



SAN ANTONIO POSITIVE SOLUTIONS, Inc.
San Antonio, Texas

Financial Statements
with
SUPPLEMENTARY INFORMATION ON
POSITIVE SOLUTIONS CHARTER SCHOOL

JUNE 30, 2019

(with Independent Auditor's Report Thereon)

C. C. Garcia & Co., P.C.
 Certified Public Accountants

SAN ANTONIO POSITIVE SOLUTIONS, Inc.
San Antonio, Texas

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SAN ANTONIO POSITIVE SOLUTIONS, INC.

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SAN ANTONIO POSITIVE SOLUTIONS, INC.

Federal Employer Identification Number: 74-2676269

Certificate of Board

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Positive Solutions, Inc. was reviewed and approved disapproved for the year ended June 30, 2019, at a meeting of the governing body of San Antonio Positive Solutions, Inc. on the 5th day of November, 2019.



Signature of Board Secretary



Signature of Board Chairman

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
San Antonio Positive Solutions, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of San Antonio Positive Solutions, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 San Antonio Positive Solutions, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

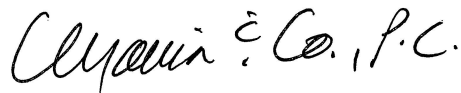
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Positive Solution Charter School supplementary information pages 15 – 22 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Report on Summarized Comparative Information

We have previously audited the San Antonio Positive Solutions, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



San Antonio, Texas
November 22, 2019

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

STATEMENT OF FINANCIAL POSITION
As of JUNE 30, 2019

ASSETS	2019	Memo 2018
Current Assets:		
Cash and cash equivalents	\$ 416,127	\$ 147,817
Receivables:		
Due from State	105,001	43,542
Due from Other	49,449	22,725
Total Current Assets	570,577	214,084
Land, Building and Equipment, Net	1,959,137	2,016,887
Total Assets	\$ 2,529,714	\$ 2,230,971
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 10,921	\$ 7,378
Vacation payable	14,305	16,997
Accrued wages	34,832	10,976
Mortgage Notes Payable - Current Portion	89,190	82,887
Total Current Liabilities	149,248	118,238
 Non Current Liabilities		
Mortgage Notes Payable	1,585,937	1,677,294
Total Liabilities	1,735,185	1,795,532
 Net Assets:		
Without donor restrictions:		
Investment in property, plant and equipment	386,281	328,531
Undesignated	397,448	96,108
With donor restrictions	10,800	10,800
Total net assets	794,529	435,439
Total liabilities and net assets	\$ 2,529,714	\$ 2,230,971

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

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	
			<u>2019</u>	<u>2018</u>
Revenues				
Local support:				
Building Rental Income	\$ 57,162	-	\$ 57,162	\$ 53,126
Interest and other income	733	-	733	1,058
Total local support	<u>57,895</u>	<u>-</u>	<u>57,895</u>	<u>54,184</u>
State program revenues:				
Foundation school program	-	1,042,912	1,042,912	911,376
Other state aid	-	18,559	18,559	15,102
Total program revenues	<u>-</u>	<u>1,061,471</u>	<u>1,061,471</u>	<u>926,478</u>
Federal program revenues:				
ESEA Title I	-	173,389	173,389	112,234
IDEA B	-	33,452	33,452	29,395
Title II, Part A	-	-	-	1,388
Teacher Incentive Fund	-	418,741	418,741	371,303
Total Federal program revenues	<u>-</u>	<u>625,582</u>	<u>625,582</u>	<u>514,320</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	1,687,053	(1,687,053)	-	-
Total Revenues	<u>1,744,948</u>	<u>-</u>	<u>1,744,948</u>	<u>1,494,982</u>
Expenses				
Program services:				
Instruction and Instructional-Related Services	692,161	-	692,161	794,428
Instructional and School Leadership	334,048	-	334,048	407,623
Support Services:				
Administrative Support Services	124,044	-	124,044	172,887
Support Services - Student (Pupil)	74,602	-	74,602	93,252
Plant Maintenance & Operations	198,577	-	198,577	181,733
Fundraising				
General Operating	-	-	-	-
Total expenses	<u>1,423,432</u>	<u>-</u>	<u>1,423,432</u>	<u>1,649,923</u>
Change in net assets	321,516	-	321,516	(154,941)
Net assets at beginning of year, as previously reported	424,639	10,800	435,439	590,380
Prior period adjustment (Note 12)	37,574	-	37,574	-
Net assets at beginning of year, restated	<u>462,213</u>	<u>10,800</u>	<u>473,013</u>	<u>590,380</u>
Net assets at end of year	<u>\$ 783,729</u>	<u>10,800</u>	<u>\$ 794,529</u>	<u>\$ 435,439</u>

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

**POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas**

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

	2019	Memo 2018
Cash flows from operating activities:		
Change in net assets	\$ 321,516	\$ (154,941)
Adjustments to reconcile the change in net assets to net cash used by operating activities:		
Depreciation expense	57,750	57,750
Reduction in principle from refinance	-	31,301
Prior period adjustment	37,574	-
(Increase) decrease in assets:		
Due from State	(61,459)	(2,282)
Due from Other	(26,724)	(17,588)
Other Assets	-	1,806
Increase (decrease) in liabilities:		
Accounts Payable	3,543	(3,614)
Vacation Payable	(2,692)	290
Accrued Liabilities	23,856	5,488
Net cash provided by operating activities	353,364	(81,790)
Cash flows from investing activities:	-	-
Cash flows from financing activities:		
Principal payments on note payable	(85,054)	(83,731)
Net cash (used) by financing activities	(85,054)	(83,731)
Net increase in cash and cash equivalents	268,310	(165,521)
Cash and cash equivalents, beginning of year	147,817	313,338
Cash and cash equivalents, end of year	\$ 416,127	\$ 147,817
Supplemental Information:		
Interest paid	\$ 82,612	\$ 86,768
Noncash Transactions:	\$ -	\$ -

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

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2019

(1) Organization and Summary of Significant Accounting Policies

Organization's Activities

San Antonio Positive Solutions, Inc. (the agency) is an educational and employment training organization incorporated on July 9, 1993. The agency's purpose is to increase employability and academic competencies of disadvantaged individuals in San Antonio and Bexar County, Texas by direct delivery of training and educational services.

In October 1998 the Agency was granted a Charter from the Texas Education Agency to operate a Charter School authorized to provide a high school equivalence program and high school diplomas. The Charter School started operations in 1998 and has one campus in San Antonio, Texas.

Activities

San Antonio Positive Solutions, Inc. conducted the following activities in 2019:

Charter School

Funded through the Texas Education Agency, the agency operated a charter school whose purpose is to provide educational services with emphasis on academic enrichment, individualized instruction and self-paced curriculum. The school has open enrollment for grades 9th through 12th.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of SAPS's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SAPS or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2019

(1) Organization and Summary of Significant Accounting Policies, (continued)

Measure of operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to SAPS's ongoing services and interest. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash Equivalents

For the purposes of the statement of cash flows, cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of credit risk: Financial instruments that potentially subject SAPS to concentrations of credit risk consist principally of cash and cash equivalents. SAPS maintains its cash and cash equivalents in bank accounts that, at times, may exceed federally insured limits. SAPS 's cash and cash equivalent accounts have been placed with high credit quality financial institutions. SPAS has not experienced, nor does it anticipate, any losses with respect to such accounts.

Cash balances are maintained at financial institutions, which are insured by Federal Deposit Insurance Corporation to \$250,000, the maximum permitted by current legislation. Deposits of \$166,127 were in excess of insured amounts at June 30, 2019.

Total Columns

Total columns for 2018, are presented to facilitate financial analysis only. Data in these columns are not intended to present financial position, results of operations and changes in net assets in conformity with generally accepted accounting principles.

Public Support and Revenue

Contributions received by SAPS are recorded as public support that increases net assets with or without donor restrictions, depending on the existence or nature, or both, of any donor-imposed restrictions. All donor-restricted support is recorded as an increase to net assets with donor restrictions.

Net assets without donor restrictions are those that are free of donor-imposed restrictions but may be designated for specific purposes by action of the Board of Directors.

Net assets with donor-imposed restrictions that are temporary in nature arise from contributions and other inflows of assets whose use is limited by purpose-specific program restrictions or time restrictions, or both, imposed by the donor. When such a restriction expires through the accomplishment of the specific purpose or the passage of time, or both, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reclassified to net assets without donor restrictions.

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2019

(1) Organization and Summary of Significant Accounting Policies, (continued)

Public Support and Revenue

Net assets with donor-imposed restrictions that are perpetual in nature result from contributions in which the donor requires that the principal of the contribution be maintained in perpetuity. Such net assets primarily include perpetual endowment funds and perpetual trusts. SAPS had no such donations as of June 30, 2019.

Contributed services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills, and which would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributed goods are recorded at their fair value in the period received. SAPS had no such donations as of June 30, 2019.

Grants

Support received from grants with the United States Government, local or state government, and private foundations are recorded as support in the appropriate net asset classification when the related direct costs are incurred.

Donated Materials and Services

Governments, agencies, volunteers, business firms, and others may contribute materials and services toward the fulfillment of projects initiated by SAPS. Donated materials and equipment are recorded as contributions at their estimated fair values at the date of receipt. If donated services were recorded, determination would be based on the fair value of the services provided by a professional, specialist, or craftsman.

Property and Equipment

All fixed assets are valued at cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Expenses for repairs and that materially extend the useful life of an asset are capitalized at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39.5 years.

Assets that have unit cost of \$5,000 and a useful life of one year or more are capitalized and depreciated. The assets are depreciated over their estimated useful lives on the straight-line basis. Currently the following estimated lives are used:

- Computer Equipment – 3 years
- Teaching Equipment – 5 years
- Furniture and Fixtures – 5 years
- Buildings – 39.5 years

Federal Income Taxes

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and contributions to it are tax deductible within the limitations prescribed by the Code. The Agency has been classified as a publicly supported organization that is not a private foundation

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2019

(1) Organization and Summary of Significant Accounting Policies, (continued)

Federal Income Taxes

under Section 509(a) of the Internal Revenue Code. The organization files an information return, Form 990, with the Internal Revenue Service.

Functional Expenses

The Agency allocates its expense on a functional basis among its operating services. Expenses that can be identified specifically as program versus administrative services are allocated directly to their natural expenditure classifications.

Use of 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.

Allowance for Doubtful Accounts

Accounts receivable consists primarily of amounts due from state agency for allowable program expenses, which are deemed fully collectible. Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts. Management periodically evaluates the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the grantor and the age of the receivable balance. An allowance is recorded for when management has deemed it to be uncollectible. As of June 30, 2019, the accounts receivable balance is deemed fully collectible and management has not recorded an allowance for bad debt.

New Accounting Pronouncement

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU No. 2016-14 is effective for the SAPS's fiscal year beginning after December 15, 2017, with early application permitted. SAPS has adjusted the presentation of the 2019 statements accordingly.

(2) Availability and Liquidity

The Organization's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

Cash and Cash equivalents	\$ 416,127
Accounts Receivable, net	<u>154,450</u>
Total financial assets available within 1 year	<u>570,577</u>

Financial assets available to meet general expenditures
over the next twelve months \$ 570,577

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2019

(2) Availability and Liquidity, (continued)

None of these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position. SAPS creates and approves an annual operational budget at the end of each fiscal year. Cash inflows are reasonably predictable because most of the school's income is derived from federal grants awarded in specific dollar amounts and Texas Education Agency Foundation disbursements, which are based on student population. As part of the school's liquidity plan, Cash outflows are planned accordingly so as not to exceed those expected inflows. A minimal amount of excess cash is on hand in the event of unexpected outflows.

(3) Fixed Assets

The fixed assets of the Agency for the year ended June 30, 2019 is as follows:

Land	\$ 49,563
Furniture, Fixtures and Equipment	323,996
Building and improvements	<u>2,280,064</u>
	2,653,623
Less: accumulated depreciation	<u>(694,486)</u>
Total fixed assets	<u>\$ 1,959,137</u>

Depreciation expense was \$57,750 for the year ended June 30, 2019.

(4) General Fixed Assets and Depreciation

San Antonio Positive Solutions, Inc. has \$44,302 of furniture and equipment purchased with JTPA funds of which title had not vested and can be recalled by the grantor. These assets are not presented in the financial statements.

(5) Vacation Leave

Full time employees earn 3.3 hours of vacation leave per monthly upon successful completion of their introductory period which is 180 calendar days of employment. Accrued vacation does not become vested, and as such, may not be used until 210 days after the first day of employment. Employees may carry over a maximum of five (5) vacation days. Vacation days over this amount may be carried only with the approval of the director. Vacation payable as of June 30, 2019 was \$14,305.

(6) Leases

San Antonio Positive Solutions, Inc. leases equipment under various operating leases as follows:

Operating Leases

The agency leases copiers through De Lage Landen Financial Services. The original lease period was for sixty-three months from February 2016 through May 2021. Minimum future lease payments remaining are as follows:

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2019

(6) Leases, (continued)

For the year ended June 30,

<u>Year</u>	<u>Amount</u>
2020	\$ 6,600
2021	<u>6,050</u>
Total	<u>\$ 12,650</u>

San Antonio Positive Solutions, Inc. leases office space to tenants under non-cancelable operating leases with terms of one (1) to three (3) years. Total rental income for the year ended June 30, 2019 was \$57,162.

The leases expired in February 2018 and, as of the date of the report, had not been renewed. All tenants were operating under a month-to-month lease arrangement.

(7) Charter School Personnel Services, Fringe benefits, and Pension Plan

Personnel services are provided to Positive Solutions Charter School through a system that utilizes leased employees. San Antonio Positive Solutions, Inc. contracts with Insperity, an employee leasing service, to perform certain aspects of its personnel functions including hiring of staff selected by San Antonio Positive Solutions, Inc. to provide personnel services for Positive Solutions Charter School. Leased employee personnel cost, exclusive of administrative management fees, paid to Insperity are recorded and shown on these financial statements as payroll cost. Personnel management fees paid to Insperity are charged as contractual cost.

Leased employees are eligible to contribute to a 401(K) plan administered by Insperity. Yearly contributions by employees are limited to a maximum of 6% of their annual pay and San Antonio Positive Solutions, Inc. matches it with a 3% maximum contribution. For the current year, San Antonio Positive Solutions, Inc. paid \$11,985 in employee pension contributions.

(8) Mortgage Note Payable

At June 30, 2019, San Antonio Positive Solutions, Inc. had notes payable as follows:

a. Mortgage note payable to Plains Capital Bank dated August 24, 2017 payable in monthly installments of \$13,972.20 including interest. The mortgage note bears interest at the stated rate of 4.80%. The Mortgage note is secured by a first lien on San Antonio Positive Solutions, Inc. land and buildings.	\$ 1,675,127
Less: Current portion	<u>(89,190)</u>
Total long-term debt	<u>\$ 1,585,937</u>

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2019

(8) Mortgage Note Payable, (continued)

Scheduled maturities of Notes Payable as of June 30, 2019 is as follows:

Year Ending June 30.	Principal	Interest	Total
2020	\$ 89,190	78,476	167,666
2021	93,567	74,099	167,666
2022	98,158	69,508	167,666
2023	102,975	64,691	167,666
2024	108,028	59,638	167,666
Thereafter	<u>1,183,209</u>	<u>264,562</u>	<u>1,447,771</u>
Total	<u>\$ 1,675,127</u>	<u>610,974</u>	<u>2,286,101</u>

Interest expense was \$82,612 for the year ended June 30, 2019.

(9) Contingencies

- A. San Antonio Positive Solutions, Inc. receives substantial amounts of revenue from local funding/agencies and the Texas Education Agency. A significant reduction in the level of this revenue, if this were to occur, would have an effect of its programs and activities. San Antonio Positive Solutions, Inc.'s various programs are governed by various rules and regulation of the local/grantor agencies and the Texas Education Agency. Expenses charged to the programs are subject to audit and adjustments by the grantor/local agencies and Texas Education Agency. Therefore, to the extent that San Antonio Positive Solutions, Inc. has not complied with the rules and regulations governing these grants and programs, refunds of money received may be required.
- B. In June 2018, the agency received a letter from Universal Service Administrative Company (USAC) seeking repayment of \$161,154 in funds disbursed to SAPS, Inc. in 2003-2004 through the E-Rate program. The agency has retained counsel in the matter and, in a letter dated November 7, 2018, counsel provided legal representation that insufficient information exists on this date to predict a probable outcome and that the agency is currently in the appeals process. Therefore, no provision has been made in the accompanying financial statements for this contingency.

(10) Concentrations of Credit Risk

The Positive Solutions Charter School received the majority of its funding from the State of Texas. The state provided 62% of the total funding received as of June 30, 2019.

(11) Functional Classification of Expenses

Charter school program expenses include instruction, staff training, and student support services. Management and general expenses are administrative support services.

SAPS expends funds under the following natural expense classifications:

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2019

(11) Functional Classification of Expenses, (continued)

	Management and General	Program	Grand Total
Personnel	\$ 157,769	\$ 603,268	\$ 761,037
Employee Benefits	43,456	166,162	209,618
Purchased Services	55,636	188,964	244,600
Supplies	-	40,439	40,439
Other	-	27,376	27,376
Interest	82,612	-	82,612
Total expenses before depreciation	339,473	1,026,209	1,365,682
Depreciation	57,750	-	57,750
Total Expenses	\$ 397,223	\$ 1,026,209	\$ 1,423,432

San Antonio Positive Solutions, Inc. operates one program, the charter school. As such, all activity is recorded on the charter school financial statements. The Charter School Statement of Activities on page 16 presents expenses by Texas Education Agency function code. The natural functional classifications presented above agrees to the SAPS, Inc. Statement of Activities on page 5.

(12) Prior Period Adjustments

The following adjustments were performed to net assets to correct prior period balances of accruals as stated below:

<u>Amount</u>	<u>Description</u>
\$ 27,648	Accounts Receivable
(6,167)	Accounts Payable
16,093	Accrued Wages
\$ 37,574	Total Prior Period Adjustment

(13) Subsequent Events

Management has evaluated subsequent events through November 22, 2019, which is the date the financial statements were available to be issued. SAPS is not aware of any material subsequent events.

POSITIVE SOLUTIONS CHARTER SCHOOL

POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas

STATEMENT OF FINANCIAL POSITION

As of June 30, 2019

	2019	Memo 2018
Assets		
Current Assets		
Cash in Bank	\$ 354,381	\$ 126,413
Account receivable:		
Due from State	105,001	43,542
Due from Other	49,449	22,725
Total Current Assets	\$ 508,831	\$ 192,680
Property and Equipment, net	1,959,137	2,016,887
Total Assets	\$ 2,467,968	\$ 2,209,567
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 10,921	\$ 7,378
Vacation Payable	14,305	16,997
Accrued Payroll and Liabilities	34,832	10,976
Mortgage Note Payable - Current Portion	89,190	82,887
Total Current Liabilities	149,248	118,238
Non Current Liabilities		
Mortgage Note Payable	1,585,937	1,677,294
Total Liabilities	1,735,185	1,795,532
Net Assets:		
Without Donor Restrictions:		
Investment in Property, Plant and Equipment	386,281	328,531
Undesignated	335,702	74,704
With Donor Restrictions	10,800	10,800
Total Net Assets	732,783	414,035
Total Liabilities and Net Assets	\$ 2,467,968	\$ 2,209,567

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

POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	
			<u>2019</u>	<u>Memo 2018</u>
Revenue				
Local support:				
5740 Other Revenues from Local Sources	\$ 57,895	\$ -	\$ 57,895	\$ 54,184
State program revenues:				
5810 Foundation School Program Act Revenues	-	1,042,912	1,042,912	911,376
5820 State Program Revenues Distributed by Texas Education Agency	-	18,559	18,559	44,497
Total State program revenues	<u>-</u>	<u>1,061,471</u>	<u>1,061,471</u>	<u>1,010,057</u>
Federal program revenues:				
5920 Federal Revenues Distributed by the Texas Education Agency	-	625,582	625,582	484,925
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>1,687,053</u>	<u>(1,687,053)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,744,948</u>	<u>-</u>	<u>1,744,948</u>	<u>1,494,982</u>
Expenses				
11 Instruction	692,161	-	692,161	794,428
21 Instructional Leadership	49,328	-	49,328	82,016
23 School Leadership	284,720	-	284,720	325,607
31 Guidance, Counseling and Evaluation Services	17,069	-	17,069	16,582
32 Social Work Services	54,751	-	54,751	75,385
35 Food Services	2,782	-	2,782	1,284
41 General Administration	124,044	-	124,044	172,887
51 Plant Maintenance and Operations	198,577	-	198,577	181,734
Total Expenses	<u>1,423,432</u>	<u>-</u>	<u>1,423,432</u>	<u>1,649,923</u>
Change in Net Assets	321,516	-	321,516	(154,941)
Transfer of cash to SAPS's Inc.	(40,342)	-	(40,342)	-
Net Assets at beginning of year, as previously reported	403,235	10,800	414,035	578,765
Prior period adjustments (Note 12)	37,574	-	37,574	(9,789)
Net Assets at beginning of year, restated	<u>440,809</u>	<u>10,800</u>	<u>451,609</u>	<u>568,976</u>
Net Assets at end of year	<u>\$ 721,983</u>	<u>\$ 10,800</u>	<u>\$ 732,783</u>	<u>\$ 414,035</u>

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

**POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas**

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

	2019	Memo 2018
Cash flows from operating activities:		
Change in net assets	\$ 321,516	\$ (154,941)
Adjustments to reconcile the change in net assets to net cash used by operating activities:		
Prior period adjustment	37,574	(9,789)
Depreciation expense	57,750	57,750
Reduction in principle from refinance	-	31,301
(Increase) decrease in assets:		
Due from State	(61,459)	(2,282)
Due from Other	(26,724)	(17,588)
Other Assets	-	1,806
Increase (decrease) in liabilities:		
Accounts Payable	3,543	(3,614)
Vacation Payable	(2,692)	290
Accrued Liabilities	23,856	5,488
Net cash provided by operating activities	353,364	(91,579)
Cash flows from investing activities:	-	-
Cash flows from financing activities:		
Principal payments on note payable	(85,054)	(83,731)
Transfer of cash to SAPS, Inc.	(40,342)	-
Net cash (used) by financing activities	(125,396)	(83,731)
Net increase in cash and cash equivalents	227,968	(175,310)
Cash and cash equivalents, beginning of year	126,413	301,723
Cash and cash equivalents, end of year	\$ 354,381	\$ 126,413
Supplemental Information:		
Interest paid	\$ 82,612	\$ 86,768
Noncash Transactions:	\$ -	\$ -

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

**POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas**

SCHEDULE OF EXPENSES

For the Year Ended June 30, 2019

	Memo	
	Totals	
	2019	2018
Expenses		
6100 Payroll Costs	\$ 970,655	\$ 1,218,441
6200 Professional and Contracted Services	244,560	209,446
6300 Supplies and Materials	40,439	38,456
6400 Other Operating Costs	<u>167,778</u>	<u>183,580</u>
Total Expenses	<u><u>\$ 1,423,432</u></u>	<u><u>\$ 1,649,923</u></u>

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

**POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas**

SCHEDULE OF CAPITAL ASSETS

For the Year Ended June 30, 2019

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 354,381	\$ -
1510 Land and Improvements	-	49,563	-
1520 Buildings and Improvements	-	2,280,064	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	323,996	-
1540 Assets District Defined	-	-	-
1541 Vehicles	-	-	-
1542 Equipment	-	-	-
Total Property and Equipment	\$ -	\$ 3,008,004	\$ -

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

POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas

Budgetary Comparison Schedule

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Local support:				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ 57,895	\$ -
State program revenues				
5810 Foundation School Program Act Revenues	-	-	1,042,912	-
5820 State Program Revenues Distributed by Texas Education Agency	-	-	18,559	-
Total State Program Revenues	-	-	1,061,471	-
Federal program revenues:				
5920 Federal Revenues Distributed by the Texas Education Agency	-	-	625,582	-
Other Federal Revenues	-	-	-	-
TEA Shared Services	-	-	-	-
Total Federal Program Revenues	-	-	625,582	-
Total Revenues	-	-	1,744,948	-
Expenses				
11 Instruction	426,567	363,329	692,161	(328,832)
13 Staff Development	-	-	-	-
21 Instructional Leadership	44,427	-	49,328	(49,328)
23 School Leadership	204,743	187,400	284,720	(97,320)
31 Guidance, Counseling and Evaluation Services	17,132	21,000	17,069	3,931
32 Social Work Services	55,690	36,571	54,751	(18,180)
35 Food Services	2,500	5,000	2,782	2,218
41 General Administration	178,959	135,100	124,044	11,056
51 Plant Maintenance and Operations	70,092	351,600	198,577	153,023
61 Community Services	-	-	-	-
Total Expenses	1,000,110	1,100,000	1,423,432	(323,432)
Change in Net Assets	-	-	321,516	-
Transfer of cash to SAPS, Inc.	-	-	(40,342)	-
Net Assets at beginning of year, as previously stated	-	-	414,035	-
Prior period adjustment (Note 12)	-	-	37,574	-
Net Assets at beginning of year, restated	-	-	451,609	-
Net Assets at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 732,783</u>	<u>\$ -</u>

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

**POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas**

NOTES TO BUDGETARY COMPARISON SCHEDULE

As of June 30, 2019

1. The following are explanations for variances between initial and final budget of 10% or more as required by Texas Education Agency:

Function 11 — Instructional

Variance was due to a decrease in personnel and personnel working hours due to low enrollment.

Function 21 — Instructional Leadership

Variance was due to a change in personnel responsibilities.

Function 31 – Guidance and Counseling

Variance was due to an expected increase in personnel responsibilities.

Function 32 — Social Work Services

Variance was due to an un-expected reduction in personnel due to low enrollment.

Function 35 — Food Services

Variance was due to loss of catering services.

Function 41 — General Administration

Variance was due to expected change in administration roles and responsibilities.

Function 51 — Plant Maintenance and Operations

Variance was due to expected change in janitorial personnel and maintenance of building.

2. The following are explanations for variances between final budget and actual expenditures of 10% or more as required by Texas Education Agency:

Function 11 — Instructional Leadership

Variance was due to under projection of local revenues allocated for extra duty activities.

Function 21 — Instructional Leadership

Variance was due to a reclassification of personnel functions and un-projected local revenues allocated for extra duty activities.

Function 23 — School Leadership

Variance was due to under projection of local revenues allocated for extra duty activities.

POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas

NOTES TO BUDGETARY COMPARISON SCHEDULE

As of June 30, 2019

2. The following are explanations for variances between final budget and actual expenditures of 10% or more as required by Texas Education Agency: (continued)

Function 31 — Guidance, Counseling and Evaluation Services

Variance was due to a decrease in personnel responsibilities and reduction of working hours.

Function 32 — Social Work Services

Variance was due to increase in local revenues and extra duty activities and additional un-projected federal funding.

Function 35 — Food Services

Variance was due to the loss of our catering service.

Function 41 — General Administration

Variance was due to due to a change in administration.

Function 51 — Plant Maintenance and Operation

Variance was due to change in janitorial staff and hours and over projection of maintenance of building.

OTHER REPORTS

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

To the Board of Directors of
San Antonio Positive Solution, Inc.

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 San Antonio Positive Solution, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Antonio Positive Solution, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Antonio Positive Solution, Inc.'s 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 San Antonio Positive Solution, Inc.'s 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.

Clayton & Co., P.C.

San Antonio, Texas
November 22, 2019

SAN ANTONIO POSITIVE SOLUTION, INC.

Schedule of Findings and Responses

For the year ended June 30, 2019

Section I – Summary of Auditors' Results

Financial Statements:

Type of report issued	Unmodified
Material weaknesses identified	None
Significant Deficiency identified that are not considered to be material weaknesses	None
Noncompliance identified that is considered material to financial statements	None