

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

ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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

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**YELLOWSTONE EDUCATION FOUNDATION**  
**dba YELLOWSTONE COLLEGE PREP**  
**(A Texas Nonprofit Organization)**  
CDN: 101873  
**(Federal Employer Identification Number: 81-2280283)**  
**Certificate of Board**

We, the undersigned, certify that the attached Financial and Compliance Report of Yellowstone Education Foundation dba Yellowstone College Prep (the "School") was reviewed and (check one)   X   approved        disapproved for the year ended June 30, 2021, at a meeting of the governing body of the charter holder on the   November 15, 2021  \_\_\_\_\_  .

DocuSigned by:  
*John Peary*  
D4B7382E130441E...  
\_\_\_\_\_  
Signature of Board Secretary

DocuSigned by:  
*[Signature]*  
049C71EAF403446...  
\_\_\_\_\_  
Signature of Board President



# McConnell Jones

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors of  
Yellowstone College Prep

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Yellowstone Education Foundation dba Yellowstone College Prep (the "School"), a Texas nonprofit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

4828 Loop Central Dr.  
Suite 1000  
Houston, TX 77081  
Phone: 713.968.1600  
Fax: 713.968.1601



# McConnell Jones

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Houston, Texas  
November 8, 2021

# **FINANCIAL STATEMENTS**

**YELLOWSTONE EDUCATION FOUNDATION**

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

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020**

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	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 189,880	\$ 306,281
Grants receivable	584,957	476,900
Receivable from employee retention credit	295,385	-
Other assets	85,729	48,785
Total current assets	<u>1,155,951</u>	<u>831,966</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,155,951</u></u>	<u><u>\$ 831,966</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 15,360	\$ 3,232
Accrued liabilities	59,558	45,915
Paycheck Protection Program loans	346,048	355,900
Total current liabilities	<u>420,966</u>	<u>405,047</u>
<b>TOTAL LIABILITIES</b>	<u><u>420,966</u></u>	<u><u>405,047</u></u>
 Net Assets:		
Without donor restrictions	676,437	314,974
With donor restrictions	58,548	111,945
Total net assets	<u>734,985</u>	<u>426,919</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,155,951</u></u>	<u><u>\$ 831,966</u></u>

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

**YELLOWSTONE EDUCATION FOUNDATION**  
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**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(With summarized financial information for 2020)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2021	2020
<b>REVENUES</b>				
Local support:				
Local revenues	\$ 361,463	\$ -	\$ 361,463	\$ 30,828
Total local and other revenues	<u>361,463</u>	<u>-</u>	<u>361,463</u>	<u>30,828</u>
State program revenues:				
Foundation school program	-	2,106,897	2,106,897	2,521,484
Other state revenue (TEA)	-	76,305	76,305	45,467
Other state revenue (not TEA)	-	-	-	10,400
Total state program revenues	<u>-</u>	<u>2,183,202</u>	<u>2,183,202</u>	<u>2,577,351</u>
Federal revenues distributed by TEA:				
School breakfast program	-	40,337	40,337	166,054
National school lunch program	-	69,200	69,200	291,992
ESSA Title I, Part A	-	240,323	240,323	245,325
ESSA Title II, Part A	-	19,528	19,528	3,994
ESSA Title IV, Part A subpart 1	-	10,951	10,951	9,887
Public charter schools	-	-	-	71,745
IDEA PART B formula	-	21,600	21,600	37,629
Corona virus relief funds	-	62,236	62,236	21,647
ESSER I	-	113,923	113,923	-
ARP ESSER III	-	103,512	103,512	-
Federal revenues distributed directly from the federal government:				
Other federal revenue - SBA PPP loan forgiveness	-	355,900	355,900	-
Total federal program revenues	<u>-</u>	<u>1,037,510</u>	<u>1,037,510</u>	<u>848,273</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>3,274,109</u>	<u>(3,274,109)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<b>\$ 3,635,572</b>	<b>\$ (53,397)</b>	<b>\$ 3,582,175</b>	<b>\$ 3,456,452</b>
<b>EXPENSES</b>				
Program Services:				
Instruction and instructional-related services	\$ 1,565,055	\$ -	\$ 1,565,055	\$ 1,719,172
Instructional and school leadership	388,431	-	388,431	411,473
Support Services:				
Administrative support services	463,738	-	463,738	319,963
Support services - non-student based	653,072	-	653,072	193,379
Support services - student (pupil)	199,845	-	199,845	710,767
Community services	3,968	-	3,968	9,782
Debt service	-	-	-	1,189
Fundraising	-	-	-	1,688
<b>TOTAL EXPENSES</b>	<b>3,274,109</b>	<b>-</b>	<b>3,274,109</b>	<b>3,367,413</b>
<b>CHANGE IN NET ASSETS</b>	<b>361,463</b>	<b>(53,397)</b>	<b>308,066</b>	<b>89,039</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>314,974</b>	<b>111,945</b>	<b>426,919</b>	<b>337,880</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 676,437</b>	<b>\$ 58,548</b>	<b>\$ 734,985</b>	<b>\$ 426,919</b>

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



**YELLOWSTONE EDUCATION FOUNDATION**  
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**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(With summarized financial information for 2020)

	Program Services			Supporting Services							2021 Total	2020 Total
	Instruction & Instructional- Related Services	Instructional & School Leadership	Total Program Services	Administrative Support Services	Support Services - Non- Student Based	Support Services - Student (Pupil)	Community Services	Debt Service	Fundraising	Total Support Services		
<b>SALARIES AND RELATED EXPENSES</b>												
Salaries	\$ 1,107,526	\$ 305,003	\$ 1,412,529	\$ 173,093	\$ -	\$ 50,501	\$ -	\$ -	\$ -	\$ 223,594	\$ 1,636,123	\$ 1,621,343
Payroll taxes	15,226	4,278	19,504	2,510	-	720	-	-	-	3,230	22,734	22,673
Benefits	132,061	31,316	163,377	9,526	-	7,952	-	-	-	17,478	180,855	181,653
Total Payroll Expenses	1,254,813	340,597	1,595,410	185,129	-	59,173	-	-	-	244,302	1,839,712	1,825,669
<b>OTHER EXPENSES</b>												
Contracted services	83,257	42,179	125,436	271,409	177,822	37,859	-	-	-	487,090	612,526	546,002
Rent expense	-	-	-	-	440,042	-	-	-	-	440,042	440,042	147,109
Utilities	9,751	-	9,751	-	-	-	-	-	-	-	9,751	-
Transportation	-	-	-	-	-	9,092	-	-	-	9,092	9,092	170,727
Instructional materials	82,143	-	82,143	-	-	-	-	-	-	-	82,143	58,791
Testing materials	-	-	-	-	-	-	-	-	-	-	-	3,901
Food	-	-	-	-	-	93,666	-	-	-	93,666	93,666	423,679
Supplies	135,091	5,655	140,746	6,707	16,187	55	3,968	-	-	26,917	167,663	157,925
Insurance and bonding	-	-	-	-	19,021	-	-	-	-	19,021	19,021	19,157
Travel	-	-	-	493	-	-	-	-	-	493	493	11,576
Other	-	-	-	-	-	-	-	-	-	-	-	2,877
Total Non-payroll Expenses	310,242	47,834	358,076	278,609	653,072	140,672	3,968	-	-	1,076,321	1,434,397	1,541,744
<b>TOTAL EXPENSES</b>	<b>\$ 1,565,055</b>	<b>\$ 388,431</b>	<b>\$ 1,953,486</b>	<b>\$ 463,738</b>	<b>\$ 653,072</b>	<b>\$ 199,845</b>	<b>\$ 3,968</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,320,623</b>	<b>\$ 3,274,109</b>	<b>\$ 3,367,413</b>

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

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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
State grant receipts	\$ 2,075,145	\$ 2,417,332
Federal grant receipts	1,037,510	848,273
Receipts from miscellaneous sources	66,078	30,828
Payments to or on behalf of employees for services rendered	(1,826,069)	(1,827,541)
Payments to vendors for goods and services rendered	(1,459,213)	(1,644,193)
Net cash used in operating activities	(106,549)	(175,301)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan received	346,048	355,900
PPP loan forgiveness	(355,900)	-
Repayment of line of credit	-	(300,000)
Net cash (used in)/provided by financing activities	(9,852)	55,900
 NET DECREASE IN CASH	(116,401)	(119,401)
CASH, BEGINNING OF YEAR	306,281	425,682
CASH, END OF YEAR	\$ 189,880	\$ 306,281
 Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ 308,066	\$ 89,039
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Increase in grants receivable	(108,057)	(160,019)
Increase in receivable from employee retention credit	(295,385)	-
Increase in other assets	(36,944)	(48,785)
Increase/(decrease) in accounts payable	12,128	(53,664)
Increase/(decrease) in accrued liabilities	13,643	(1,872)
Total adjustments	(414,615)	(264,340)
Net cash used in operating activities	\$ (106,549)	\$ (175,301)

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**YELLOWSTONE EDUCATION FOUNDATION  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

Yellowstone Education Foundation dba Yellowstone College Prep (the “School”) is a not-for-profit organization incorporated in the State of Texas in 2016 and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The School is governed by a Board of Directors comprised of seven members. The Board of Directors is selected pursuant to the bylaws of the School and has the authority to make decisions, appoint the School’s Superintendent, and significantly influences operations. The Board of Directors has primary accountability for the fiscal affairs of the School.

Since the School receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

The School was organized to provide educational services to at-risk students in the Houston Metropolitan area in Texas. The programs, services, activities and functions are governed by the School’s Board of Directors. On November 15, 2017, the Texas State Board of Education granted the School an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, the School opened on August 15, 2018 under a contract for charter executed on November 9, 2017, which expires on July 31, 2023.

The School is part of the public school system of the State of Texas and is, therefore, entitled to distributions from the State’s available school fund. The School does not have the authority to impose ad valorem taxes on its district or to charge tuition.

Basis of Accounting

The financial statements of the School have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. (U.S. GAAP).

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

**Net assets without donor restrictions** – These are resources that are not subject to donor-imposed stipulations and can be used for general operations of the School.

**Net assets with donor restrictions** – These are resources that are subject to donor-imposed stipulations that may be met, either by actions of the School and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated

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**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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the funds be maintained in perpetuity. The School did not have perpetual restrictions as of June 30, 2021 and 2020.

When both resources with donor restrictions and without donor restrictions are available for use, it is the School's policy to use resources with donor restrictions first, then resources without restrictions as they are needed.

Contributions

The School accounts for contributions as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Government Grants and Program Revenues

State Foundation School Program revenues are recognized based on the reported student attendance. State and Federal grant revenues are recognized when services are rendered or when expenses in connection with those services are incurred. State program revenues are classified as revenues with donor restrictions per the requirements of the Texas Education Agency.

Functional Allocation of Expenses

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation of buildings and improvements, maintenance and repairs, utility and occupancy costs and interest and debt service costs are allocated based on square footage.

Cash and Cash Equivalents

The School considers all monies in banks and highly liquid investments with maturities of three months or less from date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. There were no cash equivalents as of June 30, 2021 and 2020.

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**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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Grants Receivable

Grants receivable represent pending reimbursements of program expenses incurred and billed as of June 30, 2021 and 2020 and expected to be received from the funding sources in the subsequent year. Management considers grants receivable as of June 30, 2021 and 2020 in the amount of \$584,957 and \$476,900, respectively, to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statements.

Receivable from Employee Retention Credit

The Employee Retention Credit (ERC) is an IRS credit under the CARES Act that encourages businesses to keep employees on their payroll during the time of COVID. Entities are eligible if they have been mandated by the government to fully or partially close, or if the entity has a significant decline in gross receipts. The School qualified for the ERC for quarter four of 2020 and quarter one of 2021. The School anticipates receipt of the funds associated with this credit during the next fiscal year, pending IRS approval.

The School has elected to apply the guidance in ASC Subtopic 958-605 and recognized the ERC as a nonexchange transaction that is accounted for as a conditional contribution. The School has recognized the credits as a local revenue since the funding is for local employee salaries.

Capital Assets

Capital assets are defined by the School as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, using the straight-line method of depreciation. Expenditures for capital asset additions, major renewals and betterments of capital assets are capitalized, and maintenance and repairs are charged to expense as incurred. Donated capital assets are recorded as direct additions to net assets at fair value at the date of donation. The School did not have any capital assets as of June 30, 2021 and 2020.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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Liquidity and Availability of Financial Assets

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

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash	\$ 189,880	\$ 306,281
Grants receivable	584,957	476,900
Receivable from employee retention credit	<u>295,385</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,070,222</u>	<u>\$ 783,181</u>

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

Federal Income Taxes

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The School did not conduct unrelated business activities during the year ended June 30, 2021. Accordingly, the School did not provide for federal income taxes in the accompanying financial statements.

The School applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740-10 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and

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**NOTES TO THE FINANCIAL STATEMENTS**  
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assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the School's financial statements are the state funding receivables, and functional allocations of expenses.

New Accounting Pronouncements Adopted

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08 – Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments require all entities, both donors and recipients, to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction and whether contributions are conditional or unconditional. The School adopted ASU 2018-08 in 2021. The adoption resulted in no impact to the financial statements.

Pending Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02 – *Leases* (Topic 842), which supersedes existing guidance on leases and amends and supersedes a number of other paragraphs throughout the FASB ASC. This update will be effective for the School's 2023 annual financial statements. Management is currently evaluating the impact this update will have on the School's financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements in Subtopic 958-605 for those assets. The amendments in this update should be applied on a retrospective basis and are effective for the School's 2022 annual financial statements. Early adoption is permitted. Management does not expect the adoption to have a material impact on the financial statements.

## **2. CONCENTRATION OF CREDIT AND BUSINESS RISKS**

The School maintains cash balances with a financial institution in the state. As of June 30, 2021 and 2020, the School's cash balances at the financial institution exceeded the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per customer by \$255,903 and \$227,075 respectively. Management believes that this credit risk exposure was mitigated by the financial strength of the banking institutions in which the deposits were held.



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**NOTES TO THE FINANCIAL STATEMENTS  
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Credit risk associated with receivables is minimal due to the credit worthiness of the federal, state and local funding agencies.

The State of Texas and Federal Government altogether provided approximately 90% and 99%, respectively, of the School’s total revenues for the years ended June 30, 2021 and 2020.

**3. NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2021 and 2020, the School had temporarily restricted net assets of \$58,548 and \$111,945 that consisted of the following, by program:

Program	2021	2020
Foundation School Program and Other State Aid	\$ 36,709	\$ 90,106
Restricted for food program	21,839	21,839
	\$ 58,548	\$ 111,945

**4. COMMITMENTS AND CONTINGENCIES**

The School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency (TEA) and is subject to audit and adjustment. In addition, expenses charged to federal and state programs are subject to audit and adjustment by the grantor agencies. The programs administered by the School have multiple compliance requirements, and should state or federal auditors discover areas of noncompliance, the funds may be subject to refund if so determined by the TEA or the grantor agencies.

**5. MULTIEMPLOYER PENSION PLANS**

The School contributes to the Teacher Retirement System of Texas (the “System” or “TRS”), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the School, but are the liability of the State of Texas. The System administers retirement and disability annuities, and death and survivor benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in the Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the System’s Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the

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dba YELLOWSTONE COLLEGE PREP  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

System’s Communications Department at 1-800-223-8778, or by downloading the report from the System’s Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications Heading.

The risk of participating in this multiemployer defined benefit pension plan is different from a single-employer plan because: (a) the School is a legally separate entity from the State of Texas, (b) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (c) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (d) if an entity chooses to stop participating in the multiemployer plan, there is no withdrawal liability to the plan. The School has no plans to withdraw from its multiemployer plan. TRS Comprehensive Annual Financial Report available dated November 20, 2020 indicated the following:

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

The following presents information about the School’s involvement of such multiemployer pension plan for the years ended June 30, 2021 and 2020:

<u>Collective Bargaining Agreement</u>	<u>School's Contributions</u>	<u>School's Contributions</u>	<u>More than 5% of Total Contributions</u>	<u>FIP/RP Status</u>	<u>Surcharge Imposed</u>
	<u>2021</u>	<u>2020</u>			
N/A	\$ 82,269	\$ 74,537	N/A	N/A	No

*Funding Policy*

Under provisions in State law, the System’s plan members are required to contribute 7.70% of their annual covered salary for TRS Retirement and 0.65% of their annual covered salary to TRS Care. The State of Texas contributes an amount equal to 7.50% of the covered payroll of the participating employees compensated with State funds for TRS Retirement for TRS Care. The School employees’ contributions to the TRS System were as follows:

	2021	2020
TRS Retirement	\$ 109,355	\$ 108,853
TRS Care	9,230	9,189
	<u>\$ 118,585</u>	<u>\$ 118,042</u>

The School’s total contribution to the TRS System, for both TRS Retirement and TRS Care, were \$10,653 and \$9,533, respectively, for the years ended June 30, 2021 and 2020.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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**6. HEALTH CARE COVERAGE**

During the year ended June 30, 2021, employees of the School were covered by a health insurance plan (the Plan). The School contributed, depending on the coverage option selected by the employees. Employees, at their option, authorized payroll deductions to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

**7. PAYCHECK PROTECTION PROGRAM LOAN**

On March 11, 2020, the World Health Organization classified the global outbreak of COVID-19 as a pandemic. As a result of the CARES Act, the Paycheck Protection Program (PPP) was established. The School successfully applied and received its first PPP loan for \$355,900 under the Small Business Administration's PPP in April 2020. The loan was forgiven in March 2021 as the School had met all of the criteria and expended the funds appropriately. The School adopted the guidance in FASB ASC 405-20-40-1 and recognized revenue during fiscal year 2021 upon forgiveness of the PPP loan.

Effective April 17, 2021, the School executed a promissory note agreement for its second PPP loan in the amount of \$346,048. The loan bears interest as a fixed rate of 1.00% per annum and matures April 17, 2026. The School adopted the guidance in FASB ASC 405-20-40-1 and recognized the entire amount of the loan received as a liability as of year-end. The School has met the initial forgiveness and will submit its application for forgiveness of the loan subsequent to the fiscal year. Once the loan is forgiven, the School will reduce the liability by the end of forgiveness and record revenue.

**8. CHARTER HOLDER OPERATIONS**

The School is a generation Twenty-Two Open-Enrollment Charter School. The charter holder did not conduct any other charter or non-charter activities. The charter holder's current charter is set to expire on July 31, 2023.

**9. EXPLANATION OF AMENDMENT TO THE BUDGET AND BUDGET VARIANCES**

Prior to the beginning of each school year, the School prepares and submits its annual budget for the next fiscal year. However, due to the significant inflows and outflows of students from the program, the budget must be amended on a regular basis. This has resulted in the variances between the original adopted budget and final amended budget presented on the Budgetary Comparison Schedule.

Management has taken steps to ensure that future related budgets are amended on a frequent basis to reflect changes in actual and budgeted amounts.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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**10. RISK AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization classified COVID-19 outbreak as a pandemic, triggering significant negative impact on the global economy. Management assessed the effect of COVID-19 and has determined that the effect of COVID-19 is not expected to be significant, and that it will not create a substantial doubt about the School's ability to continue as a going concern. The School continues to take proper actions to maintain the health and safety of employees and students at the School as well as regular operations of the School. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.

**11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 8, 2021. This was the date the financial statements were available to be issued. No changes were made to the financial statements as a result of this evaluation.

## **SUPPLEMENTARY INFORMATION**

**YELLOWSTONE EDUCATION FOUNDATION**  
**dba YELLOWSTONE COLLEGE PREP**  
**(A Texas Nonprofit Organization)**  
**SUPPLEMENTAL STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(WITH SUMMARIZED INFORMATION FOR 2020)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
<b>REVENUES</b>				
Local support:				
5700 Local revenues	\$ 361,463	\$ -	\$ 361,463	\$ 30,828
Total local support	361,463	-	361,463	30,828
State program revenues:				
5810 Foundation school program	-	2,106,897	2,106,897	2,521,484
5820 Other state revenue (TEA)	-	76,305	76,305	55,867
	-	2,183,202	2,183,202	2,577,351
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	681,610	681,610	848,273
5940 Federal revenues distributed directly by federal government	-	355,900	355,900	-
Total Federal Program Revenues	-	1,037,510	1,037,510	848,273
Net assets released from restrictions:				
Satisfaction of program restrictions	3,274,109	(3,274,109)	-	-
<b>TOTAL REVENUES</b>	<b>\$ 3,635,572</b>	<b>\$ (53,397)</b>	<b>\$ 3,582,175</b>	<b>\$ 3,456,452</b>
<b>EXPENSES</b>				
Expenses:				
11 Instruction	\$ 1,509,790	\$ -	\$ 1,509,790	\$ 1,701,942
12 Instructional resources and media	-	-	-	-
13 Curriculum development and instructional staff development	55,265	-	55,265	17,230
23 School leadership	388,431	-	388,431	411,473
31 Guidance, counseling and evaluation	-	-	-	74,228
32 Social work	59,173	-	59,173	4,851
33 Health services	21,107	-	21,107	63
34 Student (pupil) transportation	9,092	-	9,092	174,864
35 Food services	110,473	-	110,473	440,661
36 Cocurricular/extracurricular activities	-	-	-	16,100
41 General administration	463,738	-	463,738	319,963
51 Facilities maintenance and operations	485,215	-	485,215	166,266
53 Data processing services	167,857	-	167,857	27,113
61 Community services	3,968	-	3,968	9,782
71 Debt service	-	-	-	1,189
81 Fundraising	-	-	-	1,688
<b>TOTAL EXPENSES</b>	<b>\$ 3,274,109</b>	<b>\$ -</b>	<b>\$ 3,274,109</b>	<b>\$ 3,367,413</b>
<b>CHANGE IN NET ASSETS</b>	<b>361,463</b>	<b>(53,397)</b>	<b>308,066</b>	<b>89,039</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>314,974</b>	<b>111,945</b>	<b>426,919</b>	<b>337,880</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 676,437</b>	<b>\$ 58,548</b>	<b>\$ 734,985</b>	<b>\$ 426,919</b>

**YELLOWSTONE EDUCATION FOUNDATION**  
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**SCHEDULES OF EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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	<u>2021</u>	<u>2020</u>
6100 Payroll costs	\$ 1,839,712	\$ 1,825,669
6200 Professional and contracted services	1,070,762	854,610
6300 Supplies and materials	336,957	637,415
6400 Other operating costs	26,678	48,530
6500 Debt service	<u>-</u>	<u>1,189</u>
Total expenses	<u>\$ 3,274,109</u>	<u>\$ 3,367,413</u>

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**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Actual Compared to Final Budgeted Amounts		Explanation (See references) Unaudited	Final Compared to Original Budgeted Amounts		Explanation (See references) Unaudited
	Original	Final		\$ Variance	% Variance		\$ Variance	% Variance	
Local support:									
5700	Local revenues	\$ -	\$ 366,493	\$ 361,463	\$ (5,030)	-1%	\$ 366,493	-100%	{a}
	Total local support	-	366,493	361,463	(5,030)		366,493	-100%	
State program revenues:									
5810	Foundation school program	2,430,000	2,206,725	2,106,897	(99,828)	-5%	(223,275)	-9%	
5820	Other state revenue (TEA)	75,559	77,759	76,305	(1,454)	-2%	2,200	3%	
5830	Other state revenue (not TEA)	-	-	-	-	0%	-	0%	
		2,505,559	2,284,484	2,183,202	(101,282)		(221,075)	-6%	
Federal program revenues:									
5920	Federal revenues distributed by Texas Education Agency	1,014,601	720,763	681,610	(39,153)	-5%	(293,838)	-29%	{b}
5940	Federal revenues distributed directly by federal government	-	355,900	355,900	-	0%	355,900	100%	{k}
	Total Federal Program Revenues	1,014,601	1,076,663	1,037,510	(39,153)	-5%	62,062	6%	
<b>TOTAL REVENUES</b>		<b>\$ 3,520,160</b>	<b>\$ 3,727,640</b>	<b>\$ 3,582,175</b>	<b>\$ (145,465)</b>	<b>-4%</b>	<b>\$ 207,480</b>	<b>6%</b>	

*Continued*



**YELLOWSTONE EDUCATION FOUNDATION**  
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**BUDGETARY COMPARISON SCHEDULE, CONT'D**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Actual Compared to Final Budgeted Amounts		Explanation (See references) Unaudited	Final Compared to Original Budgeted Amounts		Explanation (See references) Unaudited
	Original	Final		\$ Variance	% Variance		\$ Variance	% Variance	
	Expenses:								
11	Instruction	\$ 1,589,118	\$ 1,558,790	\$ 1,509,790	\$ 49,000	3%	\$ 30,328	2%	
12	Instructional resources and media	-	-	-	-	0%	-	0%	
13	Curriculum development and instructional staff development	10,000	50,763	55,265	(4,502)	-9%	(40,763)	-408%	{c}
23	School leadership	401,215	397,229	388,431	8,798	2%	3,986	1%	
31	Guidance, counseling and evaluation	-	-	-	-	0%	-	0%	
32	Social work	40,000	58,887	59,173	(286)	0%	(18,887)	-47%	{d}
33	Health services	-	21,255	21,107	148	1%	(21,255)	-100%	{e}
34	Student (pupil) transportation	236,361	9,100	9,092	8	0%	227,261	96%	{f}
35	Food services	236,515	111,005	110,473	532	0%	125,510	53%	{g}
36	Cocurricular/extracurricular activities	9,475	-	-	-	0%	9,475	100%	{h}
41	General administration	485,690	461,795	463,738	(1,943)	0%	23,895	5%	
51	Facilities maintenance and operations	537,203	491,603	485,215	6,388	1%	45,600	8%	
53	Data processing services	22,975	168,000	167,857	143	0%	(145,025)	-631%	{i}
61	Community services	2,000	3,975	3,968	7	0%	(1,975)	-99%	{j}
71	Debt service	-	-	-	-	0%	-	0%	
81	Fundraising	-	-	-	-	0%	-	0%	
<b>TOTAL EXPENSES</b>		<b>\$ 3,570,552</b>	<b>\$ 3,332,402</b>	<b>\$ 3,274,109</b>	<b>58,293</b>	<b>2%</b>	<b>238,150</b>	<b>7%</b>	
CHANGE IN NET ASSETS		(50,392)	395,238	308,066	(87,172)		445,630		
NET ASSETS, BEGINNING OF YEAR				426,919					
NET ASSETS, END OF YEAR				<u>\$ 734,985</u>					

Reference:

- {a} The School did not anticipate being a recipient of the ERC.
- {b} The School received less federal money than expected, much of which related to CNP.
- {c} The School made budgetary reallocations to improve functional coding precision.
- {d} The School made budgetary reallocations to improve functional coding precision.
- {e} The School approved the original budget before understanding what the 2020-21 school year would look like.
- {f} The School approved the original budget before understanding what the 2020-21 school year would look like.
- {g} The School approved the original budget before understanding what the 2020-21 school year would look like.
- {h} The School approved the original budget before understanding what the 2020-21 school year would look like.
- {i} The School made budgetary reallocations to improve functional coding precision.
- {j} The School approved the original budget before understanding what the 2020-21 school year would look like.
- {k} This amount should be in a 59xx account and not 57xx account. This was a correction that was made.

# **COMPLIANCE AND INTERNAL CONTROL**



# McConnell Jones

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

To the Members of the Board of Directors of  
Yellowstone Education Foundation dba Yellowstone College Prep

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Yellowstone Education Foundation dba Yellowstone College Prep (the "School"), a Texas nonprofit organization, which comprise the statement of financial position as of June 30, 2021, 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 8, 2021.

### **Internal Control over Financial Reporting**

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

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

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

4828 Loop Central Dr.  
Suite 1000  
Houston, TX 77081  
Phone: 713.968.1600  
Fax: 713.968.1601

WWW.MCCONNELLJONES.COM



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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Houston, Texas  
November 8, 2021

**YELLOWSTONE EDUCATION FOUNDATION  
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(A Texas Nonprofit Organization)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**PART 1: SUMMARY OF AUDITOR'S RESULTS**

**Financial Statement Section**

- |   |            |
|---|------------|
| 1. Type of auditor's report issued:   | Unmodified |
| 2. Internal control over financial reporting:   |            |
| a) Material weakness identified?  | No         |
| b) Significant deficiencies identified, which are not considered to be material weaknesses? | No         |
| 3. Noncompliance material to financial statements noted?                                    | No         |

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

No findings noted.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

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There were no audit findings reported in the Schedule of Findings and Questioned Costs for fiscal year ended June 30, 2020.