

**SAN ANTONIO EDUCATION PARTNERSHIP, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2017**

**SAN ANTONIO EDUCATION PARTNERSHIP, INC.**

**FINANCIAL STATEMENTS**

**Year Ended September 30, 2017**

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December 12, 2017

Board of Directors  
San Antonio Education Partnership, Inc.

In planning and performing our audit of the financial statements of San Antonio Education Partnership, Inc. as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered San Antonio Education Partnership, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in San Antonio Education Partnership, Inc.'s internal control to be significant deficiencies:

#### **Significant Deficiencies**

##### *Segregation of Duties*

As part of our review of internal controls during our audit work, and particularly with regards to compliance with accounting and auditing standards, we noted there is inadequate segregation of financial duties within the Organization. Although there are some controls in this area, the small size of the staff makes it impossible to create totally separate like duties. In addition, the lack of knowledge of the financial function among the staff can be problematic. Without enough people to fully segregate financial tasks, it is impossible to create a sound and reliable control structure that completely protects the Organization against misappropriation and fraud. Based on the number of staff involved, it appears that the Organization is aware of internal control issues and has developed a system to try and meet their needs at this time.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Sagebiel, Ravenburg & Schuh, P.C.*

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**SAN ANTONIO EDUCATION PARTNERSHIP, INC.**

**STATEMENT OF FINANCIAL POSITION**

September 30, 2017 and 2016

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 451,404	\$ 136,503
Accounts receivable	499,875	357,750
Accounts receivable, COSA estimated	2,130,000	2,130,000
Prepaid expenses	30,951	35,809
Total current assets	<u>3,112,230</u>	<u>2,660,062</u>
<b>Property and equipment:</b>		
Fixed assets	204,446	204,446
Less accumulated depreciation	<u>(204,446)</u>	<u>(204,446)</u>
	-	-
<b>Other assets:</b>		
Investments	<u>411,730</u>	<u>379,707</u>
Total assets	<u>\$ 3,523,960</u>	<u>\$ 3,039,769</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 297,517	\$ 60,411
Accrued liabilities - vacation carryover	1,212	2,906
Deferred revenue	17,074	-
Scholarship commitments	<u>2,130,000</u>	<u>2,130,000</u>
Total current liabilities	<u>2,445,803</u>	<u>2,193,317</u>
<b>Net assets:</b>		
Unrestricted:		
Undesignated	413,591	387,266
Board designated	<u>404,701</u>	<u>371,844</u>
Temporarily restricted	818,292	759,110
Total net assets	<u>259,865</u>	<u>87,342</u>
	<u>1,078,157</u>	<u>846,452</u>
Total liabilities and net assets	<u>\$ 3,523,960</u>	<u>\$ 3,039,769</u>

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

**SAN ANTONIO EDUCATION PARTNERSHIP, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2017**

(With Comparative Totals For Year Ended September 30, 2016)

	Unrestricted		Temporarily Restricted	Total	
	Undesignated	Board Designated		2017	2016
<b>Public support and revenue:</b>					
Special events:					
Gross revenue	\$ 25,480	\$ -	\$ -	\$ 25,480	\$ 59,465
Less direct expenses	(22,073)	-	-	(22,073)	(40,938)
Net special events support	3,407	-	-	3,407	18,527
Contributions, grants and scholarships	2,232,755	-	533,393	2,766,148	1,730,126
Program and contract services	1,337,176	-	-	1,337,176	1,540,870
Investment income	2,689	9,117	-	11,806	15,648
In-kind gifts and services	38,169	-	-	38,169	51,267
Miscellaneous income	2,087	-	-	2,087	1,599
Total public support	3,616,283	9,117	533,393	4,158,793	3,358,037
Net assets released from restrictions:					
Restrictions satisfied by payments	360,870	-	(360,870)	-	-
Total public support and revenue	3,977,153	9,117	172,523	4,158,793	3,358,037
<b>Expenses:</b>					
Program services	3,768,783	-	-	3,768,783	3,099,743
General and administrative	116,045	-	-	116,045	119,938
Fundraising	65,683	-	-	65,683	45,039
Total expenses	3,950,511	-	-	3,950,511	3,264,720
Change in net assets before unrealized gains (losses)	26,642	9,117	172,523	208,282	93,317
Unrealized gain (loss) on investments	(317)	23,740	-	23,423	18,160
Change in net assets	26,325	32,857	172,523	231,705	111,477
<b>Net assets at beginning of year</b>	387,266	371,844	87,342	846,452	734,975
<b>Net assets at end of year</b>	\$ 413,591	\$ 404,701	\$ 259,865	\$ 1,078,157	\$ 846,452

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

**SAN ANTONIO EDUCATION PARTNERSHIP, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended September 30, 2017**

(With Comparative Totals For Year Ended September 30, 2016)

	Program Services	Supporting Services		Totals	
		General and Administrative	Fund-raising	2017	2016
Salaries and wages	\$ 958,054	\$ 56,614	\$ 53,000	\$ 1,067,668	\$ 993,988
Employee benefits	132,887	4,430	5,943	143,260	143,653
Payroll taxes	73,291	4,460	4,055	81,806	75,818
Total salaries and related expenses	1,164,232	65,504	62,998	1,292,734	1,213,459
Advertising and development	39,031	-	-	39,031	22,495
Bank charges	457	924	-	1,381	1,245
Dues and subscriptions	15,167	601	312	16,080	6,712
Equipment, supplies, and maintenance	23,545	5,831	-	29,376	22,130
Insurance	10,892	178	-	11,070	10,419
Janitorial services	64,144	6,427	-	70,571	71,526
Miscellaneous	397	2,425	-	2,822	430
Occupancy	25,979	327	-	26,306	78,569
Office supplies	17,602	240	482	18,324	14,431
Postage	2,318	1,181	-	3,499	1,607
Printing	11,636	603	-	12,239	12,274
Professional employer services	26,544	1,794	1,722	30,060	32,211
Professional fees	127,914	28,629	19	156,562	149,087
Program and implementation costs	48,681	184	99	48,964	41,653
Scholarships	2,143,000	-	-	2,143,000	1,553,050
Security	2,590	37	-	2,627	2,491
Subcontractor fees	25,400	-	-	25,400	9,750
Telephone and internet	-	131	-	131	131
Travel and conferences	19,254	1,029	51	20,334	12,863
Write-offs and adjustments	-	-	-	-	8,187
Total expenses	\$ 3,768,783	\$ 116,045	\$ 65,683	\$ 3,950,511	\$ 3,264,720

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

**SAN ANTONIO EDUCATION PARTNERSHIP, INC.**

**STATEMENT OF CASH FLOWS**

**Years Ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash flow from operating activities:</b>		
Change in net assets	\$ 231,705	\$ 111,477
Noncash items included in operations:		
Realized and unrealized (gains) losses on investments	(25,145)	(24,290)
Effect of changes in operating working capital:		
Accounts receivable	(142,125)	(814,749)
Prepaid expenses	4,858	(10,754)
Accounts payable	237,106	(128,571)
Accrued liabilities - vacation carryover	(1,694)	2,906
Deferred revenue and scholarships	17,074	(98,000)
Scholarship commitments	-	733,230
Net cash provided (used) by operating activities	<u>321,779</u>	<u>(228,751)</u>
<b>Cash flows from investing activities:</b>		
Net change in investments	<u>(6,878)</u>	<u>(6,603)</u>
Net cash used by investing activities	<u>(6,878)</u>	<u>(6,603)</u>
Net increase (decrease) in cash	314,901	(235,354)
<b>Cash at beginning of year</b>	<u>136,503</u>	<u>371,857</u>
<b>Cash at end of year</b>	<u>\$ 451,404</u>	<u>\$ 136,503</u>

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

# SAN ANTONIO EDUCATION PARTNERSHIP, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1 NATURE OF ORGANIZATION

San Antonio Education Partnership, Inc. (hereinafter referred to as the Partnership) is a non-profit organization formed in 1988. The Partnership empowers students with quality educational programs, resources and counseling that will make them confident, knowledgeable and help them finish college and contribute to San Antonio's future, making the students San Antonio's leaders of tomorrow.

The goal of the Partnership is to close the college graduation gap for San Antonio by having its students graduate from high school, enroll in college, and earn a college degree and/or certificate. Services provided to students through the high school services component and Café College focus on five key areas with the following objectives:

- *College Aspirations & Goal Setting* – Helping students set and keep short and long-term academic and career goals by building a college-going future.
- *College and Career Exploration and Planning* – Increasing awareness of career opportunities and assisting with planning of career paths, to include increasing student knowledge and awareness of STEM fields for career opportunities in San Antonio.
- *College Entry and Enrollment* – Increasing awareness of higher education opportunities and assisting with college entry and enrollment.
- *College Affordability and Financial Aid* – Increasing awareness by providing information on financial literacy and financial aid resources, in addition to assisting with applying for financial aid and scholarships.
- *College Transition* – Providing guidance and coaching as students transition from high school to college with confidence and success, as well as opportunities for character development, including the essential skills needed to become an effective leader.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements of the Partnership have been prepared on the accrual basis of accounting. The financial statements accordingly reflect all significant receivables, payables, and other liabilities.

#### **Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board for the format of financial statements of not-for-profit organizations. The Partnership is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Partnership does not have any permanently restricted net assets.

#### **Board Designation of Unrestricted Net Assets**

Assets restricted solely through actions of the Partnership's Board are reported as unrestricted net assets. These net assets are invested in USAA accounts consisting of money markets, equity securities, international funds and bonds. The earnings from the investments are available for unrestricted use.

#### **Comparative Financial Information**

The financial information for the year ended September 30, 2016, presented for comparative purposes, is not intended to be a complete financial statement presentation. It is included to provide a basis for comparison with the year ended September 30, 2017.

(Continued)



**SAN ANTONIO EDUCATION PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Allocated Expenses**

Expenses are charged to program services based on costs which can be directly identified as those costs associated with the program of the Partnership. Any expenses not directly chargeable are allocated to programs and supporting service classifications on the basis of management estimates.

**Income Taxes**

The Partnership is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization other than a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors under Section 170(b)(1)(A).

**Restricted and Unrestricted Revenue and Support**

The Partnership reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash includes all monies on hand, in banks, and highly liquid investments with initial maturity periods of three months or less.

**Investments**

Investments are carried at market value for financial statement purposes. A provision for unrealized gains or losses is made each year to adjust to the appropriate value, and changes in unrealized gains and losses are included in the change in net assets. Realized and unrealized gains and losses are determined by comparison of cost to proceeds or market value, respectively. Cost is determined by historical purchase price or, in the case of any donated investments, the fair market value of those investments at the date of the gift. Market risk could occur and is dependent on the future changes in market price of the various investments held.

**Property and Equipment**

The Partnership capitalizes all expenditures for property and equipment in excess of \$5,000. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. Depreciation is computed using the straight-line method.

**Donated Facilities**

The Partnership receives an in-kind contribution from the City of San Antonio in the way of donated facilities. The use of the Partnership facilities is not reflected in the accompanying financial statements since it is not subject to objective financial measurement or valuation.

(Continued)

**SAN ANTONIO EDUCATION PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Donated Goods and Services**

Donated goods and services include in-kind contributions received by the Partnership. Donated goods are valued based on their estimated fair market value on the date of the contribution. Services are valued based on an amount determined to be appropriate if individuals were employed by the Partnership to perform such services.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**Subsequent Events**

The Partnership's management has evaluated subsequent events through December 12, 2017, the date which the financial statements were available for issue.

**3 CONCENTRATION OF CREDIT RISK AND ACCOUNTS RECEIVABLE**

The Partnership maintains cash in two bank accounts which are insured by the Federal Deposit Insurance Corporation (FDIC). The Partnership also maintains two accounts with a brokerage firm located in San Antonio, Texas. Balances in these brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC). At September 30, 2017, balances in excess of the FDIC insured limits were \$261,595. A collateral agreement with the bank has been obtained to cover any excesses over the insured limits.

Accounts receivable are primarily due from local governments and school districts.

Management analyzes aging of accounts receivable on a monthly basis. Accounts receivable are considered delinquent when they are over 90 days old. Payment trends by delinquent accounts are considered by management when writing off bad debts and estimating the allowance for doubtful accounts. At September 30, 2017 and 2016, management estimated the allowance for doubtful accounts to be \$-0-. Accounts deemed to be uncollectible by management are initially charged to the allowance for doubtful accounts.

**4 INVESTMENTS**

The Partnership owned the following investments at September 30, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
<b>Unrestricted:</b>				
Fixed income mutual funds	\$ 13,749	\$ 13,199	\$ 13,480	\$ 13,275
	<u>13,749</u>	<u>13,199</u>	<u>13,480</u>	<u>13,275</u>
<b>Board Designated:</b>				
Equity mutual funds	167,708	191,163	168,863	167,638
Fixed income mutual funds	205,605	207,368	196,199	198,794
	<u>373,313</u>	<u>398,531</u>	<u>365,062</u>	<u>366,432</u>
<b>Total investments</b>	<u>\$ 387,062</u>	<u>\$ 411,730</u>	<u>\$ 378,542</u>	<u>\$ 379,707</u>

(Continued)

**SAN ANTONIO EDUCATION PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**4 INVESTMENTS (Continued)**

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.
- Level 2 – Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or by other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes to the methodologies used at September 30, 2017 and 2016.

*Money market funds and mutual funds:* Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

The following table sets forth by level, within the fair value hierarchy, the Partnership's financial instruments at fair value as of September 30, 2017 and 2016:

	2017			Total
	Level 1	Level 2	Level 3	
Equity mutual funds	\$ 191,163	\$ -	\$ -	\$ 191,163
Fixed income mutual funds	220,567	-	-	220,567
Total investments	\$ 411,730	\$ -	\$ -	\$ 411,730
	2016			
	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 167,638	\$ -	\$ -	\$ 167,638
Fixed income mutual funds	212,069	-	-	212,069
Total investments	\$ 379,707	\$ -	\$ -	\$ 379,707

**SAN ANTONIO EDUCATION PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**8 SCHOLARSHIP COMMITMENTS (Continued)**

The total represents the estimated scholarship commitment for a one year period for those students currently attending higher education. The pay-out of this commitment is contingent upon the City of San Antonio's approval and execution of the contract with the Partnership. The estimation factors in historical trends for completion of 1, 2, 3 or 4 years of higher education. The Partnership administers the scholarship, which is funded by the City of San Antonio.

**9 HIGH SCHOOLS SERVED**

The Partnership provides college tuition assistance to students in the following San Antonio high schools as of September 30, 2017:

Brackenridge High School	Lanier High School
Burbank High School	Lee High School
Churchill High School	McCollum High School
Clark High School	MacArthur High School
Edison High School	Madison High School
Fox Tech High School	Memorial High School
Harlandale High School	Roosevelt High School
Highlands High School	Sam Houston High School
Holmes High School	South San High School
Jefferson High School	Southside High School
John Jay High School	Southwest High School
John Marshall High School	William Taft High School
Kennedy High School	

**10 PROGRAM SERVICE EXPENSES**

Program service expenses are as follows for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Café College	\$ 701,245	\$ 708,532
Gear Up	17,827	195
Outreach	-	427,257
Other programs	197,539	204,458
Road to Success	709,001	-
Scholarships	2,143,171	1,542,050
School districts	-	217,251
	<u>\$ 3,768,783</u>	<u>\$ 3,099,743</u>

Program service expenses include in-kind expenses totaling \$38,169 and \$29,895 for the years ended September 30, 2017 and 2016, respectively.

**11 OPERATING LEASES**

The Partnership leases office space and equipment under various operating leases expiring through December 2017. Total rent payments on these leases for the years ended September 30, 2017 and 2016 were \$32,595 and \$67,545, respectively. The following are future minimum rental payments under these leases:

<u>Year Ending September 30</u>	
2018	\$ 26,120
2019	19,320
2020	12,880
	<u>\$ 58,320</u>

**SAN ANTONIO EDUCATION PARTNERSHIP, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**12 COMMITMENTS AND CONTINGENCIES**

The Partnership participates in several local government grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Partnership has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the Partnership, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**13 RETIREMENT PLAN**

During the year ended September 30, 2011, the Partnership established a 401(k) retirement plan. Employees are eligible to participate when they have completed 90 days of employment and are 21 years old. The Partnership will match the employee's contributions up to 5% of the employee's salary. The Partnership's contributions to the plan for the years ended September 30, 2017 and 2016 were \$22,363 and \$19,904, respectively.