

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

ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

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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)   X   approved        disapproved for the year ended June 30, 2020, at a meeting of the governing body of the charter holder on the   January 21, 2021  .



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Signature of Board Secretary



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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 statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 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 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years 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 24, 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 16 through 19 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 January 21, 2021, 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  
January 21, 2021

# **FINANCIAL STATEMENTS**

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

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 306,281	\$ 425,682
Grants receivable	476,900	316,881
Other assets	48,785	-
Total current assets	831,966	742,563
<b>TOTAL ASSETS</b>	<b>\$ 831,966</b>	<b>\$ 742,563</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 3,232	\$ 56,896
Accrued liabilities	45,915	47,787
Line of credit	-	300,000
Paycheck Protection Program loan	355,900	-
Total current liabilities	405,047	404,683
<b>TOTAL LIABILITIES</b>	<b>405,047</b>	<b>404,683</b>
 Net Assets:		
Without donor restrictions	314,974	284,146
With donor restrictions	111,945	53,734
Total net assets	426,919	337,880
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 831,966</b>	<b>\$ 742,563</b>

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

**YELLOWSTONE EDUCATION FOUNDATION**

**dba YELLOWSTONE COLLEGE PREP  
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**STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020  
(With summarized financial information for 2019)**

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2020	2019
<b>REVENUES</b>				
Local support:				
Local revenues	\$ 30,828	\$ -	\$ 30,828	\$ 279,146
Total local and other revenues	<u>30,828</u>	<u>-</u>	<u>30,828</u>	<u>279,146</u>
State program revenues:				
Foundation school program	-	2,521,484	2,521,484	1,923,692
Other state revenue (TEA)	-	45,467	45,467	60
Other state revenue (not TEA)	-	10,400	10,400	-
Total state program revenues	<u>-</u>	<u>2,577,351</u>	<u>2,577,351</u>	<u>1,923,752</u>
School breakfast program	-	166,054	166,054	43,997
National school lunch program	-	291,992	291,992	101,932
ESSA Title I Part A	-	245,325	245,325	127,621
ESSA Title II Part A	-	3,994	3,994	11,502
ESSA Title IV, Part A subpart 1	-	9,887	9,887	-
Public charter schools	-	71,745	71,745	548,307
IDEA PART B formula	-	37,629	37,629	38,060
Corona virus relief funds	-	21,647	21,647	-
Total federal program revenues	<u>-</u>	<u>848,273</u>	<u>848,273</u>	<u>871,419</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>3,367,413</u>	<u>(3,367,413)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>\$ 3,398,241</u>	<u>\$ 58,211</u>	<u>\$ 3,456,452</u>	<u>\$ 3,074,317</u>
<b>EXPENSES</b>				
Program Services:				
Instruction and instructional-related services	1,719,172	\$ -	\$ 1,719,172	\$ 1,426,119
Instructional and school leadership	411,473	-	411,473	338,141
Support Services:				
Administrative support services	319,963	-	319,963	357,276
Support services - non-student based	193,379	-	193,379	182,633
Support services - student (pupil)	710,767	-	710,767	432,548
Community services	9,782	-	9,782	1,686
Debt service	1,189	-	1,189	3,034
Fundraising	1,688	-	1,688	-
<b>TOTAL EXPENSES</b>	<u>3,367,413</u>	<u>-</u>	<u>3,367,413</u>	<u>2,741,437</u>
CHANGE IN NET ASSETS	30,828	58,211	89,039	332,880
NET ASSETS, BEGINNING OF YEAR	<u>284,146</u>	<u>53,734</u>	<u>337,880</u>	<u>5,000</u>
NET ASSETS, END OF YEAR	<u>\$ 314,974</u>	<u>\$ 111,945</u>	<u>\$ 426,919</u>	<u>\$ 337,880</u>

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



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**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
(With summarized financial information for 2019)

	Program Services			Supporting Services							2020 Total	2019 Total
	Instruction & Instructional- Related Services	Instructional & School Leadership	Total Program Services	Administrative Support Services	Support Services - Non- Student Based	Support Services - Student (Pupil)	Community Services	Debt Service	Fundraising	Total Support Services		
<b>SALARIES AND RELATED EXPENSES</b>												
Salaries	\$ 1,149,652	\$ 255,282	\$ 1,404,934	\$ 145,710	\$ -	\$ 70,699	\$ -	\$ -	\$ -	\$ 216,409	\$ 1,621,343	\$ 1,222,502
Payroll taxes	16,016	3,518	19,534	2,112	-	1,027	-	-	-	3,139	22,673	18,486
Benefits	144,279	19,322	163,601	6,562	-	11,490	-	-	-	18,052	181,653	151,966
Total Payroll Expenses	1,309,947	278,122	1,588,069	154,384	-	83,216	-	-	-	237,600	1,825,669	1,392,954
<b>OTHER EXPENSES</b>												
Contracted services	218,956	127,980	346,936	144,883	26,726	177,486	9,782	-	-	358,877	705,813	573,325
Rent expense	-	-	-	-	147,109	-	-	-	-	147,109	147,109	101,063
Gasoline	-	-	-	-	-	10,916	-	-	-	10,916	10,916	14,557
Instructional materials	58,791	-	58,791	-	-	-	-	-	-	-	58,791	6,110
Testing materials	3,901	-	3,901	-	-	-	-	-	-	-	3,901	-
Food	-	-	-	-	-	423,679	-	-	-	423,679	423,679	174,027
Supplies	123,940	4,421	128,361	14,267	387	14,910	-	-	-	29,564	157,925	394,396
Insurance and bonding	-	-	-	-	19,157	-	-	-	-	19,157	19,157	15,155
Travel	3,637	950	4,587	6,429	-	560	-	-	-	6,989	11,576	66,816
Other	-	-	-	-	-	-	-	1,189	1,688	2,877	2,877	3,034
Total Non-payroll Expenses	409,225	133,351	542,576	165,579	193,379	627,551	9,782	1,189	1,688	999,168	1,541,744	1,348,483
<b>TOTAL EXPENSES</b>	<b>\$ 1,719,172</b>	<b>\$ 411,473</b>	<b>\$ 2,130,645</b>	<b>\$ 319,963</b>	<b>\$ 193,379</b>	<b>\$ 710,767</b>	<b>\$ 9,782</b>	<b>\$ 1,189</b>	<b>\$ 1,688</b>	<b>\$ 1,236,768</b>	<b>\$ 3,367,413</b>	<b>\$ 2,741,437</b>

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

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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020 and 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
State grant receipts	\$ 2,417,332	\$ 1,606,871
Federal grant receipts	848,273	871,419
Receipts from miscellaneous sources	30,828	279,146
Payments to or on behalf of employees for services rendered	(1,827,541)	(1,345,167)
Payments to vendors for goods and services rendered	(1,644,193)	(1,291,587)
Net cash (used in)/provided by operating activities	(175,301)	120,682
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan received	355,900	-
Repayment/Proceed from line of credit	(300,000)	300,000
Net cash provided by financing activities	55,900	300,000
<b>NET (DECREASE)/INCREASE IN CASH</b>	(119,401)	420,682
<b>CASH, BEGINNING OF YEAR</b>	425,682	5,000
<b>CASH, END OF YEAR</b>	\$ 306,281	\$ 425,682
<b>Reconciliation of change in net assets</b>		
to net cash provided by operating activities:		
Change in net assets	\$ 89,039	\$ 332,880
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Increase in grants receivable	(160,019)	(316,881)
Increase in other accounts receivable	(48,785)	-
(Decrease)/increase in accounts payable	(53,664)	56,896
(Decrease)/increase in accrued liabilities	(1,872)	47,787
Total adjustments	(264,340)	(212,198)
Net cash (used in)/provided by operating activities	\$ (175,301)	\$ 120,682

*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 YEARS ENDED JUNE 30, 2020 AND 2019**

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**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 seven 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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**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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be maintained in perpetuity. The School did not have perpetual restrictions as of June 30, 2020 and 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.

Functional Allocation of Expenses

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation of buildings and improvements, maintenance and repairs, utility and occupancy costs and interest and debt service costs are allocated based on square footage. During the year ended June 30, 2020 the School expanded its food program to include home delivery due to COVID pandemic. These expenses are captured under Support Services-Student (Pupil) in the statement of activities which caused the increase in expenses for the current year.

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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equivalents approximates fair value because of the short maturities of those financial instruments. There were no cash equivalents as of June 30, 2020 and 2019.

Grants Receivable

Grants receivable represent pending reimbursements of program expenses incurred and billed as of June 30, 2020 and 2019 and expected to be received from the funding sources in the subsequent year. Management considers grants receivable as of June 30, 2020 and 2019 in the amount of \$476,900 and \$316,881, respectively, 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 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, 2020 and 2019.

Liquidity and Availability of Financial Assets

The School's financial assets available within one year of the statements of financial position date for general expenditures are as follow:

	<b>2020</b>	<b>2019</b>
Financial assets at year end:		
Cash	\$ 306,281	\$ 425,682
Grants receivable	476,900	316,881
Financial assets available to meet general expenditures over the next twelve months	\$ 783,181	\$ 742,563

Per the Texas Education Agency, Foundation School Program revenues should be classified as revenue with donor restrictions. However, the funds do not have a time restriction, but must be used for education purposes in accordance with State law. As such, there are cash and receivables that are due from the State and are available for use for educational purposes. As part of its liquidity management, the School has a policy to structure its financial assets to be

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**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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available as general expenditures, liabilities, and other obligations become 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.

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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications have no effect on the change in net assets as previously stated in the prior year financial statements.

New Accounting Pronouncements Adopted

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. The School adopted ASU 2016-15 in 2020. The adoption resulted in no impact to the financial statements.

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**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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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. The School adopted ASU 2016-18 in 2020. The adoption resulted in no impact to the financial statements.

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's 2023 annual financial statements. Management is currently evaluating the impact this update will have on the School's financial statements.

In June 2018, the FASB issued ASU 2018-08 – Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments require all entities, both donors and recipients, to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction and whether contributions are conditional or unconditional. This update will be effective for the School's 2021 annual financial statements. No additional disclosures will be required under this standard. Management is currently evaluating the impact this change will have on its 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, 2020 and 2019, the School's cash balances at the financial institution exceeded the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per customer by \$508,234 and \$227,075, respectively. 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 altogether provided approximately 99% and 91%, respectively, of the School's total revenues for the years ended June 30, 2020 and 2019.



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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**3. NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2020 and 2019, the School had temporarily restricted net assets of \$111,945 and \$53,734 that consisted of the following, by program:

Program	2020	2019
Foundation School Program and Other State Aid	\$ 90,106	\$ 50,070
Restricted for food program	21,839	3,664
	\$ 111,945	\$ 53,734

**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 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](http://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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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. TRS Comprehensive Annual Financial Report available dated November 20, 2020 indicated the following:

Name of Pension Fund	EIN and Plan Number	Total Plan Assets (in thousands)		Accumulated Benefit Obligations (in thousands)		% funded	
		2020	2019	2020	2019	2020	2019
TRS	N/A	\$184,361,871	\$181,800,159	\$218,974,205	\$209,961,325	75.54%	75.24%

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 2020</u>	<u>School's Contributions 2019</u>	<u>More than 5% of Total Contributions</u>	<u>FIP/RP Status</u>	<u>Surcharge Imposed</u>
N/A	\$ 74,537	\$ 57,607	N/A	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 0.65% of their annual covered salary to TRS Care. The State of Texas contributes an amount equal to 7.50% 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:

	2020	2019
TRS Retirement	\$ 108,853	\$ 72,962
TRS Care	9,189	6,159
	<u>\$ 118,042</u>	<u>\$ 79,121</u>

The School's total contribution to the TRS System, for both TRS Retirement and TRS Care, were \$9,533 and \$6,748, respectively, for the years ended June 30, 2020 and 2019.

**6. HEALTH CARE COVERAGE**

During the year ended June 30, 2020, 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.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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**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 on this line of credit was paid off during the current year. The line of credit subsequently matured on July 23, 2020 and has not been renewed as of the date of this report.

**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. RISK AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization classified the global coronavirus outbreak (COVID-19) as a pandemic. On March 13, 2020, The Governor of Texas (the “Governor”) declared a state of disaster for all Texas counties in response to the Pandemic. On March 19, 2020, The Governor issued Executive Order GA08, which temporarily closed schools in the State of Texas. As a result, the School temporarily closed on March 13, 2020. Under TEA guidance, the School was able to reopen on March 26, 2020 with remote/virtual instruction. This model was used to complete the 2019-2020 school year as of May 29, 2020.

Due to the continuing uncertainties surrounding COVID-19, TEA recommended all public and charter schools delay in person instruction for the 2020-2021 school year. Should the Local Education Agency (“LEA”) choose to open, they may do so while following all federal, state, and local guidelines including county restrictions. Schools were permitted to start before a date that the LEA determined was appropriate for the community it serves. Yellowstone College

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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Preparatory Charter School has one campus and was able to provide online learning instruction to its students on August 24, 2020. The school had four weeks to prepare for in person learning based on TEA guidelines, or they had the option to request a waiver. Parents were given the option of in-person instruction or online distance learning. They had till September 4, 2020 to decide which instruction option to choose. On campus instruction resumed September 14, 2020.

As of October 1, 2020, TEA announced that the minimum funding guarantee established for the pandemic would extend through the first half of the 2020-2021 school year. TEA will address further funding adjustments for the second half of the school year by January 2021. As of this report date, no new information has been released by TEA.

**11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 21, 2021. 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**  
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**SUPPLEMENTAL STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**(WITH SUMMARIZED INFORMATION FOR 2019)**

				Totals	
		Without Donor Restrictions	With Donor Restrictions	2020	2019
<b>REVENUES</b>					
Local support:					
5700	Local revenues	\$ 30,828	\$ -	\$ 30,828	\$ 279,146
	Total local support	<u>30,828</u>	<u>-</u>	<u>30,828</u>	<u>279,146</u>
State program revenues:					
5810	Foundation school program	-	2,521,484	2,521,484	1,923,692
5820	Other state revenue (TEA)	-	45,467	45,467	60
5830	Other state revenue (not TEA)	-	10,400	10,400	-
		<u>-</u>	<u>2,577,351</u>	<u>2,577,351</u>	<u>1,923,752</u>
Federal program revenues:					
5920	Federal revenues distributed by Texas Education Agency	-	848,273	848,273	871,419
	Total Federal Program Revenues	<u>-</u>	<u>848,273</u>	<u>848,273</u>	<u>871,419</u>
Net assets released from restrictions:					
	Satisfaction of program restrictions	3,367,413	(3,367,413)	-	-
	<b>TOTAL REVENUES</b>	<u>\$ 3,398,241</u>	<u>\$ 58,211</u>	<u>\$ 3,456,452</u>	<u>\$ 3,074,317</u>
<b>EXPENSES</b>					
Expenses:					
11	Instruction	\$ 1,701,942	\$ -	\$ 1,701,942	\$ 1,398,976
12	Instructional resources and media	-	-	-	-
13	Curriculum development and instructional staff development	17,230	-	17,230	27,143
23	School leadership	411,473	-	411,473	338,141
31	Guidance, counseling and evaluation	74,228	-	74,228	-
32	Social work	4,851	-	4,851	11,269
33	Health services	63	-	63	-
34	Student (pupil) transportation	174,864	-	174,864	219,263
35	Food services	440,661	-	440,661	185,140
36	Cocurricular/extracurricular activities	16,100	-	16,100	16,876
41	General administration	319,963	-	319,963	357,276
51	Facilities maintenance and operations	166,266	-	166,266	120,959
53	Data processing services	27,113	-	27,113	61,674
61	Community services	9,782	-	9,782	1,686
71	Debt service	1,189	-	1,189	3,034
81	Fundraising	1,688	-	1,688	-
	<b>TOTAL EXPENSES</b>	<u>\$ 3,367,413</u>	<u>\$ -</u>	<u>\$ 3,367,413</u>	<u>2,741,437</u>
	CHANGE IN NET ASSETS	30,828	58,211	89,039	332,880
	NET ASSETS, BEGINNING OF YEAR	284,146	53,734	337,880	5,000
	<b>NET ASSETS, END OF YEAR</b>	<u>\$ 314,974</u>	<u>\$ 111,945</u>	<u>\$ 426,919</u>	<u>\$ 337,880</u>

**YELLOWSTONE EDUCATION FOUNDATION**  
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**SCHEDULES OF EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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	<u>2020</u>	<u>2019</u>
6100 Payroll costs	\$ 1,825,669	\$ 1,392,954
6200 Professional and contracted services	854,610	674,388
6300 Supplies and materials	637,415	573,018
6400 Other operating costs	48,530	98,043
6500 Debt service	<u>1,189</u>	<u>3,034</u>
Total expenses	<u>\$ 3,367,413</u>	<u>\$ 2,741,437</u>

**YELLOWSTONE EDUCATION FOUNDATION**  
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**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	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	\$ 175,000	\$ 31,000	\$ 30,828	\$ (172)	-1%	\$ 144,000	82%	{b}
	Total local support	<u>175,000</u>	<u>31,000</u>	<u>30,828</u>	<u>(172)</u>	-1%	<u>144,000</u>	<u>82%</u>	
State program revenues:									
5810	Foundation school program	2,612,781	2,491,415	2,521,484	30,069	1%	121,366	5%	
5820	Other state revenue (TEA)	44,000	44,677	45,467	790	2%	(677)	-2%	
5830	Other state revenue (not TEA)	-	10,400	10,400	-		(10,400)	100%	{c}
		<u>2,656,781</u>	<u>2,546,492</u>	<u>2,577,351</u>	<u>30,859</u>	1%	<u>110,289</u>	<u>103%</u>	
Federal program revenues:									
5920	Federal revenues distributed by Texas Education Agency	464,119	818,118	848,273	30,155	4%	(353,999)	-76%	{d}
	Total Federal Program Revenues	<u>464,119</u>	<u>818,118</u>	<u>848,273</u>	<u>30,155</u>	4%	<u>(353,999)</u>	<u>-76%</u>	
<b>TOTAL REVENUES</b>		<u>\$ 3,295,900</u>	<u>\$ 3,395,610</u>	<u>\$ 3,456,452</u>	<u>\$ 60,842</u>	<u>2%</u>	<u>\$ (99,710)</u>	<u>-3%</u>	

*Continued*



**YELLOWSTONE EDUCATION FOUNDATION**  
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**BUDGETARY COMPARISON SCHEDULE, CONT'D**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	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 Instruction	\$ 1,786,910	\$ 1,693,412	\$ 1,701,942	\$ (8,530)	-1%		\$ 93,498	5%	
12 Instructional resources and media	1,600	-	-	-	0%		1,600	100%	{e}
13 Curriculum development and instructional staff development	20,201	17,170	17,230	(60)	0%		3,031	15%	{f}
23 School leadership	290,205	412,873	411,473	1,400	0%		(122,668)	-42%	{g}
31 Guidance, counseling and evaluation	71,703	73,853	74,228	(375)	-1%		(2,150)	-3%	
32 Social work	-	6,156	4,851	1,305	21%	{a}	(6,156)	-100%	{h}
33 Health services	-	63	63	-	0%		(63)	-100%	{i}
34 Student (pupil) transportation	223,429	164,002	174,864	(10,862)	-7%		59,427	27%	{f}
35 Food services	227,330	437,722	440,661	(2,939)	-1%		(210,392)	-93%	{m}
36 Cocurricular/extracurricular activities	27,654	15,449	16,100	(651)	-4%		12,205	44%	{f}
41 General administration	410,724	317,312	319,963	(2,651)	-1%		93,412	23%	{j}
51 Facilities maintenance and operations	126,170	166,571	166,266	305	0%		(40,401)	-32%	{k}
53 Data processing services	29,569	27,880	27,113	767	3%		1,689	6%	
61 Community services	13,500	10,214	9,782	432	4%		3,286	24%	{f}
71 Debt service	-	1,190	1,189	1	0%		(1,190)	-100%	{l}
81 Fundraising	480	2,028	1,688	340	17%	{a}	(1,548)	-323%	{i}
<b>TOTAL EXPENSES</b>	<b>\$ 3,229,475</b>	<b>\$ 3,345,895</b>	<b>\$ 3,367,413</b>	<b>(21,518)</b>	<b>-1%</b>		<b>(116,420)</b>	<b>-4%</b>	
CHANGE IN NET ASSETS	66,425	49,715	89,039	82,360	166%		16,710	25%	
NET ASSETS, BEGINNING OF YEAR			337,880						
NET ASSETS, END OF YEAR			<u>\$ 426,919</u>						

Reference:

- {a} Year-end costs came in below rough estimates.
- {b} Budget was adjusted to match what was actually received.
- {c} Budget was adjusted to reflect receipt of a supplementary special education grant.
- {d} Budget was adjusted to reflect food program expansion during school closure and also receipt of a school improvement grant.
- {e} Budget was adjusted to show these costs in function 11.
- {f} Budget was decreased to match decreased spending due to building closure.
- {g} Budget was adjusted to take reclassifications from function 41 and also to add in summer 2020 admin preparation work.
- {h} Budget was adjusted to add in summer 2020 admin preparation work.
- {i} Budget was adjusted to reflect increased expense coding precision.
- {j} Budget was adjusted due partially to cost savings but also reclassifying certain staff from function 41 to function 23.
- {k} Budget was adjusted to reflect shared service true-up.
- {l} Budget was adjusted to include interest for the line of credit draw in summer 2019.
- {m} Budget was adjusted to reflect food program expansion during school closure.

# **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, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2021.

**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.

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Houston, TX 77081  
Phone: 713.968.1600  
Fax: 713.968.1601

**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 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 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.

A handwritten signature in blue ink, appearing to read "McLonnell & Jones".

Houston, Texas  
January 21, 2021



**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, 2020. 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, 2020.

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***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  
January 21, 2021

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<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>
<b>U.S. Department of Agriculture</b>			
Pass-Through State Department of Education			
Pass-Through Texas Education Agency			
School Breakfast Program <sup>1</sup>	10.553	71401901	\$ 166,054
National School Lunch Program <sup>1</sup>	10.555	71301901	291,992
<b>Total U.S. Department of Agriculture</b>			<u>458,046</u>
<b>U.S. Department of Homeland Security</b>			
Pass-Through Texas Department of Public Safety			
Corona Virus Relief Funds	21.019		21,647
<b>Total U.S. Department of Homeland Security</b>			<u>21,647</u>
<b>U.S. Department of Education</b>			
Pass-Through State Department of Education			
Pass-Through Texas Education Agency			
Title I Part A: Improving Basic Education Program	84.010	19610101101873	8,949
Title I Part A: Improving Basic Education Program	84.010	20610101101873	136,376
IDEA Part B: Special Education Program <sup>2</sup>	84.027	206600011018736000	37,629
Public Charter School Program Start-Up Grant	84.282A	185900097110011	71,745
Title II Part A: Improving Teacher Quality Program	84.367	20694501101873	3,994
Title I, Part A - School Improvements	84.377	20610141101873	100,000
Title IV, Part A Subpart 1 - Student Support and Academic Enrichment	84.424A	20680101101873	9,887
<b>Total U.S. Department of Education</b>			<u>368,580</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 848,273</u>

*Note 1: Represents Child Nutrition Cluster*

*Note 2: Represents Special Education Cluster (IDEA)*

**YELLOWSTONE EDUCATION FOUNDATION  
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**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**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, 2020. 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, 2020**

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**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

Name of Federal Program

10.553

School Breakfast Program

10.555

National School Lunch Program

- |   |           |
|---|-----------|
| 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  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**PART II: FINDINGS - FINANCIAL STATEMENT AUDIT**

This section identifies the significant deficiencies, material weaknesses, and instances of fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting under 2 CFR Section 200.515(d)(2).

No findings noted.

**YELLOWSTONE EDUCATION FOUNDATION  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**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.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**PART III STATUS OF PRIOR YEAR FINDINGS**

**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.

**Current Status:** This finding was resolved in the current year.