

**RESPONSIVE EDUCATION
SOLUTIONS**

Consolidated Financial Report for the Year Ended

June 30, 2020

RESPONSIVE EDUCATION SOLUTIONS

Annual Financial Report
For the Year Ended June 30, 2020

TABLE OF CONTENTS

Certificate of Board

Independent Auditor’s Report 1

Financial Statements:

 Statement of Financial Position 5

 Statement of Activities 6

 Statement of Cash Flows 8

 Notes to Financial Statements 9

Supplementary Information:

 Statement of Financial Position by Entity 26

 Statement of Activities by Entity 28

 Statement of Cash Flows by Entity 35

 Schedule of Expenses by Charter 39

 Schedule of Capital Assets by Charter 40

 Budgetary Comparison Schedule by Charter 42

Compliance and Internal Control Section:

 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 47

 Report on Compliance for Each Major Program and
 on Internal Control Over Compliance required by Uniform Guidance 49

 Schedule of Findings and Questioned Costs 51

 Schedule of Expenditure of Federal Awards 52

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 June 30, 2020, at a meeting of the Governing Body of such charter school on the ____ day of _____, 2020.

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):



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 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.

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 June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

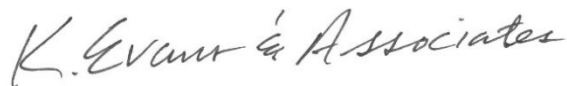
Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards*, and is also not a required part of the basic 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 October 8, 2020, 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.



K. Evans & Associates, CPAs
Frisco, TX
October 8, 2020

FINANCIAL STATEMENTS

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RESPONSIVE EDUCATION SOLUTIONS

Statement of Financial Position

June 30, 2020

ASSETS**Current Assets:**

Cash and Cash Equivalents	\$ 74,855,930
Due from State and Federal Agencies	32,780,495
Other Receivables	1,438,320
Receivables from Other Charters	489,353
Inventory	204,293
Prepaid Expenses	702,731
Total Current Assets	<u>110,471,122</u>

Property & Equipment:

Land	42,484,229
Buildings & Improvements	183,831,555
Vehicles	228,619
Furniture & Equipment	10,529,943
Leasehold Improvements	1,870,201
Library Books & Media	288,863
Construction in Progress	15,486,342
Accumulated Depreciation	<u>(22,841,755)</u>
Total Net Property & Equipment	<u>231,877,997</u>

Other Assets:

Other Assets	<u>2,219,055</u>
Total Other Assets	<u>2,219,055</u>

TOTAL ASSETS

\$ 344,568,174**LIABILITIES & NET ASSETS****Current Liabilities:**

Accounts Payable	\$ 5,882,314
Other Payables	749,367
Accrued Wages & Other Benefits Payable	9,852,204
Accrued Expenses	2,831,790
Current Portion of Long Term Debt	5,727,309
Deferred Revenues	87,610
Total Current Liabilities	<u>25,130,594</u>

Long-Term Liabilities:

Line of Credit	54,905,801
Bonds Payable	118,825,000
Notes Payable	13,153,175
Premium on Bonds Payable	5,309,405
Total Long-Term Liabilities	<u>192,193,381</u>

Net Assets:

Without Donor Restrictions	107,206,878
With Donor Restrictions	<u>20,037,321</u>
Total Net Assets	<u>127,244,199</u>

TOTAL LIABILITIES & NET ASSETS

\$ 344,568,174

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

RESPONSIVE EDUCATION SOLUTIONS

Statement of Activities
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE & OTHER SUPPORT			
Local Support:			
Revenue from Local Sources	\$ 9,276,178	\$ -	\$ 9,276,178
Total Local Support	<u>9,276,178</u>	<u>-</u>	<u>9,276,178</u>
State Program Revenues			
State Foundation Program	-	164,767,769	164,767,769
Other State Aid	-	14,367,524	14,367,524
Total State Program Revenues	<u>-</u>	<u>179,135,293</u>	<u>179,135,293</u>
Federal Program Revenues			
Breakfast Program	-	736,305	736,305
National School Lunch	-	1,439,727	1,439,727
Donated Commodities	-	109,232	109,232
Title I, Part A	-	3,853,236	3,853,236
IDEA-Part B Formula	-	1,872,396	1,872,396
IDEA-Part B Preschool	-	23,086	23,086
Title II, Part A	-	453,104	453,104
Title III, Part A, ELA	-	265,489	265,489
LEP Summer/Other Federal Programs	-	238,631	238,631
Other Federal Programs	-	278,235	278,235
Head Start	-	82,250	82,250
US Dept of Education	-	2,352,818	2,352,818
Coronavirus Relief Fund	-	889,827	889,827
Total Federal Program Revenues	<u>-</u>	<u>12,594,336</u>	<u>12,594,336</u>
Net Assets Released from Restrictions	185,080,189	(185,080,189)	-
Total Revenue & Other Support	<u>194,356,367</u>	<u>6,649,440</u>	<u>201,005,807</u>

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

RESPONSIVE EDUCATION SOLUTIONSStatement of Activities (*Continued*)

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
Program Services:			
11 Instruction	107,447,768	-	107,447,768
12 Instructional Resources & Media Svcs	446	-	446
13 Curriculum Dev. & Instr Staff Dev.	4,393,125	-	4,393,125
21 Instructional Leadership	6,205,569	-	6,205,569
23 School Leadership	20,388,809	-	20,388,809
Support Services:			
31 Guidance, Counseling & Eval Svcs	1,617,691	-	1,617,691
32 Social Work Services	1,724	-	1,724
33 Health Services	1,264,404	-	1,264,404
34 Student (Pupil) Transportation	36,959	-	36,959
35 Food Services	3,675,282	-	3,675,282
36 Cocurricular/Extracurricular Activities	1,012,235	-	1,012,235
41 General Administration	11,390,420	-	11,390,420
51 Plant Maintenance & Operations	14,435,756	-	14,435,756
52 Security & Monitoring Services	380,711	-	380,711
53 Data Processing Services	5,031,960	-	5,031,960
61 Community Services	482,130	-	482,130
71 Debt Service	6,173,988	-	6,173,988
81 Fundraising	4,076,334	-	4,076,334
Total Expenses	<u>188,015,311</u>	<u>-</u>	<u>188,015,311</u>
Change in Net Assets	6,341,056	6,649,440	12,990,496
Gain (Loss) on Disposal of Fixed Asset	2,931,833	-	2,931,833
Net Assets, Beginning of Year	<u>97,933,989</u>	<u>13,387,881</u>	<u>111,321,870</u>
Net Assets, End of Year	<u>\$ 107,206,878</u>	<u>\$20,037,321</u>	<u>\$ 127,244,199</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 June 30, 2020

Cash Flows from Operating Activities:	
Cash from Local Sources	\$ 6,344,345
Cash from State Programs	147,612,064
Cash from Federal Programs	11,337,070
Cash Paid to Suppliers	(30,405,181)
Cash Paid to Employees	(115,998,400)
Cash Paid for Interest	(5,384,156)
Net Cash Provided by/(Used in) Operating Activities	<u>13,505,742</u>
Cash Flows from Investing Activities:	
Purchase of Property & Equipment	(53,246,280)
Cash Proceeds on Disposal of Capital Assets	5,864,716
Net Cash Provided by/(Used in) Investing Activities	<u>(47,381,564)</u>
Cash Flows from Financing Activities:	
Proceeds from New Debt	45,919,993
Principal Payments on Debt	(3,108,059)
Net Cash Provided by/(Used in) Financing Activities	<u>42,811,934</u>
Net Increase/(Decrease) in Cash	8,936,112
Cash at Beginning of Year	<u>65,919,818</u>
Cash at End of Year	<u>\$ 74,855,930</u>

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

Change in Net Assets	\$ 15,922,329
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by/(Used in) Operating Activities:	
Depreciation	5,930,208
Gain on Disposal of Capital Assets	(2,946,639)
Loss on Disposal of Capital Assets	14,806
(Increase)/Decrease in Operating Assets	
Due from State and Federal Agencies	(6,532,626)
Other Receivables	595,025
Receivables from Other Charters	(489,353)
Inventory	(6,059)
Prepaid Expenses	(540,009)
Other Assets	484,457
Increase/(Decrease) in Operating Liabilities	
Accounts Payable	51,150
Other Payables	603,350
Accrued Wages and Benefits Payable	2,812,924
Accrued Expenses	(2,270,105)
Deferred Revenue	84,371
Bond Premium	(208,087)
Net Adjustments	<u>(2,416,587)</u>
Net Cash Provided by/(Used in) Operating Activities	<u>\$ 13,505,742</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 June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and Arkansas through the following agencies: The Texas Education Agency – Office of the Commissioner, and the Arkansas Department of Education Charter Authorizing Panel.

The Organization provides curricula and operates schools for students in grades K-5 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 (Classical Academies, grades K-12; ResponsiveEd Virtual Academy, grades 3-12), an autism school (Foundation School for Autism), as well as school administrative services.

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 June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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.

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.

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 June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Sick Leave, Personal Leave and Vacation

All employees earn five days of paid sick leave annually. 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.

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.

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.

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.

INVENTORY

On June 30, 2020, the Organization had on hand curriculum inventory of original costs totaling \$204,293.

<u>Entity</u>	<u>Curriculum</u>
501(c)(3)	\$ 204,293
Totals	<u>\$ 204,293</u>

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2020

CAPITAL ASSETS

The Charters and 501(c)(3) had the following capital asset activity in 2020:

TCPA	Balance at 6/30/19	Additions	Retirements	Balance at 6/30/20
Land	\$ 21,761,501	\$ 11,852,440	\$ (253,140)	\$ 33,360,801
Buildings & Improvements	122,469,718	32,759,119	(3,292,605)	151,936,232
Vehicles	17,471	-	-	17,471
Furniture & Equipment	6,385,862	1,172,434	(5,770)	7,552,526
Leasehold Improvements	769,977	18,137	(5,333)	782,781
Licenses & Media	210,177	-	-	210,177
Construction in Progress	21,202,286	19,635,308	(29,288,460)	11,549,134
Total Historical Cost	<u>172,816,992</u>	<u>65,437,438</u>	<u>(32,845,308)</u>	<u>205,409,122</u>
Less:				
Accumulated Depreciation	<u>(12,120,489)</u>	<u>(4,677,704)</u>	<u>723,336</u>	<u>(16,074,857)</u>
Total T CPA Capital Assets	<u>\$ 160,696,503</u>	<u>\$ 60,759,734</u>	<u>\$ (32,121,972)</u>	<u>\$ 189,334,265</u>
Premier				
Land	\$ 1,594,725	\$ 1,487,764	\$ (4,161)	\$ 3,078,328
Buildings & Improvements	6,727,489	4,750,887	(171,860)	11,306,516
Furniture & Equipment	1,964,236	170,717	-	2,134,953
Leasehold Improvements	1,042,223	5,333	-	1,047,556
Construction in Progress	7,294	3,626,823	(98,276)	3,535,841
Total Historical Cost	<u>11,335,967</u>	<u>10,041,524</u>	<u>(274,297)</u>	<u>21,103,194</u>
Less:				
Accumulated Depreciation	<u>(2,951,468)</u>	<u>(706,540)</u>	<u>60,214</u>	<u>(3,597,794)</u>
Total Premier Capital Assets	<u>\$ 8,384,499</u>	<u>\$ 9,334,984</u>	<u>\$ (214,083)</u>	<u>\$ 17,505,400</u>
501(c)(3)				
Land	\$ 2,977,160	\$ 3,067,940	\$ -	\$ 6,045,100
Buildings & Improvements	16,847,495	3,741,312	-	20,588,807
Vehicles	211,148	-	-	211,148
Furniture & Equipment	842,464	-	-	842,464
Leasehold Improvements	-	39,864	-	39,864
Licenses & Media	78,686	-	-	78,686
Construction in Progress	-	401,367	-	401,367
Total Historical Cost	<u>20,956,953</u>	<u>7,250,483</u>	<u>-</u>	<u>28,207,436</u>
Less:				
Accumulated Depreciation	<u>(2,623,140)</u>	<u>(545,964)</u>	<u>-</u>	<u>(3,169,104)</u>
Total 501(c)(3) Capital Assets	<u>\$ 18,333,813</u>	<u>\$ 6,704,519</u>	<u>\$ -</u>	<u>\$ 25,038,332</u>
Grand Total Historical Cost	205,109,912	82,729,445	(33,119,605)	254,719,752
Grand Total Accum Depreciation	<u>(17,695,097)</u>	<u>(5,930,208)</u>	<u>783,550</u>	<u>(22,841,755)</u>
Grand Total Net Capital Assets	<u>\$ 187,414,815</u>	<u>\$ 76,799,237</u>	<u>\$ (32,336,055)</u>	<u>\$ 231,877,997</u>

Depreciation expense for the year ended June 30, 2020 was \$5,930,208.

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2020

DEFINED BENEFIT PENSION PLAN

Plan Description

The School participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. There is not a collective-bargaining agreement.

Funding Policy

Under provisions of State law, plan members are required to contribute 7.7% of their annual covered salary and the State of Texas contributes an amount equal to 7.5% of the Schools covered payroll. The Schools employee contributions to the System for the year ending June 30, 2020 were \$8,190,093 and were equal to the required State of Texas' contributions for the year.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Charter Schools are legally separate entities from the State and each other. Assets contributed by one Charter School may be used for the benefit of another Charter School. Unfunded pension obligations get passed along to other plan participants. There is no penalty for leaving the TRS system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

The information provided in the Notes to the Financial Statements in the 2019 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan:

Total Plan Assets	\$	160,233,295,324
Accumulated Benefit Obligations	\$	209,719,687,047
Percentage of the Plan that is funded		76.40%

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2020

DEFINED BENEFIT PENSION PLAN *(continued)*

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 12 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 thru 2025. The 86th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2019 and 2020.

	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
Employer Contributions	\$ 3,076,559	\$ 4,158,328

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2020

DEFINED BENEFIT PENSION PLAN *(continued)*

Contributions *(continued)*

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to:

- when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2020

DEFINED BENEFIT PENSION PLAN *(continued)*

Actuarial Assumptions *(continued)*

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	5 Year Smoothed Market
Single Discount Rate	7.25%
Long-Term Expected Investment Rate of Return	7.25%
Salary Increases	3.05% - 9.05%
Inflation Rate	2.30%
Benefit Changes during the year	None
Ad hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018.

Discount Rate

A single discount rate of 7.25% used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2020

DEFINED BENEFIT PENSION PLAN *(continued)*

Discount Rate *(continued)*

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	2019 Target Allocation (a) %	New Target Allocation (b) %	Long-Term Expected Geometric Real Rate of Return (c)
Global Equity			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	0.0%	0.0%
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries (d)	11.0%	16.0%	3.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Real Return			
Global Inflation Linked Bonds (d)	3.0%	0.0%	0.0%
Real Assets	14.0%	15.0%	8.5%
Energy & Natural Resources	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5% (e)
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	0.00%	-6.0%	2.7%
Total	100.00%	100.00%	7.23%

(a) Target allocations are based on the Strategic Asset Allocation as of FY2019

(b) New allocations are based on the Strategic Asset Allocation to be implemented FY2020

(c) 10-Year annualized geometric nominal returns include the real rate of return and inflation

(d) New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

(e) 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2020

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 (contribution varies based on years of service) 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.

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 \$23.04 towards the dental premium and \$2.10 toward the life premium and the AD&D premium. The employees’ portion of the costs to provide any of these benefits are paid by the employees from payroll deductions.

DUE FROM STATE

At June 30, 2020, the Organization was to receive \$32,780,495 in entitlements as follows:

Federal Grant Revenue	\$ 1,257,266
State Revenue	<u>31,523,229</u>
Total Due From State	<u>\$ 32,780,495</u>

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2020

OPERATING LEASES

The following is a summary of operating lease obligations and terms for the year ended June 30, 2020:

Campus	Lease Term		Monthly Rent
Austin - Mueller Austin CA	7/1/2012	12/31/2022	\$ 22,675
Austin - North	8/1/2017	6/30/2023	30,081
Austin - South	7/23/2002	7/31/2022	21,759
Austin - TASA Office	12/1/2015	12/31/2020	1,453
Beaumont	8/15/2011	6/30/2021	9,549
Bentonville NWACA	7/15/2019	6/30/2023	13,999
Brenham Miracle Farm	9/1/2009	Ongoing	-
Crockett	7/1/2010	6/30/2020	8,939
Clay Academy	7/1/2010	6/30/2025	22,523
Dayton	7/1/2013	6/30/2021	2,836
Del Rio Portable		6/13/2022	1,100
Denton	8/1/2014	7/31/2022	9,812
Denton Portables (3)		7/13/2022	-
Brownwood-Early PHS of Brownwood	7/1/2012	6/30/2021	2,100
Edinburg	7/1/2012	6/30/2022	11,880
El Paso - East	8/19/2015	6/30/2020	20,006
El Paso - East	7/31/2020	6/30/2025	11,583
El Paso	7/1/2020	6/30/2023	-
El Paso - West	7/1/2008	6/30/2023	11,918
Fort Worth	6/16/2008	6/30/2023	13,093
Fort Worth	8/1/2020	6/30/2023	5,000
Garland	7/1/2014	6/30/2021	24,550
Granbury	2/1/2010	12/31/2020	15,016
Corinth Classical	7/26/2018	7/31/2022	750
Eastex Jensen Classical Academy	7/1/2019	3/30/2024	8,000
Houston North PHS (at Fallbrook)	6/1/2019	6/30/2022	7,500
Fallbrook Academy a TMCF Collegiate Academy	7/1/2016	6/30/2021	21,009
Houston Gallery Furn.PHS/CTE	7/1/2020	6/30/2022	-
iSchool at University Park Houston	8/22/2011	6/30/2024	35,430
Westchase Classical Academy	9/18/2019	7/31/2024	12,000
Humble	7/1/2013	6/30/2023	16,996
Huntsville	8/1/2006	6/30/2020	3,668
Huntsville	7/1/2020	6/30/2023	10,166
Irving-South	7/1/2012	6/30/2021	5,833
Jasper	7/1/2009	6/30/2021	7,665
Lubbock	8/1/2009	6/30/2021	14,831
Founders CA of Mesquite	7/1/2015	6/30/2020	48,282
Midland (Permian Basin)	7/1/2013	6/30/2023	6,473
Permian Basin	7/2/2013	6/30/2023	21,669
Midland	8/2/2020	6/30/2026	-
Mission	3/21/2005	6/30/2022	16,937
New Braunfels	11/1/2009	6/30/2022	11,177
Palmview	7/1/2009	6/30/2021	12,000
Palmview Portable	7/17/2020	7/6/2022	2,477
Pasadena	7/15/2013	6/30/2021	17,000
Pflugerville	7/15/2015	6/30/2023	13,310
Pharr / McAllen	7/1/2009	6/30/2021	8,640
San Angelo	3/5/2018	6/30/2023	10,714
San Antonio East	7/1/2015	6/30/2023	17,798
San Antonio RD Office	8/24/2018	8/31/2021	918
San Antonio West	4/19/2017	6/30/2024	16,999
San Antonio - The Foundation School	2/1/2011	6/30/2022	11,844
San Juan	8/1/2008	6/30/2021	16,533
Texarkana	7/1/2016	6/30/2021	11,871
iSchool at Montgomery The Woodlands	8/1/2013	7/31/2024	32,738
The Woodlands	8/15/2010	6/30/2022	30,030
Willis	6/1/2008	6/30/2020	13,279
			<u>\$ 724,407</u>

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2020

OPERATING LEASES *(continued)*

Future Minimum Lease Payments

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

06/30/21	\$ 7,835,922
06/30/22	6,167,459
06/30/23	4,433,967
06/30/24	2,076,849
06/30/25	831,390
Thereafter	96,390
Total	<u>\$21,441,977</u>

OTHER PAYABLES

The detail of Other Payables are for various items and are miscellaneous in nature.

<u>Description</u>	<u>TCPA</u>	<u>Premier</u>	<u>501(c)(3)</u>	<u>Total</u>
Other Misc. Payables	\$ 3,500	\$ -	\$ 745,867	\$ 749,367
Totals	<u>\$ 3,500</u>	<u>\$ -</u>	<u>\$ 745,867</u>	<u>\$ 749,367</u>

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.

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 June 30, 2020

NOTES PAYABLE

On June 1, 2015, the School issued Series 2015A and 2015B Education Revenue Bonds with a par amount of \$52,150,000 and \$11,815,000 respectively. A portion of the proceeds were used to pay off all existing bank debt of TCPA and Premier at North Star Bank and Bank of America. The remaining proceeds are being used for the construction and updating of educational facilities. The bonds were issued at a premium of \$2,032,953 with an initial interest rate of 5% and 2% respectively, and a term of 30 years.

On August 1, 2016, the School issued Series 2016 Education Revenue Bonds with a par amount of \$63,820,000. The proceeds are being used for the construction and updating of educational facilities. The bonds were issued at a premium of \$4,209,649 with an initial interest rate of 5% and a term of 30 years.

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

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

On January 31, 2020, the Organization purchased a building and land on Rahling Road in Little Rock, Arkansas for possible future school use resulting in a mortgage of \$4,050,000 payable in monthly payments of \$22,511 including interest at 4.50% with a term of five years.

On December 23, 2019, the Organization purchased land in Pulaski County, Arkansas for possible future school use resulting in a mortgage of \$2,425,000. The note matures on December 23, 2020. Accrued but unpaid interest will be paid in monthly installments commencing on January 23, 2020. The entire outstanding principal of the note, together with any accrued but unpaid interest will be due and payable on maturity date.

On December 8, 2016, the Organization purchased land and a building on Melissa Drive in Bentonville, Arkansas resulting in a mortgage of \$6,602,500 payable in monthly payments of \$36,699 including interest at 4.50% with a term of twenty-five years.

On October 26, 2018, a line of credit was obtained, it has an aggregate amount not to exceed \$81,500,000, and will mature December 1, 2021. Advances are limited to once per month and must be a minimum of \$100,000. Funds are NOT to be used for working capital, but only for the construction, renovation, or acquisition of new educational facilities. Interest payments (at a rate equal to the index rate (LIBOR + 1.25%) are due monthly, commencing June 1, 2019.

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2020

NOTES PAYABLE *(continued)*

Long Term Debt activity for the year ended June 30, 2020 was as follows:

TCPA	Balance at 6/30/19	Additions	Retirements	Balance 06/30/20	Current Portion
Series 2015A Education Rev Bonds	\$ 51,135,000	\$ -	\$ (1,065,000)	\$ 50,070,000	\$ 1,115,000
Series 2015B Education Rev Bonds	11,555,000	-	(265,000)	11,290,000	275,000
Series 2016 Education Rev Bonds	61,360,000	-	(1,240,000)	60,120,000	1,265,000
Line of Credit	15,460,807	39,444,993	-	54,905,800	-
Sub-Total	139,510,807	39,444,993	(2,570,000)	176,385,800	2,655,000
Premium on Bonds Payable	5,517,492	-	(208,087)	5,309,405	-
Total T CPA	<u>\$145,028,299</u>	<u>\$ 39,444,993</u>	<u>\$ (2,778,087)</u>	<u>\$181,695,205</u>	<u>\$ 2,655,000</u>
501(c)(3)					
Independent Bank (Lakeway)	\$ 2,433,038	\$ -	\$ (211,639)	\$ 2,221,399	\$ 229,137
Independent Bank (700 Parker Sq)	1,652,740	-	(138,037)	1,514,703	146,845
Independent Bank (Little Rock, Rahling Road)	-	4,050,000	(38,465)	4,011,535	96,785
Independent Bank (Little Rock, Land)	-	2,425,000	-	2,425,000	2,425,000
Bank of Arkansas (Bentonville)	6,202,764	-	(149,917)	6,052,847	174,542
Total 501c3	<u>\$ 10,288,542</u>	<u>\$ 6,475,000</u>	<u>\$ (538,059)</u>	<u>\$ 16,225,483</u>	<u>\$ 3,072,309</u>
Long Term Debt Totals	<u>\$155,316,841</u>	<u>\$ 45,919,993</u>	<u>\$ (3,316,146)</u>	<u>\$197,920,688</u>	<u>\$ 5,727,309</u>

Future debt requirements are as follows:

June 30,	Principal	Interest	Total
2021	\$ 5,727,309	\$ 5,211,184	\$ 10,938,493
2022	58,311,606	5,015,352	63,326,958
2023	3,584,067	4,848,137	8,432,204
2024-2028	23,907,419	21,436,782	45,344,200
2029-2033	22,198,814	16,679,979	38,878,793
2034-2038	25,420,594	11,774,473	37,195,067
2039-2043	31,371,474	6,280,094	37,651,568
2044-2047	22,090,000	1,082,550	23,172,550
Total	<u>\$ 192,611,283</u>	<u>\$ 72,328,550</u>	<u>\$ 264,939,833</u>

NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020, the Organization had net assets with donor restrictions of \$20,037,321. 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 restricted funds at year end are as follows:

State Foundation Program	<u>\$ 20,037,321</u>
Total	<u>\$ 20,037,321</u>

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2020

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 June 30, 2020, local fund deposit balances were fully covered by FDIC insurance and collateralization held by the bank.

ADMINISTRATIVE FEES

For the year ended June 30, 2020, TCPA paid \$16,558,639 and Premier paid \$6,688,773 in administrative fees to Responsive Education Solutions, Inc., the 501(c)(3) charter holder. The fees are unrestricted in nature to the 501(c)(3). These numbers have been eliminated from the combined Statement of Activities on pages 6 & 7.

SUBSEQUENT EVENTS

The School has evaluated subsequent events through October 8, 2020, the date which the financial statements were available to be issued.

COMBINING SCHEDULES

RESPONSIVE EDUCATION SOLUTIONS

Statement of Financial Position by Entity
June 30, 2020

	Texas College Preparatory Academies	Premier High Schools	501(c)(3)	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 42,783,097	\$15,118,109	\$16,954,724	\$ 74,855,930
Due from State and Federal Agencies	24,540,089	8,092,327	148,079	32,780,495
Other Receivables	478,957	422,427	536,936	1,438,320
Receivables from Other Charters	-	-	489,353	489,353
Inventory	-	-	204,293	204,293
Prepaid Expenses	394,660	308,071	-	702,731
Total Current Assets	<u>68,196,803</u>	<u>23,940,934</u>	<u>18,333,385</u>	<u>110,471,122</u>
Property & Equipment:				
Land	33,360,801	3,078,328	6,045,100	42,484,229
Building & Improvements	151,936,232	11,306,516	20,588,807	183,831,555
Vehicles	17,471	-	211,148	228,619
Furniture & Equipment	7,552,526	2,134,953	842,464	10,529,943
Leasehold Improvements	782,781	1,047,556	39,864	1,870,201
Library Books & Media	210,177	-	78,686	288,863
Construction in Progress	11,549,134	3,535,841	401,367	15,486,342
Accumulated Depreciation	<u>(16,074,857)</u>	<u>(3,597,794)</u>	<u>(3,169,104)</u>	<u>(22,841,755)</u>
Total Property & Equipment	<u>189,334,265</u>	<u>17,505,400</u>	<u>25,038,332</u>	<u>231,877,997</u>
Other Assets:				
Other Assets	<u>1,986,697</u>	<u>224,009</u>	<u>8,349</u>	<u>2,219,055</u>
Total Other Assets	<u>1,986,697</u>	<u>224,009</u>	<u>8,349</u>	<u>2,219,055</u>
Total Assets	<u>\$259,517,765</u>	<u>\$41,670,343</u>	<u>\$43,380,066</u>	<u>\$ 344,568,174</u>

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

RESPONSIVE EDUCATION SOLUTIONS

Statement of Financial Position by Entity

June 30, 2020

(Continued)

	Texas College Preparatory Academies	Premier High Schools	501(c)(3)	Total
LIABILITIES & NET ASSETS				
Current Liabilities:				
Accounts Payable	\$ 2,737,858	\$ 1,671,245	1,473,211	\$ 5,882,314
Other Payables	3,500	-	745,867	749,367
Accrued Wages Payable	5,092,259	1,694,835	1,523,215	8,310,309
Accrued Benefits Payable	673,414	249,102	619,379	1,541,895
Accrued Expenses	2,665,458	161,510	4,822	2,831,790
Current Portion of Long Term Debt	2,655,000	-	3,072,309	5,727,309
Deferred Revenue	-	-	87,610	87,610
Total Current Liabilities	<u>13,827,489</u>	<u>3,776,692</u>	<u>7,526,413</u>	<u>25,130,594</u>
Long-Term Liabilities:				
Line of Credit	54,905,801	-	-	54,905,801
Bonds Payable	118,825,000	-	-	118,825,000
Notes Payable	-	-	13,153,175	13,153,175
Premium on Bonds Payable	5,309,405	-	-	5,309,405
Total Long Term Liabilities	<u>179,040,206</u>	<u>-</u>	<u>13,153,175</u>	<u>192,193,381</u>
Net Assets:				
Without Donor Restrictions	62,729,601	25,011,363	19,465,914	107,206,878
With Donor Restrictions	<u>3,920,469</u>	<u>12,882,288</u>	<u>3,234,564</u>	<u>20,037,321</u>
Total Net Assets	<u>66,650,070</u>	<u>37,893,651</u>	<u>22,700,478</u>	<u>127,244,199</u>
Total Liabilities & Net Assets	<u>\$ 259,517,765</u>	<u>\$41,670,343</u>	<u>\$43,380,066</u>	<u>\$344,568,174</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 June 30, 2020

	Texas College Preparatory Academies		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE & OTHER SUPPORT			
Local Support:			
5729 Service to Other Districts	\$ -	\$ -	\$ -
5742 Interest Income	450,228	-	450,228
5743 Rent Income	82,305	-	82,305
5744 Gifts & Bequests	337,802	-	337,802
5747 ERate Refund	86,470	-	86,470
5748 Curriculum Sales	-	-	-
5749 Other Revenue	769,608	-	769,608
5751 Food Service Fees	271,597	-	271,597
5752 Athletics Revenue	551	-	551
5753 Cocurricular Activities	88,613	-	88,613
5755 Enterprising Services Revenue	71,118	-	71,118
5759 Cocurricular Enterprising Services	125,002	-	125,002
5769 Admin Fee Revenues	-	-	-
Total Local Support	<u>2,283,294</u>	<u>-</u>	<u>2,283,294</u>
State Program Revenues:			
5811 Per Capita Apportionment	-	3,665,738	3,665,738
5812 State Foundation Program	-	118,317,620	118,317,620
5819 Other State Foundation	-	102,170	102,170
5829 Instructional Materials Allotment	-	1,933,356	1,933,356
5831 Other State Revenue	-	4,064,761	4,064,761
Total State Program Revenues	<u>-</u>	<u>128,083,645</u>	<u>128,083,645</u>
Federal Program Revenues:			
5921 Breakfast Program	-	610,867	610,867
5922 National School Lunch	-	1,174,408	1,174,408
5923 Donated Commodities	-	83,619	83,619
5929 Title I, Part A	-	1,997,517	1,997,517
5929 IDEA-Part B Formula	-	1,190,094	1,190,094
5929 IDEA-Part B Preschool	-	23,086	23,086
5929 Title II, Part A	-	334,428	334,428
5929 Title III, Part A, ELA	-	211,280	211,280
5929 LEP Summer/Other Federal Programs	-	144,758	144,758
5929 Other Federal Programs	-	154,571	154,571
5929 Head Start	-	-	-
5929 US Dept of Education	-	749,441	749,441
5939 Coronavirus Relief Fund	-	476,900	476,900
Total Federal Program Revenues	<u>-</u>	<u>7,150,969</u>	<u>7,150,969</u>
Net Assets Released from Restrictions	<u>136,413,869</u>	<u>(136,413,869)</u>	<u>-</u>
Total Revenue & Other Support	<u>138,697,163</u>	<u>(1,179,255)</u>	<u>137,517,908</u>

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

RESPONSIVE EDUCATION SOLUTIONS

Statement of Activities by Entity (*Continued*)

For the Year Ended June 30, 2020

Premier High Schools			501(c)(3)		
Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
\$ -	\$ -	\$ -	\$ 2,894,207	\$ -	\$ 2,894,207
275,924	-	275,924	187,552	-	187,552
-	-	-	1,748,651	-	1,748,651
15,694	-	15,694	5,379	-	5,379
68,650	-	68,650	21,017	-	21,017
-	-	-	199,655	-	199,655
7,824	-	7,824	425,829	-	425,829
2,986	-	2,986	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,671	-	1,671
-	-	-	24,385,257	-	24,385,257
<u>371,078</u>	<u>-</u>	<u>371,078</u>	<u>29,869,218</u>	<u>-</u>	<u>29,869,218</u>
-	1,383,590	1,383,590	-	-	-
-	46,450,149	46,450,149	-	-	-
-	78,818	78,818	-	-	-
-	99,325	99,325	-	-	-
-	<u>1,409,132</u>	<u>1,409,132</u>	-	<u>1,630,634</u>	<u>1,630,634</u>
-	<u>49,421,014</u>	<u>49,421,014</u>	-	<u>1,630,634</u>	<u>1,630,634</u>
-	125,438	125,438	-	-	-
-	265,319	265,319	-	-	-
-	25,613	25,613	-	-	-
-	1,855,719	1,855,719	-	-	-
-	682,302	682,302	-	-	-
-	-	-	-	-	-
-	118,676	118,676	-	-	-
-	54,209	54,209	-	-	-
-	93,873	93,873	-	-	-
-	123,664	123,664	-	-	-
-	78,776	78,776	-	3,474	3,474
-	49,721	49,721	-	1,553,656	1,553,656
-	412,927	412,927	-	-	-
-	<u>3,886,237</u>	<u>3,886,237</u>	-	<u>1,557,130</u>	<u>1,557,130</u>
<u>48,666,320</u>	<u>(48,666,320)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>49,037,398</u>	<u>4,640,931</u>	<u>53,678,329</u>	<u>29,869,218</u>	<u>3,187,764</u>	<u>33,056,982</u>

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

RESPONSIVE EDUCATION SOLUTIONS
Statement of Activities by Entity (*Continued*)
For the Year Ended June 30, 2020

	TOTAL		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE & OTHER SUPPORT			
Local Support:			
5729 Service to Other Districts	\$ 2,894,207	\$ -	\$ 2,894,207
5742 Interest Income	913,704	-	913,704
5743 Rent Income	1,830,956	-	1,830,956
5744 Gifts & Bequests	358,875	-	358,875
5747 ERate Refund	176,137	-	176,137
5748 Curriculum Sales	199,655	-	199,655
5749 Other Revenue	1,203,261	-	1,203,261
5751 Food Service Fees	274,583	-	274,583
5752 Athletics Revenue	551	-	551
5753 Cocurricular Activities	88,613	-	88,613
5755 Enterprising Services Revenue	71,118	-	71,118
5759 Cocurricular Enterprising Services	126,673	-	126,673
5769 Miscellaneous Revenues	24,385,257	-	24,385,257
Total Local Support	<u>32,523,590</u>	<u>-</u>	<u>32,523,590</u>
State Program Revenues:			
5811 Per Capita Apportionment	-	5,049,328	5,049,328
5812 State Foundation Program	-	164,767,769	164,767,769
5819 Other State Foundation	-	180,988	180,988
5829 Instructional Materials Allotment	-	2,032,681	2,032,681
5831 Other State Revenue	-	7,104,527	7,104,527
Total State Program Revenues	<u>-</u>	<u>179,135,293</u>	<u>179,135,293</u>
Federal Program Revenues:			
5921 Breakfast Program	-	736,305	736,305
5922 National School Lunch	-	1,439,727	1,439,727
5923 Donated Commodities	-	109,232	109,232
5929 Title I, Part A	-	3,853,236	3,853,236
5929 IDEA-Part B Formula	-	1,872,396	1,872,396
5929 IDEA-Part B Preschool	-	23,086	23,086
5929 Title II, Part A	-	453,104	453,104
5929 Title III, Part A, ELA	-	265,489	265,489
5929 LEP Summer/Other Federal Programs	-	238,631	238,631
5929 Other Federal Programs	-	278,235	278,235
5929 Head Start	-	82,250	82,250
5929 US Dept of Education	-	2,352,818	2,352,818
5939 Coronavirus Relief Fund	-	889,827	889,827
Total Federal Program Revenues	<u>-</u>	<u>12,594,336</u>	<u>12,594,336</u>
Net Assets Released from Restrictions	<u>185,080,189</u>	<u>(185,080,189)</u>	<u>-</u>
Total Revenue & Other Support	<u>217,603,779</u>	<u>6,649,440</u>	<u>224,253,219</u>

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

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RESPONSIVE EDUCATION SOLUTIONS

Statement of Activities by Entity
For the Year ended June 30, 2020

	Texas College Preparatory Academies		
	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
11 Instruction	\$ 77,454,896	\$ -	\$ 77,454,896
12 Instructional Resources & Media Services	446	-	446
13 Curriculum Dev. & Instructional Staff Dev.	5,103,007	-	5,103,007
21 Instructional Leadership	2,757,799	-	2,757,799
23 School Leadership	13,136,924	-	13,136,924
31 Guidance, Counseling & Evaluation Services	500,544	-	500,544
32 Social Work Services	1,295	-	1,295
33 Health Services	1,068,455	-	1,068,455
34 Student (Pupil) Transportation	-	-	-
35 Food Services	2,727,031	-	2,727,031
36 Cocurricular/Extracurricular Activities	999,118	-	999,118
41 General Administration	6,902,205	-	6,902,205
51 Plant Maintenance & Operations	10,777,042	-	10,777,042
52 Security & Monitoring Services	348,739	-	348,739
53 Data Processing Services	2,436,936	-	2,436,936
61 Community Services	469,128	-	469,128
71 Debt Service	5,509,617	-	5,509,617
81 Fundraising	1,045,957	-	1,045,957
Total Expenses	<u>131,239,139</u>	<u>-</u>	<u>131,239,139</u>
Change in Net Assets	7,458,024	(1,179,255)	6,278,769
Gain (Loss) on Disposal of Fixed Asset	2,946,639	-	2,946,639
Transfers In	-	-	-
Transfers Out	(708,461)	-	(708,461)
Net Assets, Beginning of Year	<u>53,033,399</u>	<u>5,099,724</u>	<u>58,133,123</u>
Net Assets, End of Year	<u>\$ 62,729,601</u>	<u>\$ 3,920,469</u>	<u>\$ 66,650,070</u>

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

RESPONSIVE EDUCATION SOLUTIONS
Statement of Activities by Entity (*Continued*)
For the Year ended June 30, 2020

Premier High Schools			501(c)(3)		
Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
\$ 26,903,212	\$ -	\$ 26,903,212	\$ 3,089,660	\$ -	\$ 3,089,660
-	-	-	-	-	-
3,183,826	-	3,183,826	1,118,433	-	1,118,433
1,459,112	-	1,459,112	5,078,239	-	5,078,239
7,178,552	-	7,178,552	794,003	-	794,003
475,271	-	475,271	641,876	-	641,876
429	-	429	-	-	-
93,717	-	93,717	102,232	-	102,232
36,959	-	36,959	-	-	-
793,124	-	793,124	155,127	-	155,127
12,890	-	12,890	227	-	227
2,623,439	-	2,623,439	10,550,010	-	10,550,010
3,612,431	-	3,612,431	3,077,746	-	3,077,746
23,600	-	23,600	8,372	-	8,372
1,089,795	-	1,089,795	4,213,552	-	4,213,552
12,713	-	12,713	289	-	289
-	-	-	664,371	-	664,371
1,331,007	-	1,331,007	1,699,370	-	1,699,370
<u>48,830,077</u>	<u>-</u>	<u>48,830,077</u>	<u>31,193,507</u>	<u>-</u>	<u>31,193,507</u>
207,321	4,640,931	4,848,252	(1,324,289)	3,187,764	1,863,475
(14,806)	-	(14,806)	-	-	-
404,645	-	404,645	303,816	-	303,816
-	-	-	-	-	-
<u>24,414,203</u>	<u>8,241,357</u>	<u>32,655,560</u>	<u>20,486,387</u>	<u>46,800</u>	<u>20,533,187</u>
<u>\$ 25,011,363</u>	<u>\$12,882,288</u>	<u>\$ 37,893,651</u>	<u>\$ 19,465,914</u>	<u>\$ 3,234,564</u>	<u>\$ 22,700,478</u>

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

RESPONSIVE EDUCATION SOLUTIONSStatement of Activities by Entity (*Continued*)

For the Year ended June 30, 2020

	TOTAL		
	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
11 Instruction	\$ 107,447,768	\$ -	\$ 107,447,768
12 Instructional Resources & Media Services	446	-	446
13 Curriculum Dev. & Instructional Staff Dev.	9,405,267	-	9,405,267
21 Instructional Leadership	9,295,150	-	9,295,150
23 School Leadership	21,109,479	-	21,109,479
31 Guidance, Counseling & Evaluation Services	1,617,691	-	1,617,691
33 Health Services	1,264,404	-	1,264,404
34 Student (Pupil) Transportation	36,959	-	36,959
35 Food Services	3,675,282	-	3,675,282
36 Cocurricular/Extracurricular Activities	1,012,235	-	1,012,235
41 General Administration	20,075,653	-	20,075,653
51 Plant Maintenance & Operations	17,467,219	-	17,467,219
52 Security & Monitoring Services	380,711	-	380,711
53 Data Processing Services	7,740,283	-	7,740,283
61 Community Services	482,130	-	482,130
71 Debt Service	6,173,988	-	6,173,988
81 Fundraising	4,076,334	-	4,076,334
Total Expenses	<u>211,262,723</u>	<u>-</u>	<u>211,262,723</u>
Change in Net Assets	6,341,056	6,649,440	12,990,496
Gain (Loss) on Disposal of Fixed Asset	2,931,833	-	2,931,833
Transfers In	708,461	-	708,461
Transfers Out	(708,461)	-	(708,461)
Net Assets, Beginning of Year	<u>97,933,989</u>	<u>13,387,881</u>	<u>111,321,870</u>
Net Assets, End of Year	<u>\$ 107,206,878</u>	<u>\$ 20,037,321</u>	<u>\$ 127,244,199</u>

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

RESPONSIVE EDUCATION SOLUTIONS

Statement of Cash Flows by Entity
For the Year ended June 30, 2020

	Texas College Preparatory Academies	Premier High Schools	501(c)(3)	TOTAL
Cash Flows from Operating Activities:				
Cash from Local Sources	\$ (663,345)	\$ 385,884	\$ 29,869,218	\$ 29,591,757
Cash from State Programs	104,086,635	41,894,795	1,630,634	147,612,064
Cash from Federal Programs	6,607,890	3,320,129	1,409,051	11,337,070
Cash Paid to Suppliers	(30,431,404)	(13,742,996)	(9,478,192)	(53,652,593)
Cash Paid to Employees	(70,142,394)	(26,152,930)	(19,703,076)	(115,998,400)
Cash Paid for Interest	(4,790,894)	-	(593,262)	(5,384,156)
Net Cash Provided by/(Used in) Operating Activities	<u>4,666,488</u>	<u>5,704,882</u>	<u>3,134,372</u>	<u>13,505,742</u>
Cash Flows from Investing Activities:				
Purchase of Capital Assets	(36,144,369)	(9,901,426)	(7,200,485)	(53,246,280)
Cash Proceeds from Disposal of Capital Assets	5,775,543	89,172	-	5,864,716
Net Cash Provided by/(Used in) Investing Activities	<u>(30,368,826)</u>	<u>(9,812,254)</u>	<u>(7,200,485)</u>	<u>(47,381,564)</u>
Cash Flows from Financing Activities:				
Proceeds from New Debt	39,444,993	-	6,475,000	45,919,993
Payments on Debt	(2,570,000)	-	(538,059)	(3,108,059)
Net Cash Provided by/(Used in) Financing Activities	<u>36,874,993</u>	<u>-</u>	<u>5,936,941</u>	<u>42,811,934</u>
Net Increase/(Decrease) in Cash	11,172,656	(4,107,372)	1,870,828	8,936,112
Cash at Beginning of Year	<u>31,610,441</u>	<u>19,225,481</u>	<u>15,083,896</u>	<u>65,919,818</u>
Cash at End of Year	<u>\$ 42,783,097</u>	<u>\$ 15,118,109</u>	<u>\$ 16,954,724</u>	<u>\$ 74,855,930</u>

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

Change in Net Assets	\$ 8,516,947	\$ 5,238,091	\$ 2,167,291	15,922,329
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Adjustments to Reconcile Change in Net Assets to Net Cash
Provided by/(Used in) by Operating Activities:

Depreciation	4,677,704	706,540	545,964	5,930,208
(Gain)/Loss on Disposal of Assets	(2,946,639)	14,806	-	(2,931,833)
(Increase)/Decrease in Operating Assets				
Due from State and Federal Agencies	(5,456,600)	(974,747)	(101,279)	(6,532,626)
Other Receivables	1,319,197	(416,454)	(307,718)	595,025
Receivables from Other Charters	-	-	(489,353)	(489,353)
Inventory	-	-	(6,059)	(6,059)
Prepaid Expenses	(394,660)	(308,071)	162,722	(540,009)
Other Assets	473,149	36,308	(25,000)	484,457
Increase/(Decrease) in Operating Liabilities				
Accounts Payable	(1,621,224)	1,076,601	595,773	51,150
Other Payables	(4,493)	-	607,843	603,350
Accrued Wages and Benefits Payable	2,081,280	485,589	246,055	2,812,924
Accrued Expenses	(1,770,086)	(153,781)	(346,238)	(2,270,105)
Deferred Revenue	-	-	84,371	84,371
Bond Premium	(208,087)	-	-	(208,087)
Net Adjustments	<u>(3,850,459)</u>	<u>466,791</u>	<u>967,081</u>	<u>(2,416,587)</u>
Net Cash Provided by/(Used in) Operating Activities	<u>\$ 4,666,488</u>	<u>\$ 5,704,882</u>	<u>\$ 3,134,372</u>	<u>\$ 13,505,742</u>

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

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REQUIRED TEA SCHEDULES

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RESPONSIVE EDUCATION SOLUTIONSSchedule of Expenses by Charter
For the Year Ended June 30, 2020

	Texas College Preparatory Academies	Premier High Schools	Total
EXPENSES & OTHER LOSSES			
6100 Payroll Costs	\$ 75,908,067	\$28,096,867	\$ 104,004,934
6200 Professional & Contracted Services	31,992,807	14,641,731	46,634,538
6300 Supplies & Materials	10,419,747	3,193,409	13,613,156
6400 Other Operating Costs	7,408,931	2,898,070	10,307,001
6500 Debt Expense	5,509,587	-	5,509,587
	<u>\$ 131,239,139</u>	<u>\$48,830,077</u>	<u>\$ 180,069,216</u>

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

RESPONSIVE EDUCATION SOLUTIONSSchedule of Capital Assets by Charter
June 30, 2020

	Texas College Preparatory Academies			
	Ownership Interest			Total
	Local	State	Federal	
CAPITAL ASSETS				
1100 Cash	\$ -	\$ 42,783,097	\$ -	\$ 42,783,097
1510 Land	-	33,360,801	-	33,360,801
1520 Buildings & Improvements	-	151,936,232	-	151,936,232
1521 Construction in Progress	-	11,549,134	-	11,549,134
1531 Vehicles	-	17,471	-	17,471
1539 Furniture & Equipment	-	7,552,526	-	7,552,526
1550 Leasehold Improvements	-	782,781	-	782,781
1569 Licenses & Media	-	210,177	-	210,177
Total Capital Assets	<u>\$ -</u>	<u>\$248,192,219</u>	<u>\$ -</u>	<u>\$248,192,219</u>

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

RESPONSIVE EDUCATION SOLUTIONS
Schedule of Capital Assets by Charter (*Continued*)
June 30, 2020

Premier High Schools				
Ownership Interest				
Local	State		Federal	Total
\$ -	\$ 15,118,109		\$ -	\$ 15,118,109
-	3,078,328		-	3,078,328
-	11,306,516		-	11,306,516
-	3,535,841		-	3,535,841
-	-		-	-
-	2,134,953		-	2,134,953
-	1,047,556		-	1,047,556
-	-		-	-
\$ -	\$ 36,221,303		\$ -	\$ 36,221,303

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 June 30, 2020

	Texas College Preparatory Academies			
	Budgeted Amounts		Actual Amounts	Variance Pos/(Neg) from Final Budget
	Original	Final		
REVENUE & OTHER SUPPORT				
Local Support:				
5700 Revenue from Local Sources	\$ 1,100,120	\$ 3,061,117	\$ 2,283,294	\$ (777,823)
Total Local Revenue	<u>1,100,120</u>	<u>3,061,117</u>	<u>2,283,294</u>	<u>(777,823)</u>
State Program Revenue:				
5800 State Program Revenue	131,472,100	128,083,642	128,083,645	3
Total State Revenue	<u>131,472,100</u>	<u>128,083,642</u>	<u>128,083,645</u>	<u>3</u>
Federal Program Revenue:				
5900 Federal Program Revenue	10,659,632	11,562,545	7,150,969	(4,411,576)
Total Federal Revenue	<u>10,659,632</u>	<u>11,562,545</u>	<u>7,150,969</u>	<u>(4,411,576)</u>
Total Revenue & Other Support	<u>143,231,852</u>	<u>142,707,304</u>	<u>137,517,908</u>	<u>(5,189,396)</u>
EXPENSES				
11 Instruction	82,538,275	79,908,673	77,454,896	2,453,777
12 Instructional Resources & Media	41,000	43,930	446	43,484
13 Curriculum & Instructional Staff Dev.	5,503,733	5,315,220	5,103,007	212,213
21 Instructional Leadership	3,435,200	3,056,879	2,757,799	299,080
23 School Leadership	13,640,484	13,139,819	13,136,924	2,895
31 Guidance, Counseling & Evaluation	559,890	834,769	500,544	334,225
32 Social Work	41,000	37,800	1,295	36,505
33 Health Services	1,560,730	1,567,220	1,068,455	498,765
34 Student (Pupil) Transportation	15,716	15,716	-	15,716
35 Food Services	2,087,908	3,281,660	2,727,031	554,629
36 Cocurricular/Extracurricular Activities	261,008	1,389,790	999,118	390,672
41 General Administration	13,343,692	6,922,077	6,902,205	19,872
51 Plant Maintenance & Operations	14,245,601	11,413,703	10,777,042	636,661
52 Security & Monitoring Services	430,667	728,297	348,739	379,558
53 Data Processing Services	2,159,435	2,436,936	2,436,936	(0)
61 Community Services	821,264	1,272,343	469,128	803,215
71 Debt Service	6,283,516	5,984,301	5,509,617	474,684
81 Fundraising	828,424	1,167,949	1,045,957	121,992
Total Expenses	<u>147,797,543</u>	<u>138,517,082</u>	<u>131,239,139</u>	<u>7,277,943</u>
Change in Net Assets	(4,565,691)	4,190,222	6,278,769	2,088,547
Transfers In	-	-	-	-
Transfers Out	-	-	(708,461)	708,461
Net Assets, Beginning of Year	<u>58,133,123</u>	<u>58,133,123</u>	<u>58,133,123</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 53,567,432</u>	<u>\$ 62,323,345</u>	<u>\$ 63,703,431</u>	<u>\$ 2,797,008</u>

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

RESPONSIVE EDUCATION SOLUTIONS
 Budgetary Comparison Schedule by Charter (*Continued*)
 For the year Ended June 30, 2020

Premier High Schools			
Budgeted Amounts		Actual Amounts	Variance
Original	Final		Pos/(Neg) from Final Budget
\$ -	\$ 442,952	\$ 371,078	\$ (71,874)
-	442,952	371,078	(71,874)
<u>56,218,354</u>	<u>50,037,254</u>	<u>49,421,014</u>	<u>(616,240)</u>
56,218,354	50,037,254	49,421,014	(616,240)
<u>10,291,027</u>	<u>10,653,754</u>	<u>3,886,237</u>	<u>(6,767,517)</u>
10,291,027	10,653,754	3,886,237	(6,767,517)
<u>66,509,381</u>	<u>61,133,960</u>	<u>53,678,329</u>	<u>(7,455,631)</u>
35,348,886	31,451,976	26,903,212	4,548,764
38,800	37,800	-	37,800
3,760,215	3,691,039	3,183,826	507,213
1,622,367	1,459,824	1,459,112	712
6,824,803	7,465,717	7,178,552	287,165
297,226	477,508	475,271	2,237
38,800	37,800	429	37,371
239,532	182,701	93,717	88,984
62,732	78,340	36,959	41,381
949,334	1,082,191	793,124	289,067
155,773	88,664	12,890	75,774
5,673,295	2,624,238	2,623,439	799
7,068,922	4,113,909	3,612,431	501,478
502,121	342,573	23,600	318,973
924,398	1,089,795	1,089,795	(0)
381,284	368,488	12,713	355,775
245,252	1	-	1
<u>1,167,822</u>	<u>1,571,086</u>	<u>1,331,007</u>	<u>240,079</u>
<u>65,301,562</u>	<u>56,163,650</u>	<u>48,830,077</u>	<u>7,333,573</u>
1,207,819	4,970,310	4,848,252	(14,789,204)
-	-	404,645	(404,645)
-	-	-	-
<u>32,655,560</u>	<u>32,655,560</u>	<u>32,655,560</u>	<u>-</u>
<u>\$ 33,863,379</u>	<u>\$ 37,625,870</u>	<u>\$ 37,908,457</u>	<u>\$ (15,193,849)</u>

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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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 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 October 8, 2020.

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.

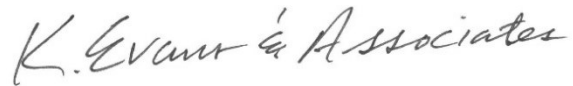
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "K. Evans & Associates".

K. Evans & Associates, CPAs
Frisco, TX
October 8, 2020



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

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 Compliance Supplement* that could have a direct and material effect on each of Responsive Education Solutions' major federal programs for the year ended June 30, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 June 30, 2020.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

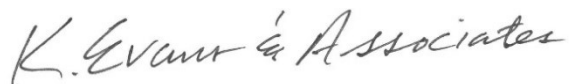
Report on Internal Control over Compliance

Management of the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



K. Evans & Associates, CPAs
Frisco, TX
October 8, 2020

RESPONSIVE EDUCATION SOLUTIONS
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020

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 Uniform Guidance	No
Identification of Major Programs:	
Special Education Cluster	84.027A & 84.173A
R&D Award	84.282M
Academic Enrichment	84.424A
Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	\$750,000
Auditee Qualified as Low-Risk Auditee?	Yes

RESPONSIVE EDUCATION SOLUTIONS
Schedule of Expenditures of Federal Award
For the Year Ended June 30, 2020

	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT of EDUCATION			
Passed Through State Department of Education			
Title I, Part A Program	84.010A	S010A180043	\$ 3,853,236
IDEA-B Formula	84.027A	H027A180008	1,872,396
IDEA-B Preschool	84.173A	H173A180004	23,086
LEP Summer School	84.369A		238,631
Title II, Part A Program	84.367A	S367A180041	453,104
Title III, Part A, LEP	84.365A	S365A180043	265,489
Title IV, Part A, Subpart 1	84.424A	S424A180045	360,485
US Dept of Education	84.282M		<u>2,352,818</u>
Total U.S. Department of Education			<u>9,419,245</u>
U.S. DEPARTMENT of the TREASURY			
COVID-19 Coronavirus Relief Fund (CRF)	21.019		<u>889,827</u>
Total U.S. Department of the Treasury			<u>889,827</u>
U.S. DEPARTMENT of AGRICULTURE			
Passed Through State Department of Agriculture			
School Breakfast/National School Lunch Programs	10.553 & 10.555	2018IN109946	<u>2,285,264</u>
Total U.S. Department of Agriculture			<u>2,285,264</u>
Total Expenditures of Federal Awards			<u>\$ 12,594,336</u>