
Increase/(Decrease) in Liabilities				
Accounts Payable	-	7,476	-	7,476
Payroll Deductions and Withholdings	(3,120)	-	-	(3,120)
Accrued Wages	-	-	-	-
Due to State	-	-	-	-
Other Liabilities - Current	-	-	-	-
Accrued Expenses	-	-	-	-
Due to Related Entity	(688,537)	-	986	(687,551)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 235,935</u>	<u>\$ (23,267)</u>	<u>\$ -</u>	<u>\$ 212,668</u>
Supplemental Disclosure				
Interest Paid	<u>\$ 74,812</u>	<u>\$ 10,477</u>	<u>\$ -</u>	<u>\$ 85,289</u>

Statements of Financial Position

GATEWAY ACADEMY CHARTER SCHOOL
Laredo, Texas

STATEMENT OF FINANCIAL POSITION

August 31, 2018

	<u>Gateway Academy</u>
ASSETS	
Current Assets	
Cash	\$ 2,397,997
Grants Receivable	489,164
Other Receivables	210,441
Due from Other Districts	-
Due from Student Alternative Program, Inc.	17,263
Total Current Assets	<u>3,114,865</u>
Fixed Assets	
Land	97,720
Buildings and Improvements	4,368,310
Vehicles	100,944
Equipment	25,237
Accumulated Depreciation	(2,070,437)
Total Fixed Assets, Net	<u>2,521,774</u>
Total Assets	<u><u>\$ 5,636,639</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 26,231
Payroll Deductions and Withholdings	4,023
Accrued Wages	100,614
Other Liabilities - Current	1,261
Due to Other Districts	-
Total Current Liabilities	<u>132,129</u>
Net Assets	
Unrestricted	
Available for Operations	-
Total Unrestricted	<u>-</u>
Temporarily Restricted	
Specific Purpose Funds	5,504,510
Total Temporarily Restricted	<u>5,504,510</u>
Total Liabilities and Net Assets	<u><u>\$ 5,636,639</u></u>

MID VALLEY ACADEMY CHARTER SCHOOL
McAllen, Texas

STATEMENT OF FINANCIAL POSITION

August 31, 2018

	Mid Valley Academy
ASSETS	
Current Assets	
Cash	\$ 1,157,454
Grants Receivables	348,358
Other Receivables	-
Due from Other Districts	-
Total Current Assets	1,505,812
Fixed Assets	
Buildings and Improvements	597,137
Vehicles	94,763
Equipment	21,929
Accumulated Depreciation	(77,320)
Total Fixed Assets, Net	636,509
Total Assets	\$ 2,142,321
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 194,872
Payroll Deductions and Withholdings	-
Accrued Wages	65,653
Due to State	759
Other Liabilities - Current	-
Accrued Expenses	-
Due to Other Districts	-
Total Current Liabilities	261,284
Net Assets	
Unrestricted	
Available for Operations	-
Total Unrestricted	-
Temporarily Restricted	
Specific Purpose Funds	1,881,037
Total Temporarily Restricted	1,881,037
Total Liabilities and Net Assets	\$ 2,142,321

PASO DEL NORTE ACADEMY CHARTER SCHOOL
El Paso, Texas

STATEMENT OF FINANCIAL POSITION

August 31, 2018

	Paso Del Norte Academy
ASSETS	
Current Assets	
Cash	\$ 2,660,703
Grants Receivables	215,199
Due from Other Districts	-
Total Current Assets	2,875,902
Fixed Assets	
Land	13,507
Buildings and Improvements	227,892
Equipment	14,562
Accumulated Depreciation	(102,380)
Total Fixed Assets, Net	153,581
Total Assets	\$ 3,029,483
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 5,730
Payroll Deductions and Withholdings	1,411
Accrued Wages	60,601
Other Liabilities - Current	195
Accrued Expenses	1,437
Due to Other Districts	-
Total Current Liabilities	69,374
Net Assets	
Unrestricted	
Available for Operations	-
Total Unrestricted	-
Temporarily Restricted	
Specific Purpose Funds	2,960,109
Total Temporarily Restricted	2,960,109
Total Liabilities and Net Assets	\$ 3,029,483

SOUTH PLAINS ACADEMY CHARTER SCHOOL
Lubbock, Texas

STATEMENT OF FINANCIAL POSITION

August 31, 2018

	South Plains Academy
ASSETS	
Current Assets	
Cash	\$ 1,282,613
Grants Receivables	203,982
Due from Other Districts	-
Total Current Assets	1,486,595
Fixed Assets	
Buildings and Improvements	24,927
Vehicles	16,915
Equipment	10,950
Accumulated Depreciation	(11,885)
Total Fixed Assets, Net	40,907
Total Assets	\$ 1,527,502
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 16,481
Payroll Deductions and Withholdings	-
Accrued Wages	54,747
Other Liabilities - Current	516
Accrued Expenses	377
Due to Other Districts	-
Total Current Liabilities	72,121
Net Assets	
Unrestricted	
Available for Operations	-
Total Unrestricted	-
Temporarily Restricted	
Specific Purpose Funds	1,455,381
Total Temporarily Restricted	1,455,381
Total Liabilities and Net Assets	\$ 1,527,502

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Statements of Activities

GATEWAY ACADEMY CHARTER SCHOOL
Laredo, Texas

STATEMENT OF ACTIVITIES

Year Ended August 31, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Local Support			
5740 Other Revenues from Local Sources	\$ 221,968	\$ -	\$ 221,968
5760 Revenues from Intermediate Sources	-	-	-
State Program Revenues			
5810 Foundation School Program Act Revenues	-	2,954,346	2,954,346
5820 State Program Revenues Distributed by Texas Education Agency	-	65,536	65,536
Total State Program Revenues and Local Support	221,968	3,019,882	3,241,850
Federal Program Revenue			
5920 Teacher Incentive Fund - Project Rise	-	117,835	117,835
5920 ESEA, Title I Part A - Improving Basic Programs	-	221,788	221,788
5920 IDEA, Part B - Formula	-	157,408	157,408
5920 ESEA, Title II, Part A: TPTR	-	4,658	4,658
5920 Title IV, Part A - SSAFE	-	7,134	7,134
Total Federal Program Revenues	-	508,823	508,823
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	3,877,717	(3,877,717)	-
Total Revenue and Other Support	4,099,685	(349,012)	3,750,673
EXPENSES			
Program Services			
11 Instruction	2,027,346	-	2,027,346
12 Instructional Resources and Media Services	-	-	-
13 Curriculum Development and Instructional Staff Development	40,429	-	40,429
21 Instructional Leadership	-	-	-
23 School Leadership	641,425	-	641,425
31 Guidance, Counseling and Evaluation Services	155,117	-	155,117
32 Social Work Services	68,774	-	68,774
33 Health Services	35,461	-	35,461
34 Student (Pupil) Transportation	1,048	-	1,048
35 Food Services	8,237	-	8,237
36 Cocurricular/Extracurricular Activities	-	-	-
41 General Administration	348,678	-	348,678
51 Plant Maintenance and Operations	563,776	-	563,776
52 Security and Monitoring Services	62,322	-	62,322
53 Data Processing Services	102,791	-	102,791
61 Community Services	44,281	-	44,281.00
81 Fund Raising	-	-	-
Total Expenses	4,099,685	-	4,099,685
Change in Net Assets	-	(349,012)	(349,012)
Net Assets, Beginning of Year	-	5,853,522	5,853,522
Net Assets, End of Year	\$ -	\$ 5,504,510	\$ 5,504,510

MID VALLEY ACADEMY CHARTER SCHOOL
McAllen, Texas

STATEMENT OF ACTIVITIES

Year Ended August 31, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Local Support			
5740 Other Revenues from Local Sources	\$ 1,532	\$ -	\$ 1,532.00
5760 Revenues from Intermediate Sources	-	-	-
State Program Revenues			
5810 Foundation School Program Act Revenues	-	3,276,027	3,276,027
5820 State Program Revenues Distributed by Texas Education Agency	-	71,673	71,673
Total State Program Revenues and Local Support	1,532.00	3,347,700	3,349,232
Federal Program Revenue			
5919 E-Rate Revenue	-	-	-
5920 Teacher Incentive Fund - Project Rise	-	160,169	160,169
5920 ESEA, Title I Part A - Improving Basic Programs	-	134,591	134,591
5920 IDEA, Part B - Formula	-	61,355	61,355
5920 ESEA, Title II, Part A: TPTR	-	3,339	3,339
5920 Title IV, Part A - SSAE	-	5,672	5,672
Total Federal Program Revenues	-	365,126	365,126
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	3,879,720	(3,879,720)	-
Total Revenue and Other Support	3,881,252	(166,894)	3,714,358
EXPENSES			
Program Services			
11 Instruction	1,689,604	-	1,689,604
12 Instructional Resources and Media Services	-	-	-
13 Curriculum Development and Instructional Staff Development	61,776	-	61,776
21 Instructional Leadership	-	-	-
23 School Leadership	735,895	-	735,895
31 Guidance, Counseling and Evaluation Services	176,035	-	176,035
32 Social Work Services	108,343	-	108,343
33 Health Services	-	-	-
34 Student (Pupil) Transportation	4,598	-	4,598.00
35 Food Services	39,569	-	39,569
36 Cocurricular/Extracurricular Activities	-	-	-
41 General Administration	316,402	-	316,402
51 Plant Maintenance and Operations	586,223	-	586,223
52 Security and Monitoring Services	16,390	-	16,390
53 Data Processing Services	123,111	-	123,111
61 Community Services	23,306	-	23,306
81 Fund Raising	-	-	-
Total Expenses	3,881,252	-	3,881,252
Change in Net Assets	-	(166,894)	(166,894)
Net Assets, Beginning of Year	-	2,047,931	2,047,931
Net Assets, End of Year	\$ -	\$ 1,881,037	\$ 1,881,037

PASO DEL NORTE ACADEMY CHARTER SCHOOL
El Paso, Texas

STATEMENT OF ACTIVITIES

Year Ended August 31, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Local Support			
5740 Other Revenues from Local Sources	\$ 1,532	\$ -	\$ 1,532
5760 Revenues from Intermediate Sources	-	-	-
State Program Revenues			
5810 Foundation School Program Act Revenues	-	2,058,017	2,058,017
5820 State Program Revenues Distributed by Texas Education Agency	-	4,807	4,807
Total State Program Revenues and Local Support	<u>1,532</u>	<u>2,062,824</u>	<u>2,064,356</u>
Federal Program Revenue			
5920 ESEA, Title I Part A - Improving Basic Programs	-	82,690	82,690
5920 IDEA, Part B - Formula	-	37,328	37,328
5920 ESEA, Title II, Part A: TPTR	-	3,419	3,419
5920 Title IV, Part A - SSAE	-	4,126	4,126.00
Total Federal Program Revenues	<u>-</u>	<u>127,563</u>	<u>127,563</u>
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	<u>2,304,365</u>	<u>(2,304,365)</u>	<u>-</u>
Total Revenue and Other Support	<u>2,305,897</u>	<u>(113,978)</u>	<u>2,191,919</u>
EXPENSES			
Program Services			
11 Instruction	987,733	-	987,733
12 Instructional Resources and Media Services	-	-	-
13 Curriculum Development and Instructional Staff Development	34,752	-	34,752
21 Instructional Leadership	-	-	-
23 School Leadership	507,694	-	507,694
31 Guidance, Counseling and Evaluation Services	70,472	-	70,472
32 Social Work Services	50,777	-	50,777
33 Health Services	5,920	-	5,920
34 Student (Pupil) Transportation	-	-	-
35 Food Services	925	-	925
36 Cocurricular/Extracurricular Activities	-	-	-
41 General Administration	207,911	-	207,911
51 Plant Maintenance and Operations	336,406	-	336,406
52 Security and Monitoring Services	33,996	-	33,996
53 Data Processing Services	68,336	-	68,336
61 Community Services	975	-	975
81 Fund Raising	-	-	-
Total Expenses	<u>2,305,897</u>	<u>-</u>	<u>2,305,897</u>
Change in Net Assets	-	(113,978)	(113,978)
Net Assets, Beginning of Year	<u>-</u>	<u>3,074,087</u>	<u>3,074,087</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 2,960,109</u>	<u>\$ 2,960,109</u>

SOUTH PLAINS ACADEMY CHARTER SCHOOL
Lubbock, Texas

STATEMENT OF ACTIVITIES

Year Ended August 31, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Local Support			
5740 Other Revenues from Local Sources	\$ 1,532	\$ -	\$ 1,532
5760 Revenues from Intermediate Sources	-	-	-
State Program Revenues			
5810 Foundation School Program Act Revenues	-	1,919,596	1,919,596
5820 State Program Revenues Distributed by Texas Education Agency	-	-	-
Total State Program Revenues and Local Support	1,532	1,919,596	1,921,128
Federal Program Revenue			
5919 E-Rate Revenue	-	8,828	8,828
5920 ESEA, Title I Part A - Improving Basic Programs	-	95,784	95,784
5920 IDEA, Part B - Formula	-	43,030	43,030
5920 ESEA, Title II, Part A: TPTR	-	7,334	7,334
5920 Title IV, Part A - SSAE	-	5,046	5,046
Total Federal Program Revenues	-	160,022	160,022
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	2,017,923	(2,017,923)	-
Total Revenue and Other Support	2,019,455	61,695	2,081,150
EXPENSES			
Program Services			
11 Instruction	829,291	-	829,291
12 Instructional Resources and Media Services	-	-	-
13 Curriculum Development and Instructional Staff Development	29,539	-	29,539
21 Instructional Leadership	-	-	-
23 School Leadership	352,292	-	352,292
31 Guidance, Counseling and Evaluation Services	123,388	-	123,388
32 Social Work Services	36,036	-	36,036
33 Health Services	3,387	-	3,387
34 Student (Pupil) Transportation	74	-	74
35 Food Services	11,751	-	11,751
36 Cocurricular/Extracurricular Activities	-	-	-
41 General Administration	207,442	-	207,442
51 Plant Maintenance and Operations	298,062	-	298,062
52 Security and Monitoring Services	6,200	-	6,200
53 Data Processing Services	70,456	-	70,456
61 Community Services	51,537	-	51,537
81 Fund Raising	-	-	-
Total Expenses	2,019,455	-	2,019,455
Change in Net Assets	-	61,695	61,695
Net Assets, Beginning of Year	-	1,393,686	1,393,686
Net Assets, End of Year	\$ -	\$ 1,455,381	\$ 1,455,381

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Statements of Cash Flows

GATEWAY ACADEMY CHARTER SCHOOL
Laredo, Texas

STATEMENT OF CASH FLOWS

Year Ended August 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation School Program Payments	\$ 2,972,878
Grant Payments	508,823
Other Local Revenues	1,003,855
Payments to Vendors for Goods and Services Rendered	(1,873,235)
Payments to Charter School Personnel for Services Rendered	(2,637,037)
Net Cash (Used) Provided by Operating Activities	(24,716)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Payments on Behalf of Related Entity	-
Purchases of Fixed Assets	-
Net Cash (Used) Provided by Investing Activities	-
 CASH FLOWS FROM FINANCING ACTIVITIES	
Cash Payments Made to Other Districts	(98,249)
Cash Received from Other Districts	79,171
Net Cash (Used) Provided by Financing Activities	(19,078)
Increase (Decrease) in Cash and Cash Equivalents	(43,794)
Cash and Cash Equivalents, Beginning of Year	2,441,791
Cash and Cash Equivalents, End of Year	\$ 2,397,997
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	\$ (349,012)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation Expense	354,821
(Increase)/Decrease in Assets	
Grant Receivable	(47,004)
Other Receivables	93,350
Deferred Expenses	-
Due from Student Alternatives Programs, Inc.	688,537
Increase/(Decrease) in Liabilities	
Accounts Payable	(778,300)
Payroll Deductions and Withholdings	(6,486)
Accrued Wages	19,378
Other Liabilities - Current	-
Accrued Expenses	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	\$ (24,716)

MID VALLEY ACADEMY CHARTER SCHOOL
McAllen, Texas

STATEMENT OF CASH FLOWS

Year Ended August 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation School Program Payments	\$ 3,255,986
Grant Payments	362,753
Other Local Revenues	1,532
Payments to Vendors for Goods and Services Rendered	(1,244,738)
Payments to Charter School Personnel for Services Rendered	(2,496,222)
Net Cash (Used) Provided by Operating Activities	<u>(120,689)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	<u>(583,348)</u>
Net Cash (Used) Provided by Investing Activities	<u>(583,348)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Cash Payments Made to Other Districts	73,918
Cash Received from Other Districts	<u>(37,353)</u>
Net Cash (Used) Provided by Financing Activities	<u>36,565</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(667,472)</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,824,926</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,157,454</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	\$ (166,894)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation Expense	55,508
(Increase)/Decrease in Assets	
Grant Receivable	(91,714)
Other Receivables	2,205
Deferred Expenses	-
Increase/(Decrease) in Liabilities	
Accounts Payable	63,009
Payroll Deductions and Withholdings	(5,005)
Accrued Wages	25,095
Due to State	-
Other Liabilities - Current	(2,373)
Accrued Expenses	<u>(520)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (120,689)</u>

PASO DEL NORTE ACADEMY CHARTER SCHOOL
El Paso, Texas

STATEMENT OF CASH FLOWS

Year Ended August 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation School Program Payments	\$ 1,996,336
Grant Payments	127,563
Other Local Revenues	1,532
Payments to Vendors for Goods and Services Rendered	(754,648)
Payments to Charter School Personnel for Services Rendered	(1,593,220)
Net Cash (Used) Provided by Operating Activities	<u>(222,437)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	<u>(13,507)</u>
Net Cash (Used) Provided by Investing Activities	<u>(13,507)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Cash Payments Made to Other Districts	14,881
Cash Received from Other Districts	(20,084)
Net Cash (Used) Provided by Financing Activities	<u>(5,203)</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(241,147)</u>
Cash and Cash Equivalents, Beginning of Year	<u>2,901,850</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,660,703</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	\$ (113,978)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation Expense	18,932
(Increase)/Decrease in Assets	
Grants Receivable	(66,488)
Deferred Expenses	-
Increase/(Decrease) in Liabilities	
Accounts Payable	(64,441)
Payroll Deductions and Withholdings	(9,136)
Accrued Wages	12,428
Other Liabilities - Current	-
Accrued Expenses	<u>246</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (222,437)</u>

SOUTH PLAINS ACADEMY CHARTER SCHOOL
Lubbock, Texas

STATEMENT OF CASH FLOWS

Year Ended August 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation School Program Payments	\$ 1,870,650
Grant Payments	160,022
Other Local Revenues	1,532
Payments to Vendors for Goods and Services Rendered	(659,892)
Payments to Charter School Personnel for Services Rendered	(1,367,688)
Net Cash (Used) Provided by Operating Activities	4,624
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	-
Net Cash (Used) Provided by Investing Activities	-
 CASH FLOWS FROM FINANCING ACTIVITIES	
Cash Payments Made to Other Districts	12,182
Cash Received from Other Districts	(24,490)
Net Cash (Used) Provided by Financing Activities	(12,308)
Increase (Decrease) in Cash and Cash Equivalents	(7,684)
Cash and Cash Equivalents, Beginning of Year	1,290,297
Cash and Cash Equivalents, End of Year	\$ 1,282,613
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	\$ 61,695
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities	
Depreciation Expense	5,943
(Increase)/Decrease in Assets	
Grants Receivable	(48,946)
Deferred Expenses	-
Increase/(Decrease) in Liabilities	
Accounts Payable	(34,495)
Payroll Deductions and Withholdings	(3,416)
Accrued Wages	23,362
Accrued Expenses	481
Other Liabilities - Current	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	\$ 4,624

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Schedules of Expenses by Object Code

GATEWAY ACADEMY CHARTER SCHOOL
Laredo, Texas

SCHEDULE OF EXPENSES BY OBJECT CODE

Years Ended August 31, 2018 and 2017

		Totals	
		2018	2017
EXPENSES			
6100	Payroll Costs	\$ 2,649,929	\$ 2,409,047
6200	Professional and Contracted Services	701,561	741,171
6300	Supplies and Materials	177,718	151,183
6400	Other Operating Costs	570,477	517,112
6500	Debt	-	-
Total Expenses		<u>\$ 4,099,685</u>	<u>\$ 3,818,513</u>

MID VALLEY ACADEMY CHARTER SCHOOL
McAllen, Texas

SCHEDULE OF EXPENSES BY OBJECT CODE

Years Ended August 31, 2018 and 2017

		Totals	
		2018	2017
EXPENSES			
6100	Payroll Costs	\$ 2,516,312	\$ 2,119,867
6200	Professional and Contracted Services	744,955	729,020
6300	Supplies and Materials	298,121	265,213
6400	Other Operating Costs	321,864	265,451
6500	Debt	-	-
Total Expenses		<u>\$ 3,881,252</u>	<u>\$ 3,379,551</u>

PASO DEL NORTE ACADEMY CHARTER SCHOOL
El Paso, Texas

SCHEDULE OF EXPENSES BY OBJECT CODE

Years Ended August 31, 2018 and 2017

		Totals	
		2018	2017
EXPENSES			
6100	Payroll Costs	\$ 1,596,512	\$ 1,501,324
6200	Professional and Contracted Services	506,484	482,774
6300	Supplies and Materials	50,012	79,631
6400	Other Operating Costs	152,889	151,369
6500	Debt	-	-
Total Expenses		<u>\$ 2,305,897</u>	<u>\$ 2,215,098</u>

SOUTH PLAINS ACADEMY CHARTER SCHOOL
Lubbock, Texas

SCHEDULE OF EXPENSES BY OBJECT CODE

Years Ended August 31, 2018 and 2017

		Totals	
		2018	2017
EXPENSES			
6100	Payroll Costs	\$ 1,387,634	\$ 1,336,446
6200	Professional and Contracted Services	405,783	371,409
6300	Supplies and Materials	93,050	113,233
6400	Other Operating Costs	132,988	115,288
6500	Debt	-	-
Total Expenses		<u>\$ 2,019,455</u>	<u>\$ 1,936,376</u>

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Schedules of Capital Assets

GATEWAY ACADEMY CHARTER SCHOOL
Laredo, Texas

SCHEDULE OF CAPITAL ASSETS

Year Ended August 31, 2018

		Ownership Interest		
		Local	State	Federal
1510	Land and Improvements	\$ -	\$ 97,720	\$ -
1520	Building and Improvements	-	4,022,185	346,125
1531	Vehicles	-	100,944	-
1539	Furniture and Equipment	-	17,137	8,100
Total Property and Equipment		<u>\$ -</u>	<u>\$ 4,237,986</u>	<u>\$ 354,225</u>

MID VALLEY ACADEMY CHARTER SCHOOL
McAllen, Texas

SCHEDULE OF CAPITAL ASSETS

Year Ended August 31, 2018

		Ownership Interest		
		Local	State	Federal
1510	Land and Improvements	\$ -	\$ -	\$ -
1520	Building and Improvements	-	597,137	-
1531	Vehicles	-	94,763	-
1539	Furniture and Equipment	-	21,929	-
Total Property and Equipment		\$ -	\$ 713,829	\$ -

PASO DEL NORTE ACADEMY CHARTER SCHOOL
El Paso, Texas

SCHEDULE OF CAPITAL ASSETS

Year Ended August 31, 2018

		Ownership Interest		
		Local	State	Federal
1510	Land and Improvements	\$ -	\$ 13,507	\$ -
1520	Building and Improvements	-	227,892	-
1531	Vehicles	-	-	-
1539	Furniture and Equipment	-	14,562	-
Total Property and Equipment		<u>\$ -</u>	<u>\$ 255,961</u>	<u>\$ -</u>

SOUTH PLAINS ACADEMY CHARTER SCHOOL
Lubbock, Texas

SCHEDULE OF CAPITAL ASSETS

Year Ended August 31, 2018

		<u>Ownership Interest</u>		
		<u>Local</u>	<u>State</u>	<u>Federal</u>
1510	Land and Improvements	\$ -	\$ -	\$ -
1520	Building and Improvements	-	24,927	-
1531	Vehicles	-	16,915	-
1539	Furniture and Equipment	-	10,950	-
Total Property and Equipment		<u>\$ -</u>	<u>\$ 52,792</u>	<u>\$ -</u>

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Budgetary Comparison Schedules

GATEWAY ACADEMY CHARTER SCHOOL
Laredo, Texas

BUDGETARY COMPARISON SCHEDULE

Year Ended August 31, 2018

REVENUES AND OTHER SUPPORT	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Local Support				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ 221,968	\$ 221,968 1
5760 Revenues from Intermediate Sources	-	-	-	-
State Program Revenues				
5810 Foundation School Program Act Revenues	3,572,960	3,318,882	2,954,346	(364,536) 2
5820 State Program Revenues Distributed by Texas Education Agency	84,212	48,000 3	65,536	17,536 4
Total State Program Revenues and Local Support	3,657,172	3,366,882	3,241,850	(125,032)
Federal Program Revenue				
5919 E-Rate Revenue	-	-	-	-
5920 Teacher Incentive Fund - Project Rise	84,058	130,882 5	117,835	(13,047) 5
5920 ESEA, Title I Part A - Improving Basic Programs	345,825	279,300 6	221,788	(57,512) 7
5920 IDEA, Part B - Formula	134,001	208,202 8	157,408	(50,794) 9
5920 ESEA, Title II, Part A: TPTR	10,715	5,200 10	4,658	(542) 10
5920 Title III, Part A, English Language Acquisition	6,705	5,794 11	-	(5,794) 11
5920 Title IV, Part A - SSAE	10,000	10,000	7,134	(2,866) 12
Total Federal Program Revenues	591,304	639,378	508,823	(130,555)
Net Assets Released from Restrictions				
Restrictions Satisfied by Payments	-	-	-	-
Total Revenue and Other Support	4,248,476	4,006,260	3,750,673	(255,587)
EXPENSES				
Program Services				
11 Instruction	1,950,325	1,662,247 13	2,027,346	(365,099) 13
12 Instructional Resources and Media Services	-	-	-	-
13 Curriculum Development and Instructional Staff Development	118,864	97,094 14	40,429	56,665 14
21 Instructional Leadership	-	-	-	-
23 School Leadership	662,791	662,791	641,425	21,366
31 Guidance, Counseling and Evaluation Services	187,594	143,500	155,117	(11,617)
32 Social Work Services	63,877	68,877 15	68,774	103
33 Health Services	32,407	34,407	35,461	(1,054)
34 Student (Pupil) Transportation	-	2,000 16	1,048	952
35 Food Services	17,500	12,500 17	8,237	4,263 17
36 Cocurricular/Extracurricular Activities	-	-	-	-
41 General Administration	321,257	321,257	348,678	(27,421)
51 Plant Maintenance and Operations	646,104	780,072 18	563,776	216,296 18
52 Security and Monitoring Services	79,856	64,849 19	62,322	2,527
53 Data Processing Services	119,237	104,003 20	102,791	1,212
61 Community Services	48,664	44,664	44,281.00	383
81 Fund Raising	-	-	-	-
Total Expenses	4,248,476	3,998,261	4,099,685	(101,424)
Change in Net Assets	-	7,999	(349,012)	(357,011)
Net Assets, Beginning of Year	5,853,522	5,853,522	5,853,522	-
Net Assets, End of Year	\$ 5,853,522	\$ 5,861,521	\$ 5,504,510	\$ (357,011)

(Continued)

GATEWAY ACADEMY CHARTER SCHOOL
Laredo, Texas

BUDGETARY COMPARISON SCHEDULE (Continued)

Year Ended August 31, 2018

Budget Variances Explanations

- (1) Interest revenue not factored in campus budgets.
- (2) Less revenue received due to very unpredictable enrollment/ADA due to our At-Risk student population.
- (3) Under budgeted EMAT funding in order to sustain a two year program.
- (4) Had to utilize more EMAT funding source to sustain end of year program.
- (5) Awarded TIP grant; entitlements were increased late in the year.
- (6) Entitlement less than anticipated budget reduced.
- (7) Expenditures reduced due to lack of funding revenue.
- (8) Entitlement increased. Unavailable to find staff needed. Funds not utilized.
- (9) Unavailable to find staff needed. Funds not utilized.
- (10) SSA funds reduced as per ESC entitlements.
- (11) SSA funds reduced as per ESC entitlements.
- (12) New grant received but was unable to utilize the full amount.
- (13) Decrease in funding due to low enrollment because of an At-Risk population. Depreciation expense was not factored in the initial budget.
- (14) Staff development provided through other funds. Allocations were reduced due to enrollment.
- (15) Reduced funding due to lack of enrollment.
- (16) Increased student transportation as needed throughout the year.
- (17) Reduced breakfast program due to lack of enrollment.
- (18) Roof repairs allocated in prior year. Depreciation expense was allocated to Instructional Facility.
- (19) Changed security services for better pricing. Contract was reduced.
- (20) Budget reduced as a transition in staffing allowed the district to save money in data processing expenditures.

MID VALLEY ACADEMY CHARTER SCHOOL
McAllen, Texas

BUDGETARY COMPARISON SCHEDULE

Year Ended August 31, 2018

REVENUES AND OTHER SUPPORT	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Local Support				
5740 Other Revenues from Local Sources	\$ -	\$ 1,000 1	\$ 1,532	\$ 532 1
5760 Revenues from Intermediate Sources	-	-	-	-
State Program Revenues				
5810 Foundation School Program Act Revenues	3,412,150	3,706,551	3,276,027	(430,524) 2
5820 State Program Revenues Distributed by Texas Education Agency	68,158	45,000 3	71,673	26,673 4
Total State Program Revenues and Local Support	3,480,308	3,752,551	3,349,232	(403,319)
Federal Program Revenue				
5919 E-Rate Revenue	-	-	-	-
5920 Teacher Incentive Fund - Project Rise	71,034	71,034	160,169	89,135 5
5920 ESEA, Title I Part A - Improving Basic Programs	138,040	134,536	134,591	55
5920 IDEA, Part B - Formula	72,293	88,266 6	61,355	(26,911) 7
5920 ESEA, Title II, Part A: TPTR	13,096	13,096	3,339	(9,757) 8
5920 Title III, Part A, English Language Acquisition	3,539	3,539	5,672	2,133 9
5920 Title IV, Part A - SSAE	10,000	10,000	5,672	(4,328) 10
Total Federal Program Revenues	308,002	320,471	365,126	50,327
Net Assets Released from Restrictions				
Restrictions Satisfied by Payments	-	-	-	-
Total Revenue and Other Support	3,788,310	4,073,022	3,714,358	(352,992)
EXPENSES				
Program Services				
11 Instruction	1,663,301	1,629,301	1,689,604	(60,303)
12 Instructional Resources and Media Services	-	-	-	-
13 Curriculum Development and Instructional Staff Development	89,973	100,927 11	61,776	39,151 11
21 Instructional Leadership	-	-	-	-
23 School Leadership	689,799	750,777	735,895	14,882
31 Guidance, Counseling and Evaluation Services	172,703	190,030 12	176,035	13,995
32 Social Work Services	104,755	119,755 12	108,343	11,412
33 Health Services	-	-	-	-
34 Student (Pupil) Transportation	-	-	4,598	(4,598) 13
35 Food Services	33,100	58,400 14	39,569	18,831 14
36 Cocurricular/Extracurricular Activities	-	-	-	-
41 General Administration	323,830	313,830	316,402	(2,572)
51 Plant Maintenance and Operations	533,411	733,411 15	586,223	147,188 15
52 Security and Monitoring Services	26,861	21,014 16	16,390	4,624 16
53 Data Processing Services	122,921	127,921	123,111	4,810
61 Community Services	27,656	27,656	23,306	4,350 17
81 Fund Raising	-	-	-	-
Total Expenses	3,788,310	4,073,022	3,881,252	191,770
Change in Net Assets	-	-	(166,894)	(161,222)
Net Assets, Beginning of Year	2,047,931	2,047,931	2,047,931	-
Net Assets, End of Year	\$ 2,047,931	\$ 2,047,931	\$ 1,881,037	\$ (161,222)

(Continued)

MID VALLEY ACADEMY CHARTER SCHOOL
McAllen, Texas

BUDGETARY COMPARISON SCHEDULE (Continued)

Year Ended August 31, 2018

Budget Variances Explanations

- (1) Interest revenue not factored in campus budgets.
- (2) Less revenue received due to very unpredictable enrollment/ADA due to our At-Risk student population.
- (3) Under budgeted EMAT funding in order to sustain a two year program.
- (4) Had to utilize more EMAT funding source to sustain end of year program.
- (5) Awarded TIP Grant; entitlements were increased late in the year.
- (6) Entitlement increased.
- (7) Unavailable to find staff needed. Funds not utilized.
- (8) SSA funds reduced as per ESC entitlements.
- (9) SSA funds reduced as per ESC entitlements.
- (10) New grant, new entitlement amount.
- (11) Staff development provided through other funds. Allocations were reduced due to enrollment.
- (12) Reduced funding due to lack of enrollment.
- (13) Increased student transportation as needed throughout the year.
- (14) Anticipated higher enrollment and increased budget. However, end of year enrollment dropped and breakfast program was reduced.
- (15) Budget was increased to account for end of year projects; however, lease improvements for new campus were overestimated.
- (16) Changed security services for better pricing. Contract was reduced.
- (17) Parental involvement expenditures were kept at a conservative level and were less than anticipated.

PASO DEL NORTE ACADEMY CHARTER SCHOOL
El Paso, Texas

BUDGETARY COMPARISON SCHEDULE

Year Ended August 31, 2018

REVENUES AND OTHER SUPPORT	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Local Support				
5740 Other Revenues from Local Sources	\$ -	\$ 1,000	\$ 1,532	\$ 532
5760 Revenues from Intermediate Sources	-	-	-	-
State Program Revenues				
5810 Foundation School Program Act Revenues	2,360,296	1,986,757	2,058,017	71,260
5820 State Program Revenues Distributed by Texas Education Agency	18,000	18,000	4,807	(13,193)
Total State Program Revenues and Local Support	2,378,296	2,005,757	2,064,356	58,599
Federal Program Revenue				
5920 School Breakfast Program	-	-	-	-
5920 ESEA, Title I Part A - Improving Basic Programs	86,792	90,248	82,690	(7,558)
5920 IDEA, Part B - Formula	37,713	42,018	37,328	(4,690)
5920 ESEA, Title II, Part A: TPTR	8,423	8,690	3,419	(5,271)
5920 Title III, Part A, English Language Acquisition	3,632	-	-	-
5920 Title IV, Part A - SSAE	10,000	10,000	4,126	(5,874)
Total Federal Program Revenues	146,560	150,956	127,563	(23,393)
Net Assets Released from Restrictions				
Restrictions Satisfied by Payments	-	-	-	-
Total Revenue and Other Support	2,524,856	2,156,713	2,191,919	35,206
EXPENSES				
Program Services				
11 Instruction	1,039,034	904,000	987,733	(83,733)
12 Instructional Resources and Media Services	-	-	-	-
13 Curriculum Development and Instructional Staff Development	53,655	57,051	34,752	22,299
21 Instructional Leadership	3,800	-	-	-
23 School Leadership	548,145	417,023	507,694	(90,671)
31 Guidance, Counseling and Evaluation Services	74,160	74,160	70,472	3,688
32 Social Work Services	53,553	53,553	50,777	2,776
33 Health Services	2,100	2,100	5,920	(3,820)
34 Student (Pupil) Transportation	-	1,000.00	-	1,000.00
35 Food Services	4,000	4,000	925	3,075
36 Cocurricular/Extracurricular Activities	-	-	-	-
41 General Administration	218,547	178,547	207,911	(29,364)
51 Plant Maintenance and Operations	401,137	351,137	336,406	14,731
52 Security and Monitoring Services	44,517	34,517	33,996	521
53 Data Processing Services	80,709	78,125	68,336	9,789
61 Community Services	1,500	1,500	975	525
81 Fund Raising	-	-	-	-
Total Expenses	2,524,857	2,156,713	2,305,897	(149,184)
Change in Net Assets	(1)	-	(113,978)	(113,978)
Net Assets, Beginning of Year	3,074,087	3,074,087	3,074,087	-
Net Assets, End of Year	\$ 3,074,086	\$ 3,074,087	\$ 2,960,109	\$ (113,978)

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PASO DEL NORTE ACADEMY CHARTER SCHOOL
El Paso, Texas

BUDGETARY COMPARISON SCHEDULE (Continued)

Year Ended August 31, 2018

Budget Variances Explanations

- (1) Interest revenue not factored in campus budgets.
- (2) Foundation revenue was originally overstated. Made budget modification based on final PEIMS data.
- (3) EMAT funding left to sustain a two year program.
- (4) Additional funding received and not enough time to account for all resources.
- (5) Certain anticipated expenditures did not qualify under the grant.
- (6) Grant did not materialize.
- (7) Certain anticipated expenditures did not qualify under the grant.
- (8) Certain year-end expenditures not factored in final budget.
- (9) Curriculum based staff development classified under function (11) for Instructional Staff.
- (10) We covered services under function 23 under school leadership due to lack of funding.
- (11) Certain year-end expenditures not factored in final budget.
- (12) Certain year-end expenditures not factored in final budget.
- (13) Certain year-end expenditures not factored in final budget.
- (14) Breakfast program was sustained through other programs.
- (15) Certain year-end expenditures not factored in final budget.
- (16) Certain year-end expenditures not factored in final budget.
- (17) Reduced original budget to reflect projected year totals. Reduced monitoring contracts.
- (18) A transition in staffing allowed the district to save money in data processing expenditures.
- (19) Parental involvement expenditures were kept at a conservative level and were less than anticipated.

SOUTH PLAINS ACADEMY CHARTER SCHOOL
Lubbock, Texas

BUDGETARY COMPARISON SCHEDULE

Year Ended August 31, 2018

REVENUES AND OTHER SUPPORT	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Local Support				
5740 Other Revenues from Local Sources	\$ -	\$ 500	\$ 1,532	\$ 1,032
5760 Revenues from Intermediate Sources	-	-	-	-
State Program Revenues				
5810 Foundation School Program Act Revenues	1,784,873	1,812,148	1,919,596	107,448
5820 State Program Revenues Distributed by Texas Education Agency	15,000	15,000	-	(15,000)
Total State Program Revenues and Local Support	1,799,873	1,827,648	1,921,128	93,480
Federal Program Revenue				
5919 E-Rate Revenue	-	-	8,828	8,828
5920 ESEA, Title I Part A - Improving Basic Programs	97,500	100,431	95,784	(4,647)
5920 IDEA, Part B - Formula	43,787	50,644	43,030	(7,614)
5920 ESEA, Title II, Part A: TPTR	7,594	7,780	7,334	(446)
5920 Title III, Part A, English Language Acquisition	372	372	-	(372)
5920 Title IV, Part A - SSAE	10,000	10,000	5,046	(4,954)
Total Federal Program Revenues	159,253	169,227	160,022	(9,205)
Net Assets Released from Restrictions				
Restrictions Satisfied by Payments	-	-	-	-
Total Revenue and Other Support	1,959,126	1,996,875	2,081,150	84,275
EXPENSES				
Program Services				
11 Instruction	946,201	872,051	829,291	42,760
12 Instructional Resources and Media Services	-	-	-	-
13 Curriculum Development and Instructional Staff Development	37,554	42,554	29,539	13,015
21 Instructional Leadership	-	-	-	-
23 School Leadership	321,503	331,803	352,292	(20,489)
31 Guidance, Counseling and Evaluation Services	97,620	109,620	123,388	(13,768)
32 Social Work Services	35,225	35,225	36,036	(811)
33 Health Services	6,600	3,600	3,387	213
34 Student (Pupil) Transportation	-	-	74	(74)
35 Food Services	8,500	12,500	11,751	749
36 Cocurricular/Extracurricular Activities	-	-	-	-
41 General Administration	158,207	153,207	207,442	(54,235)
51 Plant Maintenance and Operations	229,511	309,911	298,062	11,849
52 Security and Monitoring Services	7,576	7,576	6,200	1,376
53 Data Processing Services	59,006	69,006	70,456	(1,450)
61 Community Services	51,622	49,322	51,537	(2,215)
81 Fund Raising	-	-	-	-
Total Expenses	1,959,125	1,996,375	2,019,455	(23,080)
Change in Net Assets	1	500	61,695	61,195
Net Assets, Beginning of Year	1,371,896	1,371,896	1,393,686	-
Net Assets, End of Year	\$ 1,371,897	\$ 1,372,396	\$ 1,455,381	\$ 61,195

(Continued)

SOUTH PLAINS ACADEMY CHARTER SCHOOL
Lubbock, Texas

BUDGETARY COMPARISON SCHEDULE (Continued)

Year Ended August 31, 2018

Budget Variances Explanations

- (1) Interest revenue not factored in campus budgets.
- (2) EMAT funding left to sustain a two year program.
- (3) Unanticipated revenue, qualified under the E-rate program.
- (4) Certain anticipated expenditures did not qualify under the grant. Reduced budgeted amounts and expenditures.
- (5) No entitlement received.
- (6) Curriculum based staff development classified under function (11) for Instructional Staff.
- (7) Budget increased due to increase in counselor salaries. Expenditures more than anticipated due to salary change.
- (8) Certain year-end expenditures not factored in final budget. Reduction in contractual services.
- (9) Breakfast program budget increase due to higher enrollment.
- (10) Certain year-end expenditures not factored in final budget. Higher cost allocation percentage.
- (11) Increased budget for campus improvement needs.
- (12) Certain year-end expenditures not factored in final budget. Higher cost allocation percentage.
- (13) Changed security services for better pricing. Contract was reduced.

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SINGLE AUDIT SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

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
Student Alternatives Program, Inc.
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Student Alternatives Program, Inc. (the Organization) and affiliates, which comprise the consolidated statement of financial position as of August 31, 2018 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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.

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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

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

Purpose of this Report

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

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January 11, 2019

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Student Alternatives Program, Inc.
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited the Student Alternatives Program, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended August 31, 2018. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2018.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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



January 11, 2019

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STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended August 31, 2018

SECTION I --- SUMMARY OF AUDITORS' RESULTS

<i>Financial Statements</i>		
Type of auditor's report issued:	Unmodified	
Internal control over financial reporting: • Material weakness (es) identified?	___ Yes	<u> X </u> No
• Significant control deficiency(ies) identified not considered to be material weaknesses?	___ Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	___ Yes	<u> X </u> No

<i>Federal Awards</i>		
Internal control over major programs: • Material weakness (es) identified?	___ Yes	<u> X </u> No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	<u> X </u> None Reported
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___ Yes	<u> X </u> No

<i>Identification of Major Programs</i>		
CFDA Numbers(s)	Name of Federal Program or Cluster	
84.010	ESEA, Title I, Part A – Improving Basic Programs	
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	<u> X </u> Yes	___ No

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended August 31, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS

There were no federal award findings and questioned costs required to be reported by the Uniform Guidance.

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended August 31, 2018

There were no prior audit findings reported.

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Schedule of Expenditures of Federal Awards

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2018

Grantor/Program Title	Federal CFDA No.	Pass-Through Entity Identifying Number	Federal Expenditures
Passed Through State Department of Education			
ESEA Title I, Part A Improving Basic Programs (GWA)	84.010A	17610101240801	\$ 17,305
ESEA Title I, Part A Improving Basic Programs (GWA)	84.010A	18610101240801	204,483
ESEA Title I, Part A Improving Basic Programs (MVA)	84.010A	17610101108804	10,845
ESEA Title I, Part A Improving Basic Programs (MVA)	84.010A	18610101108804	123,746
ESEA Title I, Part A Improving Basic Programs (PDNA)	84.010A	17610101071803	11,970
ESEA Title I, Part A Improving Basic Programs (PDNA)	84.010A	18610101071803	70,720
ESEA Title I, Part A Improving Basic Programs (SPA)	84.010A	17610101152803	4,522
ESEA Title I, Part A Improving Basic Programs (SPA)	84.010A	18610101152803	91,262
Total CFDA No. 84.010A			<u>534,853</u>
IDEA, Part B - Formula/Special Education Grants to States (GWA)	84.027A	176600012408016000	5
IDEA, Part B - Formula/Special Education Grants to States (GWA)	84.027A	186600012408016000	157,403
IDEA, Part B - Formula/Special Education Grants to States (MVA)	84.027A	176600011088046000	6,374
IDEA, Part B - Formula/Special Education Grants to States (MVA)	84.027A	186600011088046000	54,981
IDEA, Part B - Formula/Special Education Grants to States (PDNA)	84.027A	176600010718036000	953
IDEA, Part B - Formula/Special Education Grants to States (PDNA)	84.027A	186600010718036000	36,376
IDEA, Part B - Formula/Special Education Grants to States (SPA)	84.027A	176600011528036000	3,911
IDEA, Part B - Formula/Special Education Grants to States (SPA)	84.027A	186600011528036000	39,119
Total CFDA No. 84.027A			<u>299,122</u>
ESEA Title II Part A, Teacher & Principal Training (PDNA)	84.367A	18694501071803	3,419
ESEA Title II Part A, Teacher & Principal Training (SPA)	84.367A	18694501152803	7,334
Total CFDA No. 84.367A			<u>10,753</u>
Teacher Incentive Fund - Project Rise (GWA)	84.374A	U374A170002	5,632
Teacher Incentive Fund - Project Rise (GWA)	84.374A	U374A180002	112,203
Teacher Incentive Fund - Project Rise (MVA)	84.374A	U374A170002	3,137
Teacher Incentive Fund - Project Rise (MVA)	84.374A	U374A180002	157,032
Total CFDA No. 84.374A			<u>278,004</u>
Title IV, Part A: Student Support and Academic Enrichment Grant (GWA)	84.424A	S424A170045	7,134
Title IV, Part A: Student Support and Academic Enrichment Grant (MVA)	84.424A	S424A170045	5,672
Title IV, Part A: Student Support and Academic Enrichment Grant (PDNA)	84.424A	S424A170045	4,126
Title IV, Part A: Student Support and Academic Enrichment Grant (SPA)	84.424A	S424A170045	5,046
			<u>21,978</u>
Total Passed Through State Department of Education			<u>\$ 1,144,710</u>
ESEA Title II Part A, Teacher & Principal Training (GWA)	84.367A	18694501108950	\$ 4,658
ESEA Title II Part A, Teacher & Principal Training (MVA)	84.367A	18694501108950	3,339
Total CFDA No. 84.367A			<u>7,997</u>
Total Passed Through Education Service Center - Region I			<u>\$ 7,997</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,152,707</u></u>

STUDENT ALTERNATIVES PROGRAM, INC.
San Antonio, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2018

1. The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of the Organization under programs of the federal government for the year ended August 31, 2018. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position and changes in net assets of the Organization.

The Schedule is presented using the basis of accounting described in Note 1 of the financial statements.

2. E-rate revenues are not subject to the OMB Compliance Supplement and are therefore excluded from the schedule. E-rate revenues for the year ended August 31, 2018 were \$8,827.
3. The Organization did not elect to use the 10% de minimis indirect cost rate provided by the Uniform Guidance.

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