

**RESPONSIVE EDUCATION  
SOLUTIONS**

Consolidated Financial Report for the Year Ended

August 31, 2014

**RESPONSIVE EDUCATION SOLUTIONS**

Annual Financial Report  
For the Year Ended August 31, 2014

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CERTIFICATE OF BOARD

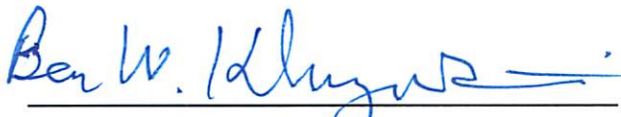
TEXAS COLLEGE PREPARATORY ACADEMIES  
DISTRICT NUMBER: 221801

AND

PREMIER HIGH SCHOOLS  
DISTRICT NUMBER: 072801

FEDERAL EIN: 75-2748762

We, the undersigned, certify that the attached financial reports of Responsive Education Solutions were reviewed and  approved  disapproved for the year ended August 31, 2014, at a meeting of the Governing Body of such charter school on the 23 day of January, 2015.



Signature of Board Secretary



Signature of Board President

If the auditor's report was disapproved, the reason(s) therefore is/are (attach list if necessary):

**EVANS, PINGLETON and HOWARD, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
8950 GARY BURNS DRIVE, SUITE D  
FRISCO, TEXAS 75034  
972-335-9754/FAX 972-335-9758

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
**Responsive Education Solutions**  
Lewisville, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of Responsive Education Solutions (a nonprofit organization), which comprise the statement of financial position as of August 31, 2014, 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 from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Responsive Education Solutions as of August 31, 2014, 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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of Responsive Education Solutions' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Responsive Education Solutions' internal control over financial reporting and compliance.

*Evans, Pingleton and Howard, PLLC*

Evans, Pingleton and Howard, PLLC  
Frisco, TX  
December 30, 2014

## **FINANCIAL STATEMENTS**

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# RESPONSIVE EDUCATION SOLUTIONS

## Statement of Financial Position

August 31, 2014

### ASSETS

#### Current Assets:

Cash and Cash Equivalents	\$ 50,466,793
Due from State	739,095
Other Receivables	1,190,687
Inventory	1,170,785
Prepaid Expenses	63,899
Total Current Assets	<u>53,631,259</u>

#### Property & Equipment:

Land	10,589,866
Buildings & Improvements	35,235,153
Vehicles	264,511
Furniture & Equipment	4,321,496
Leasehold Improvements	1,519,341
Library Books & Media	663,941
Construction in Progress	946,377
Accumulated Depreciation	<u>(6,622,777)</u>
Total Net Property & Equipment	<u>46,917,908</u>

#### Other Assets:

Other Assets	<u>342,258</u>
Total Other Assets	<u>342,258</u>

TOTAL ASSETS \$ 100,891,425

### LIABILITIES & NET ASSETS

#### Current Liabilities:

Accounts Payable	\$ 2,454,291
Other Payables	29,072,091
Accrued Wages & Other Benefits Payable	2,221,105
Accrued Expenses	112,599
Due to State	-
Current Portion of Long Term Debt	1,350,945
Deferred Revenues	-
Total Current Liabilities	<u>35,211,031</u>

#### Long-Term Liabilities:

Notes Payable	<u>30,884,571</u>
Total Long-Term Liabilities	<u>30,884,571</u>

#### Net Assets:

Unrestricted	5,801,717
Temporarily Restricted	<u>28,994,106</u>
Total Net Assets	<u>34,795,823</u>

TOTAL LIABILITIES & NET ASSETS \$ 100,891,425

The notes to the financial statements are an integral part of this statement.



**RESPONSIVE EDUCATION SOLUTIONS**

Statement of Activities

For the Year Ended August 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE &amp; OTHER SUPPORT</b>			
Local Support:			
Revenue from Local Sources	3,004,606	-	3,004,606
Total Local Support	<u>3,004,606</u>	<u>-</u>	<u>3,004,606</u>
<b>State Program Revenues</b>			
State Foundation Program	-	104,338,186	104,338,186
Other State Aid	-	1,676,755	1,676,755
Total State Program Revenues	<u>-</u>	<u>106,014,941</u>	<u>106,014,941</u>
<b>Federal Program Revenues</b>			
Breakfast Program	-	223,705	223,705
National School Lunch	-	826,905	826,905
Title I, Part A	-	2,031,626	2,031,626
IDEA-Part B Formula	-	1,229,066	1,229,066
Title II, Part A	-	318,288	318,288
Title V, Part B, Public Charter Schools	-	152,725	152,725
Title III, Part A, ELA	-	144,336	144,336
Rural Education Achievement Program	-	19,073	19,073
Education Jobs Fund	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>4,945,724</u>	<u>4,945,724</u>
Net Assets Released from Restrictions	108,291,815	(108,291,815)	-
Total Revenue & Other Support	<u>\$ 111,296,421</u>	<u>2,668,850</u>	<u>113,965,271</u>

The notes to the financial statements are an integral part of this statement.

**RESPONSIVE EDUCATION SOLUTIONS**

## Statement of Activities

For the Year Ended August 31, 2014

*continued*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>EXPENSES</b>			
Program Services:			
11 Instruction	73,937,706	-	73,937,706
12 Instructional Resources & Media Svcs	2,535	-	2,535
13 Curriculum Dev. & Instr Staff Dev.	2,891,091	-	2,891,091
21 Instructional Leadership	2,318,618	-	2,318,618
23 School Leadership	10,403,766	-	10,403,766
Support Services:			
31 Guidance, Counseling & Eval Svcs	392,429	-	392,429
32 Social Work Services	25,897	-	25,897
33 Health Services	300,747	-	300,747
34 Student (Pupil) Transportation	109,385	-	109,385
35 Food Services	1,730,829	-	1,730,829
36 Cocurricular/Extracurricular Activities	92,466	-	92,466
41 General Administration	3,802,266	-	3,802,266
51 Plant Maintenance & Operations	7,089,745	-	7,089,745
52 Security & Monitoring Services	73,241	-	73,241
53 Data Processing Services	1,957,510	-	1,957,510
61 Community Services	279,012	-	279,012
71 Debt Service	1,244,218	-	1,244,218
81 Fundraising	1,337,358	-	1,337,358
	-	-	-
Total Expenses	<u>107,988,819</u>	<u>-</u>	<u>107,988,819</u>
Change in Net Assets	3,307,602	2,668,850	5,976,452
Net Assets, Beginning of Year	<u>2,494,115</u>	<u>26,325,256</u>	<u>28,819,371</u>
Net Assets, End of Year	<u>\$ 5,801,717</u>	<u>28,994,106</u>	<u>34,795,823</u>

The notes to the financial statements are an integral part of this statement.

## RESPONSIVE EDUCATION SOLUTIONS

Statement of Cash Flows  
For the Year Ended August 31, 2014

Cash Flows from Operating Activities:	
Cash from Local Sources	\$ 16,024,998
Cash from State Programs	106,562,894
Cash from Federal Programs	4,640,433
Cash Paid to Suppliers	(69,432,043)
Cash Paid to Employees	(48,162,604)
Cash Paid for Interest Expense	(1,244,218)
Net Cash Provided/(Used) by Operating Activities	<u>8,389,460</u>
Cash Flows from Investing Activities:	
Purchase of Property & Equipment	(11,922,618)
Gain on sale of Capital Assets	-
Net Cash Provided/(Used) by Investing Activities	<u>(11,922,618)</u>
Cash Flows from Financing Activities:	
Proceeds from New Debt	14,376,303
Payments on Debt	(1,007,047)
Net Cash Provided/(Used) by Financing Activities	<u>13,369,256</u>
Net Increase/(Decrease) in Cash	9,836,098
Cash at Beginning of Year	<u>40,630,695</u>
Cash at End of Year	<u>\$ 50,466,793</u>

### Reconciliation of Change in Net Assets to Net Cash Provided/(Used) by Operating Activities

Change in Net Assets	\$ 5,976,452
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:	
Depreciation	1,459,893
(Increase)/Decrease in Operating Assets	
Due from State	242,662
Inventory	(695,665)
Prepaid Expenses	(34,106)
Other Receivables	(468,723)
Other Assets	11,073
Increase/(Decrease) in Operating Liabilities	
Accounts Payable	(985,955)
Other Payables	4,984,797
Due to State	(364,478)
Accrued Wages and Benefits Payable	(1,238,505)
Deferred Revenue	(93,050)
Accrued Expenses	(404,935)
Net Adjustments	<u>2,413,008</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 8,389,460</u>

The notes to the financial statements are an integral part of this statement.

## **NOTES TO THE FINANCIAL STATEMENTS**

# RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements  
For the Year Ended August 31, 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Organization and Nature of Activities

Responsive Education Solutions, Inc. a Texas non-profit corporation (The Organization), is recognized as an organization exempt from federal income taxes under 501(c)(3) of the Internal Revenue Service. The Organization is authorized to operate open enrollment charter schools (The Schools) in the states of Texas, Arkansas, Indiana and Ohio through the following agencies: The Texas Education Agency – Office of the Commissioner, the Arkansas Department of Education Charter Authorizing Panel, the Indiana Charter School Board, The Indianapolis Mayor’s Office, and the Ohio Council of Community Schools.

The Organization provides curricula and operates schools for students in grades K-12 through elementary schools (doing business as Vista Academies of Texas), intermediate schools (doing business as Quest Middle Schools), high schools (doing business as Premier High Schools and iSchool High), expanded-grade schools (Founders Classical Academies, grades K-12; Texas Virtual Academy, grades 3-12), an autism school (Foundation School for Autism), as well as school administrative services.

On July 1, 2014, the organization completed a charter management agreement with ResponsiveEd School Services to operate back-office functions. This agreement allows the organization to focus on providing a high quality education to its students.

### B. Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accounting system is organized under the *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter Schools Chart of Accounts*, a module of the Texas Education Agency Financial Accountability Resource Guide. The significant accounting policies are as follows:

To insure observance of limitations and restrictions placed on the use of resources available to the School, the accounts are maintained in accordance with the principles of fund accounting during the year. Resources for various purposes are classified into funds according to their nature and purposes. Separate accounts are maintained for each fund; however, the accompanying statements of financial position and of activities focus on the organization as a whole and reports the amounts of its total assets, liabilities, net assets and changes in net assets in accordance with the Financial Accounting Standards Board.

The statement of financial position reports the amounts of each of three classes of net assets: temporarily restricted, unrestricted net assets and permanently restricted net assets (currently zero).

- Temporarily restricted net assets result from contributions and other inflows of assets that are limited by donor imposed stipulations that can be fulfilled and removed by actions of the School pursuant to those stipulations.

When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements  
For the Year Ended August 31, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### B. Accounting Policies *(continued)*

- Unrestricted net assets are the remaining part of the School's net assets that is neither permanently restricted nor temporarily restricted by donor imposed stipulations. Property and equipment are included in unrestricted net assets.
- Permanently restricted net assets result from contributions and other inflows of assets that are required to be maintained in perpetuity with only the income to be used for the School's activities due to donor-imposed restrictions.

#### C. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are comprised of cash on hand and in banks including highly liquid investments with original maturities of three months or less.

#### D. Fixed Assets and Depreciation

All assets acquired with a value of \$5,000 or greater are recorded as fixed assets and are valued at cost or estimated cost. Donated assets are reported at the fair market value at the time of acquisition. Depreciation of building improvements and equipment is provided over the estimated useful lives of the assets on a straight line basis.

#### E. Revenues

Each school's revenues from the State of Texas available school fund are earned based on reported attendance.

Contributions received are recognized as revenue in the period received and are reported as either restricted or unrestricted support.

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

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

#### F. Donated Goods and Services

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statements as in kind contributions and expenses of a like amount.

## RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements  
For the Year Ended August 31, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### G. Sick Leave, Personal Leave and Vacation

All employees earn five days of paid sick leave per year. However, unused balances are not paid at termination. Therefore, there is no liability accrued on the financial statements. All employees earn two days of paid personal leave per year that is paid no later than the last paycheck of the school year. Therefore, there is no liability accrued on the financial statements. Accrued wages payable includes an accrual for accumulated liability for employee vacation time.

#### H. Estimates

In preparation of the financial statements and in conformity with generally accepted accounting principles, management's estimated useful lives of asset classes were used in the calculation of depreciation.

#### I. Functional Allocation of Expenses

The expense of the various programs and other activities has been presented on a functional basis in the statement of activities. Accordingly, certain expenses and supporting service costs have been allocated among the various programs.

#### J. Basis of Consolidation

The General Purpose financial statements are presented on an entity-wide consolidated basis including operations of the Organization not affiliated with any certain charter operation. Certain intercompany transactions are eliminated in the consolidation process because including them would make the overall financial statement presentation misleading.

### 2. INVENTORY

At August 31, 2014 the Organization had on hand curriculum inventory of original costs totaling \$1,170,785.

<u>Entity</u>	<u>Curriculum</u>
TCPA	\$ 114,471
Premier	416,198
501(c)(3)	<u>640,116</u>
Totals	<u>\$ 1,170,785</u>

## RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements  
For the Year Ended August 31, 2014

### 3. CAPITAL ASSETS

The Charters and 501(c)(3) had the following capital asset activity in 2013:

<b>TCPA</b>	Balance at 8/31/13	Additions	Retirements	Balance at 8/31/14
Land	\$ 5,151,065	2,110,228	-	\$ 7,261,293
Buildings & Improvements	9,928,257	13,308,335	-	23,236,592
Vehicles	17,471	89,533	-	107,004
Furniture & Equipment	1,264,600	182,712	-	1,447,312
Leasehold Improvements	692,883	24,089	-	716,972
Licenses & Media	355,199	25,340	-	380,539
Construction in Progress	9,007,001	1,089,441	(9,150,065)	946,377
Total Historical Cost	<u>26,416,476</u>	<u>16,829,678</u>	<u>(9,150,065)</u>	<u>34,096,089</u>
Less:				
Accumulated Depreciation	<u>(1,877,923)</u>	<u>(830,676)</u>	<u>-</u>	<u>(2,708,599)</u>
Total TCPA Capital Assets	<u>\$ 24,538,553</u>	<u>15,999,002</u>	<u>(9,150,065)</u>	<u>31,387,490</u>
<b>Premier</b>				
Land	\$ 753,073	-	-	753,073
Buildings & Improvements	3,324,726	31,432	-	3,356,158
Vehicles	6,303	-	-	6,303
Furniture & Equipment	2,108,059	52,102	-	2,160,161
Leasehold Improvements	772,565	29,804	-	802,369
Licenses & Media	204,716	-	-	204,716
Total Historical Cost	<u>7,169,442</u>	<u>113,338</u>	<u>-</u>	<u>7,282,780</u>
Less:				
Accumulated Depreciation	<u>(3,084,257)</u>	<u>(256,585)</u>	<u>-</u>	<u>(3,340,842)</u>
Total Premier Capital Assets	<u>\$ 4,085,185</u>	<u>(143,247)</u>	<u>-</u>	<u>3,941,938</u>
<b>501(c)(3)</b>				
Land	\$ 1,085,500	1,490,000	-	2,575,500
Buildings & Improvements	6,028,760	2,613,643	-	8,642,403
Vehicles	151,204	-	-	151,204
Furniture & Equipment	687,998	26,025	-	714,023
Leasehold Improvements	-	-	-	-
Licenses & Media	78,686	-	-	78,686
Construction in Progress	-	-	-	-
Total Historical Cost	<u>8,032,148</u>	<u>4,129,668</u>	<u>-</u>	<u>12,161,816</u>
Less:				
Accumulated Depreciation	<u>(200,704)</u>	<u>(372,632)</u>	<u>-</u>	<u>(573,336)</u>
Total 501(c)(3) Capital Assets	<u>\$ 7,831,444</u>	<u>3,757,036</u>	<u>-</u>	<u>11,588,480</u>
Grand Total Historical Cost	41,618,066	21,072,684	(9,150,065)	53,540,685
Grand Total Accum Depreciation	<u>(5,162,884)</u>	<u>(1,459,893)</u>	<u>-</u>	<u>(6,622,777)</u>
Grand Total Net Capital Assets	<u>\$ 36,455,182</u>	<u>19,612,791</u>	<u>(9,150,065)</u>	<u>\$ 46,917,908</u>

Depreciation expense for the year ended August 31, 2014 was \$1,459,893.



## RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements  
For the Year Ended August 31, 2014

### 4. PENSION PLAN

#### Plan Description

The Associated Schools contribute to the Teacher Retirement System of Texas (the “System”), 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 Schools, but are the liability of the State of Texas.

The System provides service retirement and disability benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the Schools. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 877-0123.

#### Funding Policy

Under provisions of State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the Schools covered payroll. The Schools employees contributions to the System for the year ending August 31, 2014 were \$2,867,748 and were equal to the required contributions for each year. The State of Texas’ contributions should approximate \$2,688,514.

### 5. HEALTH CARE COVERAGE

Employees of the Organization are covered by a group insurance plan with TRS Active Care. The Organization pays the employee’s premium (approximately \$250) and the employee pays the premiums for dependent coverage through payroll deductions through a Cafeteria Plan. See Note 6 for a summary of Section 125 Cafeteria Plan coverage.

### 6. SECTION 125 CAFETERIA PLAN

The Organization has adopted a “cafeteria plan” within the meaning of Section 125(a) of the Internal Revenue Code which allows employees to choose among certain “tax free” benefits in lieu of taxable compensation. The choices include medical insurance premium, dental and vision insurance premium, cancer insurance premium, disability insurance premium, voluntary term life insurance premium and accidental death & dismemberment (AD&D) insurance premium among others. The company pays \$31.06 towards the dental premium, \$2.08 toward the life premium and \$0.40 toward the AD&D premium. The employees’ portion of the costs to provide any of these benefits are paid by the employees from payroll deductions.

### 7. DUE FROM STATE

At August 31, 2014, the Organization was to receive \$739,095 in entitlements as follows:

Foundation School Program	\$	79,034
Federal Grant Revenue		<u>660,061</u>
Total Due From State	\$	<u><u>739,095</u></u>

## RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements  
For the Year Ended August 31, 2014

### 8. OPERATING LEASES

The following is a summary of operating lease obligations and terms for the year ended August 31, 2014:

	Expiration Date	Monthly Rent	CAM	Monthly Total
Austin - Premier	July 31, 2017	\$ 14,636	4,200	\$ 18,836
Austin - Vista	June 30, 2015	2,000	-	2,000
Beaumont - Premier	June 30, 2015	11,000	3,460	14,460
Beaumont - Vista	June 30, 2016	2,000	-	2,000
Brownsville Lakeshore - Premier	June 30, 2017	4,500	-	4,500
Carrollton - Vista	June 30, 2015	25,000	-	25,000
Clay Academy - Vista	June 30, 2020	20,400	-	20,400
Coppell - Quest	June 30, 2016	9,411	3,000	12,411
Crockett - Vista	June 30, 2016	5,000	-	5,000
Dallas - Vista	June 30, 2016	4,000	-	4,000
Dayton - Premier	June 30, 2015	2,000	-	2,000
Del Rio - Premier	June 30, 2015	6,500	-	6,500
Denton - Vista	July 31, 2015	6,221	-	6,221
Desoto - Vista	June 30, 2016	12,000	-	12,000
Early - Premier	June 30, 2015	2,100	-	2,100
Edinburg - Vista	June 30, 2017	2,000	-	2,000
El Paso - Premier	June 30, 2018	8,313	1,820	10,133
Elgin - Vista	June 30, 2016	2,000	-	2,000
Ft Worth - Premier	June 30, 2016	9,427	3,090	12,517
Garland - Vista	June 30, 2016	23,000	-	23,000
North Garland - Vista	June 30, 2015	2,000	-	2,000
Granbury - Premier	June 30, 2015	8,779	1,873	10,652
Hickory Creek - Vista	July 31, 2015	31,739	9,919	41,658
Houston - iSchool (University Park)	June 30, 2019	41,610	-	41,610
Humble - Vista	June 30, 2018	2,000	-	2,000
Huntsville - Vista & Premier	June 30, 2016	22,700	-	22,700
Irving South - Premier	June 30, 2015	2,000	-	2,000
Jasper - Vista	June 30, 2015	4,000	-	4,000
Lubbock - Premier	June 30, 2015	17,527	-	17,527
Midland - Premier	June 30, 2023	10,973	4,834	15,807
Mission - Premier	June 30, 2015	12,000	3,000	15,000
New Braunfels - Premier	June 30, 2016	7,703	2,657	10,360
North Austin - Premier	June 30, 2015	16,110	4,970	21,080
Palmview - Premier	June 30, 2016	12,000	-	12,000
Pasadena - Vista	June 30, 2019	2,000	-	2,000
Phar - Premier	June 30, 2015	9,178	-	9,178
Richardson - Premier	June 30, 2017	11,356	-	11,356
Richardson - Vista	June 30, 2017	2,000	-	2,000
San Antonio - Premier	June 30, 2015	12,750	-	12,750
San Antonio - Autism	June 30, 2016	6,670	3,744	10,414
San Juan - Premier	June 30, 2015	15,284	-	15,284
The Woodlands - Vista	June 30, 2015	4,000	-	4,000
The Woodlands - iSchool (Montgomery)	July 31, 2021	31,073	-	31,073
Tyler - Vista	June 30, 2015	2,000	-	2,000
Willis - Vista	June 30, 2016	4,000	-	4,000
Administration Copiers	July 31, 2017	7,527	-	7,527
		<u>\$ 470,487</u>	<u>46,567</u>	<u>\$ 517,054</u>

**RESPONSIVE EDUCATION SOLUTIONS**

Notes to Financial Statements  
For the Year Ended August 31, 2014

**8. OPERATING LEASES** *(continued)*

**FUTURE MINIMUM LEASE PAYMENTS**

Future minimum lease payments under the leases above are as follows:

8/31/2015	5,871,707
8/31/2016	3,354,924
8/31/2017	1,964,829
8/31/2018	1,452,010
8/31/2019	1,243,460
Thereafter	<u>1,645,801</u>
Total	<u><u>\$ 15,532,731</u></u>

**9. OTHER LIABILITIES**

The detail of Other Liabilities for the entities is as follows:

<u>Description</u>	<u>TCPA</u>	<u>Premier</u>	<u>501(c)(3)</u>	<u>Total</u>
Revenue Share K12	\$ 28,626,539	-	-	\$ 28,626,539
Withholdings Payable	-	-	429,167	429,167
Other Misc Payables	-	2,906	13,479	16,385
Totals	<u><u>\$ 28,626,539</u></u>	<u><u>2,906</u></u>	<u><u>442,646</u></u>	<u><u>\$ 29,072,091</u></u>

**10. COMMITMENTS AND CONTINGENCIES**

The Organization receives funds through federal programs which are governed by various rules and regulations of the grantor. Expenses charged to the grant program are subject to audit and adjustment by the grantor agency. In the opinion of management, there are no contingent liabilities relating to compliance with rules and regulations governing the grants; therefore, no provision has been made in the accompanying financial statements for such contingencies.

**11. ECONOMIC DEPENDENCY**

During the year the Schools received the majority of its revenues from the Texas Education Agency and the Federal Government through a Charter Agreement. The loss of this Charter Agreement would have a material effect on the ability of the Schools to continue to provide the current level of services to its students.

## RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements  
For the Year Ended August 31, 2014

### 12. NOTES PAYABLE

The Organization purchased a building at 955 Paredes Line Road, Brownsville, Texas for the Brownsville school location on September 24, 2007. Previously they were leasing space at this location. The purchase was for \$840,000 with a resulting note payable (lien on the building) of \$672,000 payable by payments of \$6,174 including interest at 7.25%.

The Organization purchased a building at 3236 Hobbs Rd. Amarillo, Texas for the Amarillo school location on February 15, 2008. The purchase was for \$379,323 with a resulting note payable (lien on the building) of \$303,792 payable by payments of \$3,421 including interest at 6.3165%.

The Organization purchased a building at 4720 N 19th Street, Waco, Texas for the Waco school location on July 28, 2008. The purchase was for \$505,675 with a resulting note payable (lien on the building) of \$478,550 payable in a lump sum payment July 28, 2009. The note was refinanced and has 264 payments of \$2,672 remaining including interest at prime plus 1% adjusted every 3 years with a floor of 4.25%.

The Organization purchased a building at 4633 S. 14th St, Abilene, TX for the Abilene school location on September 24, 2008. The purchase was for \$840,070.58 with a resulting note payable (lien on the building) of \$786,250 payable by payments of \$5,355.46 including interest at 6.5%.

The Organization purchased a building at 1106 Glenwood Blvd., Tyler, TX for the Tyler school location on June 24, 2009. The purchase was for \$432,604.95 with a resulting note payable (lien on the building) of \$361,250 payable June 24, 2010 including interest at 4.25%.

The Organization purchased a building at 1301 Waters Ridge Drive, Lewisville, Texas for the School Administration location on June 11, 2010. The purchase was for \$4,650,000 with a resulting note payable (lien on the building) of \$4,122,500 payable by payments of \$22,595 including interest at 4.25%.

The Organization purchased a building at 1010 Bellaire Blvd, Denton, TX for the Denton/Lewisville location on July 29, 2011. The purchase was for \$2,625,000.00 with a resulting mortgage of \$2,231,250 payable in monthly payments of \$12,196 including interest at prime plus 1% adjusted every 3 years with a floor of 4.25%.

The Organization purchased land and a building in Laredo, TX for modification and the eventual relocation of the Laredo School. The purchase was for \$508,911 with a resulting mortgage of \$425,000 payable in monthly payments of \$2,230 including interest at prime plus 1% adjusted every 3 years with a floor of 4.25%.

The Organization purchased a building in Lewisville, TX with an original mortgage amount of \$3,504,124. The monthly payment \$28,306 includes interest at the rate of 5.25% with a term of fifteen years.

The Organization constructed a new building in Lewisville, Texas for Founders Classical Academy of Lewisville resulting in a mortgage of \$2,931,102 payable in monthly payments of \$23,562 including interest of 5.25 % with a term of fifteen years.

The Organization constructed a new building in Amarillo, Texas for a new school resulting in a mortgage of \$4,166,695 payable in monthly payments of \$33,945 including interest of 5.25% with a term of fifteen years.

The Organization purchased land and a building in Leander, Texas for Founders Classical Academy of Leander resulting in a mortgage of \$2,975,000 payable in monthly payments of \$24,035 including interest of 5.25% with a term of fifteen years.

## RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements  
For the Year Ended August 31, 2014

The Organization purchased land and a building at 500 Parker Square in Flower Mound, Texas for a school resulting in a mortgage of \$2,890,000 payable in monthly payments of \$23,562 including interest of 5.25% with a term of fifteen years.

The Organization purchased land and a building in Coppell, Texas for a school resulting in a mortgage of \$2,563,000 payable interest only at a rate of 4.0% for eighteen months at which time the mortgage will be refinanced on a long term basis.

The Organization purchased land and a building at 700 Parker Square in Flower Mound, Texas for administrative use resulting in a mortgage of \$2,295,000 payable in monthly payments of \$18,541 including interest at 5.25% with a term of fifteen years.

The Organization purchased land and a building in Little Rock, Arkansas for possible future school use resulting in a mortgage of \$3,315,000 payable in monthly payments of \$26,649 including interest at 5.25% with a term of fifteen years.

Long Term Debt activity was as follows:

	Balance at 8/31/13	Additions	Retirements	Balance at 8/31/14	Current Portion
<b>TCPA</b>					
Bank of America (Amarillo)	\$ 162,661	-	(34,374)	128,287	33,723
NorthStar Bank (Lewisville)	2,131,139	-	(56,313)	2,074,826	59,587
NorthStar Bank (Waters Ridge)	3,931,037	-	(96,202)	3,834,835	111,863
NorthStar Bank (Amarillo)	3,828,392	338,303	(159,542)	4,007,153	198,105
NorthStar Bank (Lewisville)	2,930,908	-	(109,013)	2,821,895	139,367
NorthStar Bank (Leander)	-	2,975,000	(88,373)	2,886,627	140,225
NorthStar Bank (500 Parker Sq)	-	2,890,000	(85,406)	2,804,594	136,219
NorthStar Bank (Coppell)	-	2,563,000	-	2,563,000	-
Sub-Total	<u>\$ 12,984,137</u>	<u>8,766,303</u>	<u>(629,223)</u>	<u>21,121,217</u>	<u>819,089</u>
<b>Premier</b>					
Bank of America (Brownsville)	\$ 489,427	-	(39,370)	450,057	42,368
NorthStar Bank (Abilene)	726,770	-	(21,842)	704,928	23,058
NorthStar Bank (Laredo)	409,344	-	(9,348)	399,996	10,868
NorthStar Bank (Tyler)	339,316	-	(10,558)	328,758	10,298
NorthStar Bank (Waco)	441,424	-	(13,355)	428,069	14,066
Sub-Total	<u>\$ 2,406,281</u>	<u>-</u>	<u>(94,473)</u>	<u>2,311,808</u>	<u>100,658</u>
<b>501(c)(3)</b>					
NorthStar Bank (Lakeway)	\$ 3,475,842	-	(156,113)	3,319,729	168,804
NorthStar Bank (700 Parker Sq)	-	2,295,000	(67,841)	2,227,159	108,180
NorthStar Bank (Little Rock)	-	3,315,000	(59,397)	3,255,603	154,214
Sub-Total	<u>3,475,842</u>	<u>5,610,000</u>	<u>(283,351)</u>	<u>8,802,491</u>	<u>431,198</u>
<b>Long Term Debt Totals</b>	<u>\$ 18,866,260</u>	<u>14,376,303</u>	<u>(1,007,047)</u>	<u>32,235,516</u>	<u>1,350,945</u>

Future debt requirements are as follows:

August 31,	Principle	Interest	Total
2015	\$ 1,355,063	1,459,168	2,814,231
2016	3,984,918	1,387,611	5,372,529
2017	1,497,317	1,312,212	2,809,529
2018	1,559,461	1,232,944	2,792,405
2019	1,617,098	1,151,376	2,768,474
Thereafter	22,221,659	6,611,466	28,833,125
Total	<u>\$ 32,235,516</u>	<u>13,154,777</u>	<u>45,390,293</u>

**RESPONSIVE EDUCATION SOLUTIONS**

Notes to Financial Statements  
For the Year Ended August 31, 2014

**12. TEMPORARILY RESTRICTED NET ASSETS**

At August, 31 2014, the Organization had temporarily restricted net assets of \$28,994,106. These funds represent funds that are restricted as to their expendability in certain Federal, State and Local programs. The funds are not free to be expended in any way the Organization desires. The temporarily restricted funds at year end are as follows:

State Foundation Program	<u>\$ 28,994,106</u>
Total	<u>\$ 28,994,106</u>

**13. CASH DEPOSIT RISK**

The Organization's bank holds collateral to insure bank deposit balances of all state and federal funds that exceed Federal Deposit Insurance Corporation (FDIC) limits. At August 31, 2014, local fund deposit balances exceeded the insured limits by \$1,083,015.

**14. SUBSEQUENT EVENTS**

The School has evaluated subsequent events through December 30, 2014, the date which the financial statements were available to be issued.

**15. ADMINISTRATIVE FEES**

For the year ended August 31, 2014, TCPA paid \$7,949,370 and Premier paid \$3,794,250 in administrative fees to Responsive Educations Solutions, Inc, the 501(c)(3) charter holder.

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## **COMBINING SCHEDULES**



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**RESPONSIVE EDUCATION SOLUTIONS**  
**Statement of Financial Position by Charter**  
**August 31, 2014**

<b>ASSETS</b>	<b>Texas College Preparatory Academies</b>	<b>Premier High Schools</b>	<b>Total</b>
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 40,410,941	8,508,386	48,919,327
Due from State	548,041	191,460	739,501
Other Receivables	294,397	299,362	593,759
Inventory	114,471	416,198	530,669
Prepaid Expenses	45,144	3,292	48,436
<b>Total Current Assets</b>	<b>41,412,994</b>	<b>9,418,698</b>	<b>50,831,692</b>
<b>Property &amp; Equipment:</b>			
Land	7,261,293	753,073	8,014,366
Building & Improvements	23,236,592	3,356,158	26,592,750
Vehicles	107,004	6,303	113,307
Furniture & Equipment	1,447,312	2,160,161	3,607,473
Leasehold Improvements	716,972	802,369	1,519,341
Library Books & Media	380,539	204,716	585,255
Construction in Progress	946,377	-	946,377
Accumulated Depreciation	(2,708,599)	(3,340,842)	(6,049,441)
<b>Total Property &amp; Equipment</b>	<b>31,387,490</b>	<b>3,941,938</b>	<b>35,329,428</b>
<b>Other Assets:</b>			
Other Assets	158,384	169,805	328,189
<b>Total Other Assets</b>	<b>158,384</b>	<b>169,805</b>	<b>328,189</b>
 <b>Total Assets</b>	 <b>\$ 72,958,868</b>	 <b>13,530,441</b>	 <b>86,489,309</b>
 <b>LIABILITIES &amp; NET ASSETS</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 1,882,531	544,016	2,426,547
Other Liabilities	28,926,172	2,906	28,929,078
Accrued Wages & Other Benefits Payable	185,534	178,747	364,281
Accrued Expenses	102,052	-	102,052
Due to State	-	-	-
Current Portion of Long Term Debt	819,089	100,658	919,747
Deferred Revenue	-	-	-
<b>Total Current Liabilities</b>	<b>31,915,378</b>	<b>826,327</b>	<b>32,741,705</b>
<b>Long-Term Liabilities:</b>			
Notes Payable	20,302,128	2,211,150	22,513,278
<b>Total Long Term Liabilities</b>	<b>20,302,128</b>	<b>2,211,150</b>	<b>22,513,278</b>
<b>Net Assets:</b>			
Unrestricted	1,892,140	348,080	2,240,220
Temporarily Restricted	18,849,222	10,144,884	28,994,106
<b>Total Net Assets</b>	<b>20,741,362</b>	<b>10,492,964</b>	<b>31,234,326</b>
 <b>Total Liabilities &amp; Net Assets</b>	 <b>\$ 72,958,868</b>	 <b>13,530,441</b>	 <b>86,489,309</b>

The notes to the financial statements are an integral part of this statement.

**RESPONSIVE EDUCATION SOLUTIONS**  
**Statement of Activities by Charter**  
**For the Year Ended August 31, 2014**

	<u>Texas College Preparatory Academies</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE &amp; OTHER SUPPORT</b>			
Local Support:			
5742 Interest Income	\$ 112,759	-	112,759
5743 Rent Income	258,852	-	258,852
5744 Gifts & Bequests	79,983	-	79,983
5748 Curriculum Sales	-	-	-
5749 Other Revenue	557,153	-	557,153
5751 Food Service Fees	63,368	-	63,368
5755 Enterprising Services Revenue	5,156	-	5,156
5759 Cocurricular Enterprising Services	45,635	-	45,635
Total Local Support	<u>1,122,906</u>	<u>-</u>	<u>1,122,906</u>
State Program Revenues:			
5812 State Foundation Program	-	79,047,182	79,047,182
5829 Instructional Materials Allotment	-	1,373,123	1,373,123
5829 Breakfast Program Matching	-	-	-
Total State Program Revenues	<u>-</u>	<u>80,420,305</u>	<u>80,420,305</u>
Federal Program Revenues:			
5921 Breakfast Program	-	108,066	108,066
5922 National School Lunch	-	480,441	480,441
5929 Title I, Part A	-	1,055,261	1,055,261
5929 IDEA-Part B Formula	-	887,731	887,731
5929 Title II, Part A	-	200,832	200,832
5929 Public Charter Schools	-	152,725	152,725
5929 Title III, Part A, ELA	-	-	-
5929 Other Federal Programs	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>2,885,056</u>	<u>2,885,056</u>
Net Assets Released from Restrictions	<u>82,402,489</u>	<u>(82,402,489)</u>	<u>-</u>
Total Revenue & Other Support	<u>83,525,395</u>	<u>902,872</u>	<u>84,428,267</u>

The notes to the financial statements are an integral part of this statement.

Premier High Schools			TOTAL		
Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
23,935	-	23,935	136,694	-	136,694
-	-	-	258,852	-	258,852
3,498	-	3,498	83,481	-	83,481
-	-	-	-	-	-
203,972	-	203,972	761,125	-	761,125
13,000	-	13,000	76,368	-	76,368
5,240	-	5,240	10,396	-	10,396
220	-	220	45,855	-	45,855
<u>249,865</u>	<u>-</u>	<u>249,865</u>	<u>1,372,771</u>	<u>-</u>	<u>1,372,771</u>
-	25,291,004	25,291,004	-	104,338,186	104,338,186
-	299,633	299,633	-	1,672,756	1,672,756
-	3,999	3,999	-	3,999	3,999
<u>-</u>	<u>25,594,636</u>	<u>25,594,636</u>	<u>-</u>	<u>106,014,941</u>	<u>106,014,941</u>
-	115,639	115,639	-	223,705	223,705
-	346,464	346,464	-	826,905	826,905
-	1,010,134	1,010,134	-	2,065,395	2,065,395
-	314,448	314,448	-	1,202,179	1,202,179
-	110,574	110,574	-	311,406	311,406
-	-	-	-	152,725	152,725
-	144,336	144,336	-	144,336	144,336
-	19,073	19,073	-	19,073	19,073
<u>-</u>	<u>2,060,668</u>	<u>2,060,668</u>	<u>-</u>	<u>4,945,724</u>	<u>4,945,724</u>
<u>25,889,326</u>	<u>(25,889,326)</u>	<u>-</u>	<u>108,291,815</u>	<u>(108,291,815)</u>	<u>-</u>
<u>26,139,191</u>	<u>1,765,978</u>	<u>27,905,169</u>	<u>109,664,586</u>	<u>2,668,850</u>	<u>112,333,436</u>

The notes to the financial statements are an integral part of this statement.

**RESPONSIVE EDUCATION SOLUTIONS**  
**Statement of Activities by Entity**  
**For the Year Ended August 31, 2014**  
*continued*

	<u>Texas College Preparatory Academies</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>EXPENSES</b>			
11 Instruction	\$ 59,226,676	-	59,226,676
12 Instructional Resources & Media Services	991	-	991
13 Curriculum Dev. & Instructional Staff Dev.	3,794,834	-	3,794,834
21 Instructional Leadership	1,795,977	-	1,795,977
23 School Leadership	5,942,571	-	5,942,571
31 Guidance, Counseling & Evaluation Services	320,566	-	320,566
32 Social Work Services	-	-	-
33 Health Services	143,232	-	143,232
34 Student (Pupil) Transportation	1,733	-	1,733
35 Food Services	883,361	-	883,361
36 Cocurricular/Extracurricular Activities	85,630	-	85,630
41 General Administration	3,317,025	-	3,317,025
51 Plant Maintenance & Operations	4,363,618	-	4,363,618
52 Security & Monitoring Services	28,852	-	28,852
53 Data Processing Services	1,300,205	-	1,300,205
61 Community Services	276,188	-	276,188
71 Debt Service	745,162	-	745,162
81 Fundraising	175,868	-	175,868
<b>Total Expenses</b>	<u>82,402,489</u>	<u>-</u>	<u>82,402,489</u>
 Change in Net Assets	 1,122,906	 902,872	 2,025,778
Net Assets, Beginning of Year	<u>769,234</u>	<u>17,946,350</u>	<u>18,715,584</u>
Net Assets, End of Year	<u>\$ 1,892,140</u>	<u>18,849,222</u>	<u>20,741,362</u>

The notes to the financial statements are an integral part of this statement.

Premier High Schools			TOTAL		
Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
13,949,897	-	13,949,897	73,176,573	-	73,176,573
1,544	-	1,544	2,535	-	2,535
956,000	-	956,000	4,750,834	-	4,750,834
821,532	-	821,532	2,617,509	-	2,617,509
4,136,483	-	4,136,483	10,079,054	-	10,079,054
71,863	-	71,863	392,429	-	392,429
26	-	26	26	-	26
87,722	-	87,722	230,954	-	230,954
104,044	-	104,044	105,777	-	105,777
737,278	-	737,278	1,620,639	-	1,620,639
6,836	-	6,836	92,466	-	92,466
1,495,877	-	1,495,877	4,812,902	-	4,812,902
2,393,080	-	2,393,080	6,756,698	-	6,756,698
40,523	-	40,523	69,375	-	69,375
479,616	-	479,616	1,779,821	-	1,779,821
2,824	-	2,824	279,012	-	279,012
157,195	-	157,195	902,357	-	902,357
446,986	-	446,986	622,854	-	622,854
<u>25,889,326</u>	<u>-</u>	<u>25,889,326</u>	<u>108,291,815</u>	<u>-</u>	<u>108,291,815</u>
249,865	1,765,978	2,015,843	1,372,771	2,668,850	4,041,621
98,215	8,378,906	8,477,121	867,449	26,325,256	27,192,705
<u>348,080</u>	<u>10,144,884</u>	<u>10,492,964</u>	<u>2,240,220</u>	<u>28,994,106</u>	<u>31,234,326</u>

The notes to the financial statements are an integral part of this statement.

**RESPONSIVE EDUCATION SOLUTIONS**  
**Statement of Cash Flows by Charter**  
**August 31, 2014**

	Texas College Preparatory Academies	Premier High Schools	TOTAL
<b>Cash Flows from Operating Activities:</b>			
Cash from Local Sources	\$ 1,122,906	249,865	1,372,771
Cash from State Programs	80,420,305	25,887,061	106,307,366
Cash from Federal Programs	2,579,765	2,060,668	4,640,433
Cash Paid to Suppliers	(48,632,247)	(13,220,969)	(61,853,216)
Cash Paid to Employees	(28,987,264)	(12,538,758)	(41,526,022)
Cash Paid for Interest Expense	(745,162)	(157,195)	(902,357)
Net Cash Provided/(Used) by Operating Activities:	<u>5,758,303</u>	<u>2,280,672</u>	<u>8,038,975</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of Capital Assets	(7,679,612)	(113,338)	(7,792,950)
Gain on Sale of Capital Assets	-	-	-
Net Cash Provided/(Used) by Investing Activities	<u>(7,679,612)</u>	<u>(113,338)</u>	<u>(7,792,950)</u>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from New Debt	8,766,303	-	8,766,303
Payments on Debt	(629,223)	(94,473)	(723,696)
Net Cash Provided/(Used) by Financing Activities:	<u>8,137,080</u>	<u>(94,473)</u>	<u>8,042,607</u>
Net Increase/(Decrease) in Cash	6,215,771	2,072,861	8,288,632
Cash at Beginning of Year	<u>34,195,170</u>	<u>6,435,525</u>	<u>40,630,695</u>
Cash at End of Year	<u>\$ 40,410,941</u>	<u>8,508,386</u>	<u>48,919,327</u>

**Reconciliation of Change in Net Assets to Net Cash Provided/(Used) by Operating Activities**

Change in Net Assets	2,025,778	2,015,843	4,041,621
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:</b>			
Depreciation	830,676	256,585	1,087,261
(Increase)/Decrease in Operating Assets			
Due from State	(305,291)	292,425	(12,866)
Inventory	(84,187)	(197,820)	(282,007)
Prepaid Expenses	(25,950)	(149)	(26,099)
Other Receivables	51,717	(299,664)	(247,947)
Other Assets	12,275	12,867	25,142
Increase/(Decrease) in Operating Liabilities			
Accounts Payable	(883,677)	170,864	(712,813)
Other Payables	4,843,677	-	4,843,677
Due to State	(364,478)	-	(364,478)
Accrued Wages and Benefits Payable	33,487	45,595	79,082
Deferred Revenue	(93,050)	-	(93,050)
Accrued Expenses	(282,674)	(15,874)	(298,548)
Net Adjustments	<u>3,732,525</u>	<u>264,829</u>	<u>3,997,354</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 5,758,303</u>	<u>2,280,672</u>	<u>8,038,975</u>

The notes to the financial statements are an integral part of this statement.

## **SUPPLEMENTARY SCHEDULES**



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**RESPONSIVE EDUCATION SOLUTIONS**

Schedule of Expenses by Charter  
For the Year Ended August 31, 2014

	Texas College Preparatory Academies	Premier High Schools
<b>EXPENSES &amp; OTHER LOSSES</b>		
6100 Payroll Costs	\$ 31,644,152	13,828,291
6200 Professional & Contracted Services	43,645,398	9,206,573
6300 Supplies & Materials	4,318,103	1,877,530
6400 Other Operating Costs	2,049,674	819,737
6500 Debt Expense	745,162	157,195
	<u>\$ 82,402,489</u>	<u>25,889,326</u>

The notes to the financial statements are an integral part of this statement.

**RESPONSIVE EDUCATION SOLUTIONS**  
**Schedule of Capital Assets by Charter**  
**August 31, 2014**

	Texas College Preparatory Academies			
	Ownership Interest			
	Local	State	Federal	Total
<b>CAPITAL ASSETS</b>				
1100 Cash	\$ -	40,410,941	-	40,410,941
1510 Land	-	7,261,293	-	7,261,293
1520 Buildings & Improvements	-	23,236,592	-	23,236,592
1521 Construction in Progress	-	946,377	-	946,377
1531 Vehicles	-	107,004	-	107,004
1539 Furniture & Equipment	-	1,447,312	-	1,447,312
1550 Leasehold Improvements	-	716,972	-	716,972
1569 Licenses & Media	-	380,539	-	380,539
Total Capital Assets	\$ -	74,507,030	-	74,507,030

The notes to the financial statements are an integral part of this statement.

**Premier High Schools**

**Ownership Interest**

<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
-	8,508,386	-	8,508,386
-	753,073	-	753,073
-	3,356,158	-	3,356,158
-	-	-	-
-	6,303	-	6,303
-	2,160,161	-	2,160,161
-	802,369	-	802,369
-	204,716	-	204,716
-	<u>15,791,166</u>	-	<u>15,791,166</u>

The notes to the financial statements are an integral part of this statement.

**RESPONSIVE EDUCATION SOLUTIONS**  
**Budgetary Comparison Schedule by Charter**  
**For the Year Ended August 31, 2014**

Texas College Preparatory Academies

	Budgeted Amounts		Actual Amounts	Variance Pos/(Neg) from Final Budget
	Original	Final		
<b>REVENUE &amp; OTHER SUPPORT</b>				
Local Support:				
5740 Other Revenue from Local Sources	375,000	375,000	1,122,906	747,906
Total Local Revenue	<u>375,000</u>	<u>375,000</u>	<u>1,122,906</u>	<u>747,906</u>
State Program Revenue:				
5810 State Program Revenue	90,050,763	90,050,763	79,047,182	(11,003,581)
5820 State Program Revenue from TEA	-	-	1,373,123	1,373,123
Total State Revenue	<u>90,050,763</u>	<u>90,050,763</u>	<u>80,420,305</u>	<u>(9,630,458)</u>
Federal Program Revenue:				
5920 Federal Program Revenue	4,553,659	4,553,659	2,885,056	(1,668,603)
Total Federal Revenue	<u>4,553,659</u>	<u>4,553,659</u>	<u>2,885,056</u>	<u>(1,668,603)</u>
Total Revenue & Other Support	<u>94,979,422</u>	<u>94,979,422</u>	<u>84,428,267</u>	<u>(10,551,155)</u>
<b>EXPENSES</b>				
11 Instruction	35,129,542	59,279,542	59,226,676	52,866
12 Instructional Resources & Media	39,244,871	976,871	991	975,880
13 Curriculum & Instructional Staff Dev.	79,360	3,798,360	3,794,834	3,526
21 Instructional Leadership	683,103	1,798,103	1,795,977	2,126
23 School Leadership	4,865,713	5,945,713	5,942,571	3,142
31 Guidance, Counseling & Evaluation	107,594	329,594	320,566	9,028
32 Social Work	33,600	33,600	-	33,600
33 Health Services	193,883	193,883	143,232	50,651
34 Student (Pupil) Transportation	10,000	10,000	1,733	8,267
35 Food Services	493,344	905,344	883,361	21,983
36 Cocurricular/Extracurricular Activities	161,324	161,324	85,630	75,694
41 General Administration	392,741	3,835,741	3,317,025	518,716
51 Plant Maintenance & Operations	2,063,991	4,367,991	4,363,618	4,373
52 Security & Monitoring Services	38,718	38,718	28,852	9,866
53 Data Processing Services	10,000	1,306,000	1,300,205	5,795
61 Community Services	32,265	329,265	276,188	53,077
71 Debt Service	689,013	749,013	745,162	3,851
81 Fundraising	10,000	180,000	175,868	4,132
Total Expenses	<u>84,239,062</u>	<u>84,239,062</u>	<u>82,402,489</u>	<u>1,836,573</u>
Change in Net Assets	10,740,360	10,740,360	2,025,778	(8,714,582)
Net Assets, Beginning of Year	<u>18,715,584</u>	<u>18,715,584</u>	<u>18,715,584</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 29,455,944</u>	<u>29,455,944</u>	<u>20,741,362</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

Premier High Schools

Budgeted Amounts		Actual Amounts	Variance
Original	Final		Pos/(Neg) from Final Budget
-	-	249,865	249,865
-	-	249,865	249,865
33,700,421	33,700,421	25,291,004	(8,409,417)
-	-	303,632	303,632
33,700,421	33,700,421	25,594,636	(8,105,785)
2,566,621	2,566,621	2,060,668	(505,953)
2,566,621	2,566,621	2,060,668	(505,953)
36,267,042	36,267,042	27,905,169	(8,361,873)
22,184,753	18,224,253	13,949,897	4,274,356
37,297	37,297	1,544	35,753
65,125	958,125	956,000	2,125
1,038,180	1,038,180	821,532	216,648
4,183,849	4,183,849	4,136,483	47,366
10,000	75,500	71,863	3,637
38,740	38,740	26	38,714
149,024	149,024	87,722	61,302
140,332	140,332	104,044	36,288
534,034	740,034	737,278	2,756
36,394	36,394	6,836	29,558
261,077	1,900,077	1,495,877	404,200
2,232,986	2,397,986	2,393,080	4,906
43,553	43,553	40,523	3,030
10,000	562,000	479,616	82,384
37,297	37,297	2,824	34,473
335,457	335,457	157,195	178,262
10,000	450,000	446,986	3,014
31,348,098	31,348,098	25,889,326	5,458,772
4,918,944	4,918,944	2,015,843	(13,820,645)
8,477,121	8,477,121	8,477,121	-
13,396,065	13,396,065	10,492,964	

The notes to the financial statements are an integral part of this statement.

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## **COMPLIANCE AND INTERNAL CONTROL**



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**EVANS, PINGLETON and HOWARD, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
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FRISCO, TEXAS 75034  
972-335-9754/FAX 972-335-9758

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

Board of Directors  
**Responsive Education Solutions**  
Lewisville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Responsive Education Solutions (a nonprofit organization), which comprise the statement of financial position as of August 31, 2014, 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 December 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Responsive Education Solutions' 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 Responsive Education Solutions' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

**Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Evans, Pingleton and Howard, PLLC*

Evans, Pingleton and Howard, PLLC  
Frisco, TX  
December 30, 2014

**EVANS, PINGLETON and HOWARD, PLLC**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors  
**Responsive Education Solutions**  
Lewisville, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Responsive Education Solutions' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Responsive Education Solutions' major federal programs for the year ended August 31, 2014. Responsive Education Solutions' 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 Responsive Education Solutions' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Responsive Education Solutions' 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 major federal program. However, our audit does not provide a legal determination of Responsive Education Solutions' compliance.

***Opinion on Each Major Federal Program***

In our opinion, Responsive Education Solutions 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 August 31, 2014.

***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

## Report on Internal Control Over Compliance

Management of Responsive Education Solutions is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Responsive Education Solutions' 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 OMB Circular A-133, 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 Responsive Education Solutions' 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Evans, Pingleton and Howard, PLLC*

Evans, Pingleton and Howard, PLLC  
Frisco, TX  
December 30, 2014

**RESPONSIVE EDUCATION SOLUTIONS**

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2014

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of Auditor's Report Issued:	Unmodified
Internal Control Over Financial Reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance Material to Financial Statements Noted?	No

**Federal Awards**

Internal Control Over Major Programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of Auditor's Report Issued on Compliance for Major Programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of Major Programs:	
CFDA 10.553 School Breakfast Program	
CFDA 10.555 School Lunch Program	
CFDA 84.010A Title I, Part A	
CFDA 84.367A Title II, Improving Teacher Quality	
Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	\$300,000
Auditee Qualified as Low-Risk Auditee?	No

**RESPONSIVE EDUCATION SOLUTIONS**

## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT of EDUCATION</b>			
Rural Education Achievement Program	84.358A	S358A110010	19,073
<b>Passed Through State Department of Education</b>			
Title I, Part A Program	84.010A	S010A120043	2,031,626
IDEA-B Program	84.027A	H027A120008	1,229,066
Title III, Part A, LEP	84.365A	S365A120043	144,336
Title II, Part A Program	84.367A	S367A120041	318,288
Title V, Part B, Public Charter Schools	84.365A	U282A100016	<u>152,725</u>
<b>Total U.S. Department of Education</b>			<u>3,895,114</u>
<b>U.S. DEPARTMENT of AGRICULTURE</b>			
<b>Passed Through State Department of Agriculture</b>			
School Breakfast/National School Lunch Programs 10.553 & 10.555		2013IN109946	<u>1,050,610</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,050,610</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 4,945,724</u>