

YELLOWSTONE EDUCATION FOUNDATION
dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)

ANNUAL FINANCIAL AND COMPLIANCE AUDIT
AND
INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2019

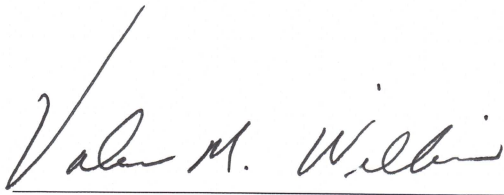
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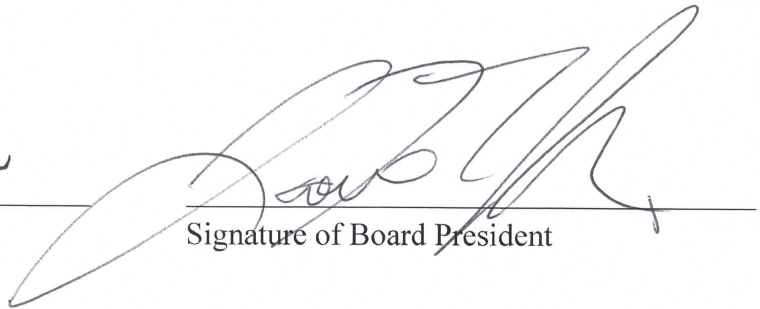
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YELLOWSTONE EDUCATION FOUNDATION
dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)
CDN: 101873
(Federal Employer Identification Number: 81-2280283)
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Yellowstone Education Foundation dba Yellowstone College Prep (the "School") was reviewed and (check one) approved disapproved for the year ended June 30, 2019, at a meeting of the governing body of the charter holder on the 22nd day of November, 2019.



Signature of Board Treasurer



Signature of Board President



INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors of
Yellowstone College Prep

Report on the Financial Statements

We have audited the accompanying financial statements of Yellowstone Education Foundation dba Yellowstone College Prep (the "School"), a Texas nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 22, as required by the Uniform Guidance, is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information on pages 15 through 17 is likewise presented for purposes of additional analysis, as required by the Texas Education Agency, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the School's internal control over financial reporting and 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 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 School's internal control over financial reporting and compliance.



Houston, Texas
November 22, 2019

FINANCIAL STATEMENTS

YELLOWSTONE EDUCATION FOUNDATION
dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current Assets:

Cash	\$ 425,682
Grants receivable	316,881
Total current assets	<u>742,563</u>
TOTAL ASSETS	<u>\$ 742,563</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 56,896
Accrued liabilities	47,787
Line of credit	<u>300,000</u>
Total current liabilities	<u>404,683</u>
TOTAL LIABILITIES	<u>404,683</u>

Net Assets:

With donor restrictions	53,734
Without donor restrictions	<u>284,146</u>
Total net assets	<u>337,880</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 742,563</u>

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

YELLOWSTONE EDUCATION FOUNDATION

**dba YELLOWSTONE COLLEGE PREP
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**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Local support:			
5700 Local revenues	\$ 279,146	\$ -	\$ 279,146
Total local and other revenues	<u>279,146</u>	<u>-</u>	<u>279,146</u>
State program revenues:			
5810 Foundation school program	-	1,923,692	1,923,692
5820 Other state revenue (TEA)	-	60	60
Total state program revenues	<u>-</u>	<u>1,923,752</u>	<u>1,923,752</u>
5921 School breakfast program	-	43,997	43,997
5922 National school lunch program	-	101,932	101,932
5929 ESSA Title I Part A	-	127,621	127,621
5929 ESSA Title II Part A	-	11,502	11,502
5929 Public charter schools	-	548,307	548,307
5929 IDEA PART B formula	-	38,060	38,060
Total federal program revenues	<u>-</u>	<u>871,419</u>	<u>871,419</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>2,741,437</u>	<u>(2,741,437)</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 3,020,583</u>	<u>\$ 53,734</u>	<u>\$ 3,074,317</u>
EXPENSES			
Program Services:			
Instruction and instructional-related services	\$ 1,426,119	\$ -	\$ 1,426,119
Instructional and school leadership	272,555	-	272,555
Support Services:			
Administrative support services	422,862	-	422,862
Support services - non-student based	184,319	-	184,319
Support services - student (pupil)	432,548	-	432,548
Debt service	3,034	-	3,034
TOTAL EXPENSES	<u>2,741,437</u>	<u>-</u>	<u>2,741,437</u>
CHANGE IN NET ASSETS	279,146	53,734	332,880
NET ASSETS, BEGINNING OF YEAR	<u>5,000</u>	<u>-</u>	<u>5,000</u>
NET ASSETS, END OF YEAR	<u>\$ 284,146</u>	<u>\$ 53,734</u>	<u>\$ 337,880</u>

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

YELLOWSTONE EDUCATION FOUNDATION
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services					
	Instruction & Instructional- Related Services	Instructional & School Leadership	Total Program Services	Administrative Support Services	Support Services - Non- Student Based	Support Services - Student (Pupil)	Debt Service	Total Support Services	Total Expenditures
EXPENSES:									
Salaries and wages	\$ 805,748	\$ 179,383	\$ 985,131	\$ 232,307	\$ -	\$ 5,064	\$ -	\$ 237,371	\$ 1,222,502
Benefits	121,376	30,662	152,038	17,790	-	624	-	18,414	170,452
Total Payroll Expenses	927,124	210,045	1,137,169	250,097	-	5,688	-	255,785	1,392,954
Contracted services	164,719	23,145	187,864	144,434	21,382	219,645	-	385,461	573,325
Instructional materials	5,998	112	6,110	-	-	-	-	-	6,110
Rent expense	-	-	-	182	100,881	-	-	101,063	101,063
Gasoline	-	-	-	-	-	14,557	-	14,557	14,557
Food	-	137	137	-	-	175,530	-	175,530	175,667
Supplies	284,997	15,415	300,412	17,459	45,650	13,163	-	76,272	376,684
Insurance and bonding	-	-	-	-	15,155	-	-	15,155	15,155
Travel	39,085	23,016	62,101	4,540	-	175	-	4,715	66,816
Professional fees and dues	1,275	-	1,275	3,700	-	-	-	3,700	4,975
Other	2,921	685	3,606	2,450	1,251	3,790	3,034	10,525	14,131
Total Non-payroll Expenses	498,995	62,510	561,505	172,765	184,319	426,860	3,034	786,978	1,348,483
TOTAL EXPENSES	\$ 1,426,119	\$ 272,555	\$ 1,698,674	\$ 422,862	\$ 184,319	\$ 432,548	\$ 3,034	\$ 1,042,763	\$ 2,741,437

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

YELLOWSTONE EDUCATION FOUNDATION

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
State grant receipts	\$ 1,606,871
Federal grant receipts	871,419
Receipts from miscellaneous sources	279,146
Payments to or on behalf of employees for services rendered	(1,345,167)
Payments to vendors for goods and services rendered	<u>(1,291,587)</u>
Net cash provided by operating activities	<u>120,682</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceed from line of credit	<u>300,000</u>
Net cash provided by financing activities	<u>300,000</u>
NET INCREASE IN CASH	420,682
CASH, BEGINNING OF YEAR	<u>5,000</u>
CASH, END OF YEAR	<u>\$ 425,682</u>
Reconciliation of change in net assets	
to net cash used in operating activities:	
Change in net assets	<u>\$ 332,880</u>
Adjustments to reconcile change in net assets	
to net cash provided by operating activities:	
Increase in grants receivable	(316,881)
Increase in accounts payable	56,896
Increase in accrued liabilities	<u>47,787</u>
Total adjustments	<u>(212,198)</u>
Net cash provided by operating activities	<u>\$ 120,682</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**YELLOWSTONE EDUCATION FOUNDATION
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Yellowstone Education Foundation dba Yellowstone College Prep (the “School”) is a not-for-profit organization incorporated in the State of Texas in 2016 and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The School is governed by a Board of Directors comprised of five members. The Board of Directors is selected pursuant to the bylaws of the School and has the authority to make decisions, appoint the School’s Superintendent, and significantly influences operations. The Board of Directors has primary accountability for the fiscal affairs of the School.

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

Corporate Operations

The School was organized to provide educational services to at-risk students in the Houston Metropolitan area in Texas. The programs, services, activities and functions are governed by the School’s Board of Directors. On November 15, 2017, the Texas State Board of Education granted the School an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, the School opened on August 15, 2018 under a contract for charter executed on November 9, 2017, which expires on July 31, 2023.

The School is part of the public school system of the State of Texas and is, therefore, entitled to distributions from the State’s available school fund. The School does not have the authority to impose ad valorem taxes on its district or to charge tuition.

Basis of Accounting

The financial statements of the School have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. (U.S. GAAP).

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

Net assets without donor restrictions – These are resources that are not subject to donor-imposed stipulations and can be used for general operations of the School.

Net assets with donor restrictions – These are resources that are subject to donor-imposed stipulations that may be met, either by actions of the School and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

be maintained in perpetuity. The School did not have perpetual restrictions as of June 30, 2019.

When both resources with donor restrictions and without donor restrictions are available for use, it is the School's policy to use resources with donor restrictions first, then resources without restrictions as they are needed.

Contributions

All contributions are considered available for the School's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

State Foundation School Program revenues are recognized based on the reported student attendance. State and Federal grant revenues are recognized when services are rendered. Contributions and other revenues are recognized when received or unconditionally promised by a third party.

Cash and Cash Equivalents

The School considers all monies in banks and highly liquid investments with maturities of three months or less from date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. There were no cash equivalents at June 30, 2019.

Grants Receivable

Grants receivable represent pending reimbursements of program expenses incurred and billed as of June 30, 2019 and expected to be received from the funding sources in the subsequent year. Management considers grants receivable as of June 30, 2019 in the amount of \$316,881 to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statements.

Capital Assets

Capital assets are defined by the School as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, using the straight-line method of depreciation. Expenditures for capital asset

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

additions, major renewals and betterments of capital assets are capitalized, and maintenance and repairs are charged to expense as incurred. Donated capital assets are recorded as direct additions to net assets at fair value at the date of donation. The School did not have any capital assets as of June 30, 2019.

Liquidity and Availability of Financial Assets

The School has \$742,563 of financial assets available within one year of the financial position date to meet cash needs for general operating expenditures, consisting of cash of \$425,682 and grants receivable of \$316,881.

As part of the School's liquidity management, the School structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As further discussed in Note 7, the School maintains a line of credit to help manage its liquidity needs.

Federal Income Taxes

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The School did not conduct unrelated business activities during the year ended June 30, 2019. Accordingly, the School did not provide for federal income taxes in the accompanying financial statements.

The School applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740-10 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The School's Federal income tax returns for years 2016 through 2018 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the School's financial statements are the state funding receivables, and functional allocations of expenses.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

New Accounting Pronouncements Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 sets forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The School adopted ASU 2016-14 in its financial statements effective June 30, 2019. The impact of adoption resulted in the classification of net assets on the statement of financial position and statement of activities into two classes of net assets, with and without donor restrictions. The School also added disclosure for the liquidity and availability of financial assets at the statement of financial position date to meet cash needs for general expenditures within one year. The adopting ASU 2016-14 had no impact on the School total revenues, revenues in excess of expenses, or total net assets.

Pending Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 – *Leases* (Topic 842), which supersedes existing guidance on leases and amends and supersedes a number of other paragraphs throughout the FASB ASC. This update will be effective for the School starting July 1, 2020, including interim periods within that reporting period. Management is currently evaluating the impact this update will have on their financial statements.

In August 2016, the FASB issued ASU 2016-15 – *Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*, which clarified guidance on certain cash flow classification issues. This update will be effective for the School's annual financial statements for the fiscal year starting July 1, 2019. Management does not believe this update will impact the financial statements.

In November 2016, the FASB issued ASU 2016-18 – *Statement of Cash Flows* (Topic 230): *Restricted Cash*, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This update will be effective for the School's annual financial statements for the fiscal year starting July 1, 2019. Management does not believe this update will impact the financial statements.

2. CONCENTRATION OF CREDIT AND BUSINESS RISKS

The School maintains cash balances with a financial institution in the state. As of June 30, 2019, the School's cash balance at the financial institution exceeded the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per customer by \$227,075.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Management believes that this credit risk exposure was mitigated by the financial strength of the banking institutions in which the deposits were held.

Credit risk associated with receivables is minimal due to the credit worthiness of the federal, state and local funding agencies.

The State of Texas and Federal Government provided 67% and 30%, respectively, of the School's total revenues for the year ended June 30, 2019.

3. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2019, the School had temporarily restricted net assets of \$53,734 that consisted of the following, by program:

<u>Program</u>	<u>Amount</u>
Foundation School Program and Other State Aid	\$ 53,734
	<u>\$ 53,734</u>

4. COMMITMENTS AND CONTINGENCIES

The School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency (TEA) and is subject to audit and adjustment. In addition, expenses charged to federal and state programs are subject to audit and adjustment by the grantor agencies. The programs administered by the School have multiple compliance requirements, and should state or federal auditors discover areas of noncompliance, the funds may be subject to refund if so determined by the TEA or the grantor agencies.

5. MULTIEMPLOYER PENSION PLANS

The School contributes to the Teacher Retirement System of Texas (the "System" or "TRS"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the School, but are the liability of the State of Texas. The System administers retirement and disability annuities, and death and survivor benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in the Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the System's Communications

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Department, 1000 Red River Street, Austin, Texas 78701 or by calling the System's Communications Department at 1-800-223-8778, or by downloading the report from the System's Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

The risk of participating in this multiemployer defined benefit pension plan is different from a single-employer plan because: (a) the School is a legally separate entity from the State of Texas, (b) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (c) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (d) if an entity chooses to stop participating in the multiemployer plan, there is no withdrawal liability to the plan. The School has no plans to withdraw from its multiemployer plan. The TRS Comprehensive Annual Financial Report available dated August 31, 2018 indicated the following:

<u>Name of Pension Fund</u>	<u>EIN and Plan No.</u>	<u>Total Plan Assets (in thousands)</u>	<u>Total Pension Liability (in thousands)</u>	<u>Net Pension Liability (in thousands)</u>	<u>Percent funded</u>
TRS	N/A	\$176,942,454	\$209,611,329	\$31,974,613	73.74%

The following presents information about the School's involvement of such multiemployer pension plan for the year ended June 30, 2019:

<u>Collective Bargaining Agreement</u>	<u>School's Contributions</u>	<u>More than 5% of Total Contributions</u>	<u>FIP/RP Status</u>	<u>Surcharge Imposed</u>
N/A	\$57,607	No	N/A	No

Funding Policy

Under provisions in State law, the System's plan members are required to contribute 7.70% of their annual covered salary for TRS Retirement and 0.75% of their annual covered salary to TRS Care. The State of Texas contributes an amount equal to 6.80% of the covered payroll of the participating employees compensated with State funds for TRS Retirement for TRS Care. The School employees' contributions to the TRS System were as follows:

	<u>2019</u>
TRS Retirement	\$ 72,962
TRS Care	6,159
	<u>\$ 79,121</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

The School's total contribution to the TRS System, for both TRS Retirement and TRS Care, were \$6,748, for the fiscal year ended June 30, 2019.

6. HEALTH CARE COVERAGE

During the year ended June 30, 2019, employees of the School were covered by a health insurance plan (the Plan). The School contributed, depending on the coverage option selected by the employees. Employees, at their option, authorized payroll deductions to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

7. LINE OF CREDIT

The School maintained a line of credit with a local bank for \$300,000 bearing interest at a variable rate based on changes in an Independent Index which is the Prime Rate as published in the money rate section of the Wall Street Journal (the "Index"). The Index was 5.0% at the time of execution of the loan agreement.

The School outstanding balance of this line of credit was \$300,000 as of June 30, 2019. The outstanding principal balance plus accrued unpaid interest are due payable on July 25, 2019. As further discussed in Note 10, the line of credit matures on July 25, 2019 and has been subsequently renewed.

8. CHARTER HOLDER OPERATIONS

The School is a generation Twenty-Two Open-Enrollment Charter School. The charter holder did not conduct any other charter or non-charter activities. The charter holder's current charter is set to expire on July 31, 2023.

9. EXPLANATION OF AMENDMENT TO THE BUDGET AND BUDGET VARIANCES

Prior to the beginning of each school year, the School prepares and submits its annual budget for the next fiscal year. However, due to the significant inflows and outflows of students from the program, the budget must be amended on a regular basis. This has resulted in the variances between the original adopted budget and final amended budget presented on the Budgetary Comparison Schedule.

Management has taken steps to ensure that future related budgets are amended on a frequent basis to reflect changes in actual and budgeted amounts.

10. SUBSEQUENT EVENTS

On July 25, 2019, the School executed an extension to the line of credit through July 23, 2020. Interest prior to maturity on the unpaid principal balance will be calculated using the interest calculation method using a rate equal to the Index, adjusted if necessary for any minimum and maximum rate limitations as contained in the loan agreement, resulting in an initial rate of 5.50% per annum.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Management has evaluated subsequent events through November 22, 2019. This was the date the financial statements were available to be issued. No changes were made to the financial statements as a result of this evaluation.

SUPPLEMENTARY INFORMATION

YELLOWSTONE EDUCATION FOUNDATION

**dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)**

**SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

6100	Payroll costs	\$ 1,392,954
6200	Professional and contracted services	674,388
6300	Supplies and materials	573,018
6400	Other operating costs	98,043
6500	Debt service	<u>3,034</u>
	Total expenses	<u>\$ 2,741,437</u>

YELLOWSTONE EDUCATION FOUNDATION
dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Actual Compared to Final Budgeted Amounts		Explanation (See references) Unaudited	Final Compared to Original Budgeted Amounts		Explanation (See references) Unaudited
	Original	Final		\$ Variance	% Variance		\$ Variance	% Variance	
Local support:									
5700	Local revenues	\$ 160,574	\$ 160,574	\$ 279,146	\$ 118,572	74%	{a}	\$ -	0%
	Total local support	160,574	160,574	279,146	118,572	74%		-	0%
State program revenues:									
5810	Foundation school program	1,923,577	1,923,577	1,923,692	115	0%		-	0%
5820	Other state revenue (TEA)	-	-	60	60	0%		-	0%
		1,923,577	1,923,577	1,923,752	175	0%		-	0%
Federal program revenues:									
5921	School breakfast program	61,275	61,275	43,997	(17,278)	-28%	{b}	-	0%
5922	National school lunch program	142,975	142,975	101,932	(41,043)	-29%	{b}	-	0%
5929	ESSA Title I Part A	-	136,570	127,621	(8,949)	-7%		(136,570)	0%
5929	ESSA Title II Part A	-	11,502	11,502	-	0%		(11,502)	0%
5929	Public charter schools	613,019	620,051	548,307	(71,744)	-12%	{c}	(7,032)	-1%
5929	IDEA PART B formula	-	38,060	38,060	-	0%		(38,060)	0%
	Total Federal Program Revenues	817,269	1,010,433	871,419	(139,014)	-14%		(193,164)	-24%
TOTAL REVENUES		\$ 2,901,420	\$ 3,094,584	\$ 3,074,317	\$ (20,267)	-1%		\$ (193,164)	-7%

Continued

YELLOWSTONE EDUCATION FOUNDATION
dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)

BUDGETARY COMPARISON SCHEDULE, CONT'D
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Actual Compared to Final Budgeted Amounts		Explanation (See references) Unaudited	Final Compared to Original Budgeted Amounts		Explanation (See references) Unaudited
	Original	Final		\$ Variance	% Variance		\$ Variance	% Variance	
Expenses:									
11	\$ 1,163,974	\$ 1,517,033	\$ 1,398,976	\$ (118,057)	-8%		\$ (353,059)	-30%	{e}
12	500	-	-	-	0%		500	100%	{f}
13									
	41,302	37,627	27,143	(10,484)	-28%	{d}	3,675	9%	
21	-	-	-	-	0%		-	0%	
23	441,496	366,873	272,555	(94,318)	-26%	{d}	74,623	17%	{f}
31	1,000	-	-	-	0%				
32	3,512	14,404	11,269	(3,135)	-22%	{d}			
34	161,430	223,708	219,263	(4,445)	-2%		(62,278)	-39%	{e}
35	272,087	235,147	185,140	(50,007)	-21%	{d}	36,940	14%	{f}
36	30,872	35,473	16,876	(18,597)	-52%	{d}	(4,601)	0%	
41	545,250	528,510	422,862	(105,648)	-20%	{d}	16,740	3%	
51	108,022	153,461	120,959	(32,502)	-21%	{d}	(45,439)	-42%	{e}
52	-	-	-	-	0%		-	0%	
53	236,634	83,657	61,674	(21,983)	-26%	{d}	152,977	65%	{f}
61	3,000	3,251	1,686	(1,565)	-48%	{d}	(251)	-8%	
71	-	3,100	3,034	66	2%		(3,100)	-100%	{e}
TOTAL EXPENSES	\$ 3,009,079	\$ 3,202,244	\$ 2,741,437	(460,675)	-14%		(183,273)	-6%	
CHANGE IN NET ASSETS	(107,659)	(107,660)	332,880	440,408	-409%		(9,891)	9%	
NET ASSETS, BEGINNING OF YEAR			5,000						
NET ASSETS, END OF YEAR			\$ 337,880						

Reference:

- {a} Actual amount included an adjustment to recognize revenue from a local grant that was not included in the budget.
- {b} Revenue based on reimbursement. Revenue and expenses less than expected.
- {c} Program funds carried forward to FY 2019-20 to accommodate classroom materials in accordance with the original grant application.
- {d} The School was spending conservatively throughout the year and came under budget.
- {e} Additional expenditures approved by the board.
- {f} Original budget was amended to accommodate other function codes

COMPLIANCE AND INTERNAL CONTROL



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the Board of Directors of
Yellowstone Education Foundation dba Yellowstone College Prep

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Yellowstone Education Foundation dba Yellowstone College Prep (the “School”), a Texas nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2019-001.

The School's Response to Finding

The School's response to the finding identified in our audit is described in the accompanying schedules of findings and questioned costs. The School's response was not subjected to the auditing procedures in the audit of the financial statements, and accordingly, we express no opinion on the response.

We noted a certain matter that we reported to management of the School in a separate letter dated November 22, 2019.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Houston, Texas
November 22, 2019



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

To the Members of the Board of Directors of
Yellowstone Education Foundation dba Yellowstone College Prep

Report on Compliance for Each Major Program

We have audited Yellowstone Education Foundation dba Yellowstone College Prep’s (the “School”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School’s major federal programs for the year ended June 30, 2019. The School’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the School 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, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 School's internal control over compliance.

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

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

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



Houston, Texas
November 22, 2019

**YELLOWSTONE EDUCATION FOUNDATION
dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-Through State Department of Education			
Pass-Through Texas Education Agency			
School Breakfast Program ¹	10.553	71401901	\$ 43,997
National School Lunch Program ¹	10.555	71301901	101,932
Total U.S. Department of Agriculture			<u>145,929</u>
U.S. Department of Education			
Pass-Through State Department of Education			
Pass-Through Texas Education Agency			
ESSA Title I Part A: Improving Basic Education Program	84.010A	19610101101873	127,621
IDEA Part B: Special Education Program ²	84.027A	196600011018736000	38,060
Charter Schools	84.282A	185900097110011	548,307
ESSA Title II Part A: Improving Teacher Quality Program	84.367A	19694501101873	11,502
Total U.S. Department of Education			<u>725,490</u>
Total Expenditures of Federal Awards			<u>\$ 871,419</u>

Note 1: Represents Child Nutrition Cluster

Note 2: Represents Special Education Cluster (IDEA)

YELLOWSTONE EDUCATION FOUNDATION
dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Yellowstone Education Foundation dba Yellowstone College Prep (“the School”) under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The accrual basis of accounting is described in Note 1 to the financial statements.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Uniform Guidance Compliance Supplement.

3. RELATIONSHIP TO FINANCIAL REPORT SUBMITTED TO GRANTOR AGENCIES

Amounts reflected in the financial reports filed with grantor agencies for the programs and the supplementary schedules may not agree because of accruals which would be included in the next report filed with the agencies, matching requirements not included in the Schedule and due to different program year ends.

4. ELECTION TO USE 10% DE MINIMUS INDIRECT COST RATE

The School’s grant agreements do not allow use of indirect cost rate and hence, the School did not use 10% de minimum indirect cost rate.

5. COMMITMENTS AND CONTINGENCIES

Federal grants received by the School are subject to review and audit by grantor agencies. The School’s management believes that the results of such audits will not have a material effect on the Schedule.

**YELLOWSTONE EDUCATION FOUNDATION
dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

PART 1: SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

- | | |
|---|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a) Material weakness identified? | No |
| b) Significant deficiencies identified, which are not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards Section

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a) Material weakness identified? | No |
| b) Significant deficiencies identified, which are not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed, which are required to be reported in accordance with 2 CFR Section 200.516(a)? | No |
| 4. Identification of major programs: | |

Federal CFDA Number

82.282A

Name of Federal Program

Charter Schools

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee under 2 CFR Section 200.520 | No |

**YELLOWSTONE EDUCATION FOUNDATION
dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

PART II: FINDINGS - FINANCIAL STATEMENT AUDIT

STATE COMPLIANCE AND REPORTING REQUIREMENTS

Compliance Requirements on Board Training

Finding No. 2019 – 001:

Condition: During the course of our audit, we noted that two board members of the School did not get the required instructional training hours during current fiscal year as required by the State of Texas legislation described below.

Criteria: Texas Administrative Code (TAC), Title 19, Rule 100.1102 specifies the minimum requirements for board training that members of the governing body of a charter holder or a member of the governing body of a charter school must complete training course consisting of 12 instructional hours, excluding breaks, administrative tasks, and other non-instructional time, within one calendar year of appointment or election to the governing body. Members who serve on the board must receive 6 hours of training annually after receiving the initial 12 hours by a registered course provider.

Cause: Two of the board members did not have time to complete the training.

Effect: Noncompliance with TAC, Title 19, Rule 100.1102.

Recommendation: We recommend that the School implement a policy requiring its board members to meet minimum training requirements required by the TEA.

Views of Responsible Officials and Planned Corrective Actions: See management's corrective action plan on page 27.

**YELLOWSTONE EDUCATION FOUNDATION
dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

PART III FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any abuse findings involving federal awards that are material to a major program.

No findings were noted.

**YELLOWSTONE EDUCATION FOUNDATION
dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)**

**MANAGEMENT’S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**



<u>Finding Number</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>	<u>Responsible Contact Person</u>
2019-001	<p>Training portals have been purchased from the TCSA for board members to complete required trainings. Going forward, as part of new member orientation, these requirements shall be included in orientation materials. Additionally, the Superintendent will include a Board Agenda item each quarter to follow up on compliance of board member trainings. The board will vote on a specific policy regarding Board Trainings at the next Board meeting in 2020.</p> <p>In addition, board members out of compliance are diligently working on completing these hours and becoming current as quickly as possible.</p>	<p>With the exception of voting on the new policy, we anticipate the bulk of the planned corrective action to be completed by December 2, 2019.</p>	<p>Ryan Dolibois, Superintendent</p>

**YELLOWSTONE EDUCATION FOUNDATION
dba YELLOWSTONE COLLEGE PREP
(A Texas Nonprofit Organization)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

PART III STATUS OF PRIOR YEAR FINDINGS

None for the year ended June 30, 2018.