

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**

**FINANCIAL STATEMENTS WITH  
COMPLIANCE REPORTING**

**August 31, 2019 and 2018**

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**NEW FRONTIERS PUBLIC SCHOOLS, INC.**

Federal Employer Identification Number: 31-1598661

**Certificate of Board**

We, the undersigned, certify that the attached annual financial reports of the above-named charter holder were reviewed and (check one)  approved  disapproved for the year ended August 31, 2019, at a meeting of the Board of Directors of such charter holder on the 22 day of 1-22-, 2019.

2020



Signature of Board Secretary



Signature of Board President

If the Board of Directors disapproved the auditor's report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
New Frontiers Public Schools, Inc.  
San Antonio, Texas

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

We have audited the accompanying financial statements of New Frontiers Public Schools, Inc. (NFPS, Inc.), a nonprofit organization, which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities (with comparative totals for 2018), functional expenses (with comparative totals for 2018), 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 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 NFPS, Inc. as of August 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

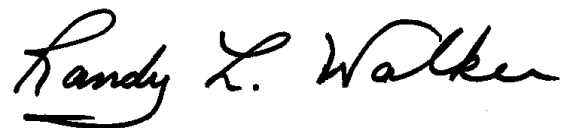
## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules on pages 19-21 and the schedule of expenditures of federal awards on page 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 January 22, 2020 on pages 24-25 on our consideration of NFPS, 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 NFPS, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a large, sweeping initial "R".

San Antonio, Texas  
January 22, 2020

# **FINANCIAL STATEMENTS**

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,372,790	\$ 2,980,165
Due from State	383,448	531,700
Due from Federal Agencies	183,625	154,943
Prepaid Expenses	6,817	4,420
Total Current Assets	<u>2,946,680</u>	<u>3,671,228</u>
<b>LONG-TERM ASSETS</b>		
Restricted Cash:		
Debt Service Reserve Fund	237,750	104,862
Repair and Replacement Fund	150,100	147,364
Property and Equipment, net	5,459,204	5,821,425
Property Held for Future Use	828,963	828,963
Total Long-Term Assets	<u>6,676,017</u>	<u>6,902,614</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,622,697</u>	<u>\$ 10,573,842</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 72,561	\$ 139,560
Accrued Expenses	86,704	47,541
Due to Student Groups	12,041	12,722
Bonds Payable - current	265,000	260,000
Total Current Liabilities	<u>436,306</u>	<u>459,823</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds Payable - long-term, net	<u>5,187,248</u>	<u>5,431,594</u>
Total Long-Term Liabilities	<u>5,187,248</u>	<u>5,431,594</u>
<b>TOTAL LIABILITIES</b>	<u>5,623,554</u>	<u>5,891,417</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	288,007	256,311
With Donor Restrictions	3,711,136	4,426,114
<b>TOTAL NET ASSETS</b>	<u>3,999,143</u>	<u>4,682,425</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 9,622,697</u>	<u>\$ 10,573,842</u>

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

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2019**  
**(with comparative totals for 2018)**

	2019		Total	2018 Total
	Without Donor Restrictions	With Donor Restrictions		
<b>OPERATING REVENUES AND OTHER SUPPORT</b>				
Local Support:				
5742 Earnings from Temporary Deposits and Investments	\$ 9,160	\$ -	\$ 9,160	\$ 4,882
5744 Contributions	764	17,690	18,454	14,826
5749 Other Revenues from Local Sources	42,306	7,879	50,185	50,439
5751 Food Service Activity	4,003	-	4,003	12,399
5769 E-Rate Revenue	14,799	-	14,799	16,740
Total Local Support	<u>71,032</u>	<u>25,569</u>	<u>96,601</u>	<u>99,286</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	5,541,614	5,541,614	6,253,728
5820 State Program Revenues Distributed by Texas Education Agency	-	102,593	102,593	87,883
Total State Program Revenues	<u>-</u>	<u>5,644,207</u>	<u>5,644,207</u>	<u>6,341,611</u>
Federal Program Revenues:				
5910 Federal Revenues Distributed Through Government Entities Other than State or Federal Agencies	-	126,648	126,648	137,807
5920 Federal Revenues Distributed by Texas Education Agency	-	929,901	929,901	926,011
Total Federal Program Revenues	<u>-</u>	<u>1,056,549</u>	<u>1,056,549</u>	<u>1,063,818</u>
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	7,441,303	(7,441,303)	-	-
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<u>7,512,335</u>	<u>(714,978)</u>	<u>6,797,357</u>	<u>7,504,715</u>
<b>OPERATING EXPENSES</b>				
11 Instruction	3,652,658	-	3,652,658	3,453,254
13 Curriculum Development and Instructional Staff Development	168,294	-	168,294	114,098
21 Instructional Leadership	229	-	229	395
23 School Leadership	514,069	-	514,069	618,700
31 Guidance, Counseling, and Evaluation Services	242,512	-	242,512	227,555
33 Health Services	57,206	-	57,206	58,891
34 Student Transportation	54,818	-	54,818	52,671
35 Food Services	401,325	-	401,325	469,544
36 Extracurricular Activities	7,184	-	7,184	2,700
41 General Administration	551,100	-	551,100	596,820
51 Plant Maintenance and Operations	907,292	-	907,292	936,005
52 Security and Monitoring Services	58,780	-	58,780	2,832
53 Data Processing Services	212,563	-	212,563	188,397
61 Community Services	210,423	-	210,423	177,628
71 Debt Service	438,020	-	438,020	462,463
81 Fundraising	4,166	-	4,166	4,356
<b>TOTAL OPERATING EXPENSES</b>	<u>7,480,639</u>	<u>-</u>	<u>7,480,639</u>	<u>7,366,309</u>
<b>CHANGE IN NET ASSETS</b>	31,696	(714,978)	(683,282)	138,406
<b>NET ASSETS, Beginning of Year</b>	<u>256,311</u>	<u>4,426,114</u>	<u>4,682,425</u>	<u>4,544,019</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 288,007</u>	<u>\$ 3,711,136</u>	<u>\$ 3,999,143</u>	<u>\$ 4,682,425</u>

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



**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2019**  
**(with comparative totals for 2018)**

	2019			2018 Total	
	Program	General and Administrative	Fundraising		Total
<b>OPERATING EXPENSES</b>					
Salaries	\$ 3,987,924	\$ 355,583	\$ -	\$ 4,343,507	\$ 4,291,061
Payroll Taxes and Benefits	452,255	26,887	-	479,142	534,848
Total Payroll Expenses	4,440,179	382,470	-	4,822,649	4,825,909
Professional Fees	361,510	90,462	-	451,972	386,311
Interest	353,946	62,461	-	416,407	440,595
Depreciation	310,560	51,660	-	362,220	367,281
Contract Labor	286,187	10,840	2,828	299,855	135,896
Food	179,830	-	-	179,830	243,364
Utilities	148,038	14,238	-	162,276	171,298
Rental Expense	130,045	-	-	130,045	132,542
Educational Service Center	90,293	9,029	-	99,322	86,026
General Supplies	89,193	7,150	375	96,718	138,900
Miscellaneous	58,444	13,118	24,850	96,412	80,506
Instructional Materials	89,205	-	-	89,205	60,555
Maintenance and Repair	61,729	-	-	61,729	68,437
Tuition and Related Expenses	52,842	-	4,000	56,842	70,900
Insurance and Bonding	-	50,245	-	50,245	51,122
Supplies for Maintenance	48,918	-	-	48,918	54,299
Travel	17,474	9,135	1,349	27,958	24,332
Bond Amortization	-	20,654	-	20,654	20,654
Dues and Subscriptions	-	7,382	-	7,382	7,382
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 6,718,393</b>	<b>\$ 728,844</b>	<b>\$ 33,402</b>	<b>\$ 7,480,639</b>	<b>\$ 7,366,309</b>

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

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2019 and 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program Payments	\$ 5,695,437	\$ 6,263,685
Grant Payments	998,241	1,104,072
Miscellaneous Sources	96,601	99,286
Payments to Vendors for Goods and Services Rendered	(1,963,830)	(2,401,195)
Payments to Charter School Personnel for Services Rendered	(4,779,351)	(4,296,523)
Interest Payments	(258,849)	(267,743)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(211,751)</b>	<b>501,582</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	-	(161,089)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>(161,089)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bond Principal Payments	(260,000)	(250,000)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(260,000)</b>	<b>(250,000)</b>
<b>NET (DECREASE) INCREASE IN CASH FLOWS</b>	<b>(471,751)</b>	<b>90,493</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, Beginning of Year</b>	<b>3,232,391</b>	<b>3,141,898</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, End of Year</b>	<b>\$ 2,760,640</b>	<b>\$ 3,232,391</b>
 Reconciliation of Change in Net Assets to Net Cash		
Provided by Operations:		
Change in Net Assets	\$ (683,282)	\$ 138,406
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operations:		
Depreciation	362,220	367,281
Bond Amortization	20,654	20,654
Decrease (Increase) in Assets:		
Due from State	148,252	9,957
Due from Federal Agencies	(28,682)	(47,629)
Prepaid Expenses	(2,397)	(4,420)
(Decrease) Increase in Liabilities:		
Accounts Payable	(66,999)	19,681
Accrued Expenses	39,163	(1,426)
Due to Student Groups	(680)	(922)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (211,751)</b>	<b>\$ 501,582</b>
 Supplemental Disclosures		
Cash Paid for Interest	\$ 258,849	\$ 267,743

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

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 1 - Nature of Business and Significant Accounting Policies**

***Reporting Entity and Corporate Operations***

New Frontiers Public Schools, Inc. (NFPS, Inc.) is a Texas nonprofit corporation located in San Antonio, Texas. NFPS, Inc. is governed by a Board of Directors (the Board) composed of six members, in accordance with the open-enrollment charter described below. The Board is selected pursuant to the bylaws of NFPS, Inc. and has the authority to make decisions, appoint the chief executive officer, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of NFPS, Inc.

In 1998, the State Board of Education (SBOE) of the state of Texas granted NFPS, Inc. 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 SBOE and the terms of the applicable Contract for Charter, the SBOE established New Frontiers Charter School, formerly San Antonio Advantage Charter School, in the summer of 1998. Effective August 1, 2017, New Frontiers Charter School changed its name to New Frontiers Public Schools (the School). The School serves kindergarten through 12th grade, with a maximum enrollment of 1,176 students. The Contract for Charter was renewed on August 1, 2018 and is in effect through July 31, 2028.

The School operates two campuses – Frank L. Madla Accelerated Collegiate Academy (pre-kindergarten through 8th grade) and Frank L. Madla Early College High School (9th through 12th grade).

NFPS, Inc. only operates the School and does not conduct any other charter or noncharter activities. NFPS, Inc.'s sole mission is to provide educational services to students in the community in which the School operates. Therefore, the School's resources are expended solely for the benefit of its students.

NFPS, Inc. receives substantially all its funding from the Texas Education Agency (TEA) based on the School's average daily attendance. Since NFPS, Inc. receives funding from local, state, and federal government sources, it must comply with the eligibility requirements of the entities providing those funds.

***Basis of Presentation***

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The more significant of the School's accounting policies are described below:

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with GAAP.

The School is required to report information regarding its financial position and activities according to two classes of net assets as follows:

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 1 - Nature of Business and Significant Accounting Policies (continued)**

***Basis of Presentation (continued)***

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board-designated.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than the School’s mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

***Grant Funds***

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require a refund of all or part of the unused amount.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Income Taxes***

The School is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is also exempt from income and sales taxes. As of August 31, 2019, the tax years that remain subject to examination by taxing authorities begin with 2016.

***Cash and Cash Equivalents***

For financial statement purposes, the School considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents consist of all cash on hand and in banks and money market accounts.

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 1 - Nature of Business and Significant Accounting Policies (continued)**

***Restricted Cash***

Restricted cash is limited as to its use under the terms of the bond indenture. The restricted cash represents amounts restricted for payment of long-term debt, interest expense, and repair and replacement expenses.

***Concentration of Credit Risk***

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Account balances are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000 per bank. In addition, the School has an agreement with its bank institutions where the banks provide pledged collateral in the School's name in the event deposits exceed FDIC limits. The School has not experienced any losses in such accounts. There were no uninsured cash balances at August 31, 2019 and 2018.

***Revenue Recognition***

Revenues from the state of Texas are earned based on reported attendance. Public and private grants received are recognized in the period received and when the terms of the grant are met.

The School accounts for state funding, federal awards, and contributions as support without donor restrictions or with 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.

E-Rate Program revenue is earned by a discount received from certain vendors for technology-related expenses. The expenses are grossed up to the amount that would have been paid without the applicable discount, and local revenue is recorded in the amount of the discount.

***Bond Issuance Costs***

Bond issuance costs are amortized over the term of the respective financing. Amortization expense was \$20,654 for the years ended August 31, 2019 and 2018.

***Property and Equipment***

Property and equipment are stated at cost, if purchased, or at fair value if donated. Additions and improvements are capitalized, while ordinary repairs and maintenance are charged to expense as incurred. The School's capitalization threshold is \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 1 - Nature of Business and Significant Accounting Policies (continued)**

***Property and Equipment (continued)***

Buildings and Improvements	25 years
Furniture and Equipment	10 years
Computer Software	5 years
Vehicles	5 years

***Property Held for Future Use***

Property held for future use is valued at the lower of cost or realizable value and represents property and land purchased by the School that has not been put into service as of August 31, 2019 and 2018. The property will be used for future expansion and will not be depreciated until it is put into its intended use.

***Due to Student Groups***

Due to student groups represents cash that belongs to various student fundraising groups that is being held on their behalf by the School.

***Functional Allocation of Expenses***

The costs of providing the services and other activities of the School have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses which are allocated on the basis of estimates of time and effort, as well as utilities, depreciation, supplies, and various other expenses which are allocated on the basis of square footage or some other reasonable basis.

***New Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect this new standard will have on its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2020. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 1 - Nature of Business and Significant Accounting Policies (continued)**

***Recently Adopted Accounting Pronouncements***

In August 2016, the FASB issued Accounting Standard Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017 with early adoption encouraged. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expense by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The School early adopted this new pronouncement effective September 1, 2017.

***Regulated Industry***

The majority of the School's activities and revenues are a result of contracts with TEA. The School's operations are concentrated in the education field. As such, the School operates in a heavily regulated environment. The operations of the School are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

***Subsequent Events***

The School has evaluated subsequent events through January 22, 2020, which is the date the financial statements were available to be issued.

**Note 2 - Due from State and Federal Government**

At August 31, 2019 and 2018, the School had \$567,073 and \$686,643, respectively, in total receivables due from state and federal granting agencies related to various state/federal grants and Foundation School Program revenue. All amounts receivable are deemed by management to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

**Note 3 - 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 TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the School have complex compliance requirements, and, should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by TEA or the grantor agency.

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 4 - Property and Equipment**

Property and equipment consisted of the following at August 31:

	<u>2019</u>	<u>2018</u>
Land and Improvements	\$ 221,164	\$ 221,164
Buildings and Improvements	7,671,446	7,671,446
Furniture and Equipment	940,302	988,234
Computer Software	26,696	26,696
Vehicles	34,727	34,727
	<u>8,894,335</u>	<u>8,942,267</u>
Less Accumulated Depreciation	<u>(3,435,131)</u>	<u>(3,120,842)</u>
Total Property and Equipment	<u>\$ 5,459,204</u>	<u>\$ 5,821,425</u>

Depreciation expense for the years ended August 31, 2019 and 2018 was \$362,220 and \$367,281, respectively.

**Note 5 - Bonds Payable**

The School's obligations under bonds payable include Education Revenue Bonds Series 2010A and 2010Q issued by the Texas Public Finance Authority Charter School Finance Corporation. The Series 2010A bonds qualify for tax-exempt status. The bonds' proceeds will be used for the purchase of school facilities; major renovations of the purchased facilities, including the construction of additional parking spaces and a covered outdoor physical education pavilion; and the purchase and installation of portable modular classroom buildings.

The Series 2010A bonds bear interest at 5.80 percent per annum and are payable semiannually on February 15 and August 15 of each year. The Series 2010A bonds mature during 2040 and are secured by a first lien on substantially all assets of the School.

The Series 2010Q bonds bear interest at 8.75 percent per annum and are payable semiannually on February 15 and August 15 of each year. The Series 2010Q bonds mature during 2027 and are secured by substantially all assets of the School.

As of August 31, bonds payable consisted of the following:

	<u>2019</u>	<u>2018</u>
Series 2010A	\$ 3,185,000	\$ 3,185,000
Series 2010Q	2,435,000	2,695,000
	<u>5,620,000</u>	<u>5,880,000</u>
Less Current Maturities	<u>(265,000)</u>	<u>(260,000)</u>
Less Bond Issuance Costs	<u>(167,752)</u>	<u>(188,406)</u>
Total Bonds Payable - Long-Term	<u>\$ 5,187,248</u>	<u>\$ 5,431,594</u>



**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 5 - Bonds Payable (continued)**

Future minimum principal payments on the bonds payable are as follows:

For the Year Ending August 31,	
2020	\$ 265,000
2021	275,000
2022	285,000
2023	300,000
2024	310,000
Thereafter	<u>4,185,000</u>
Total	<u>\$ 5,620,000</u>

The School receives an annual Qualified School Construction Bond federal subsidy to assist in the payment of interest on the bonds. During the years ended August 31, 2019 and 2018, the School received the subsidy benefit of \$126,648 and \$137,807, respectively, which was paid directly to the bond trustee on behalf of the School and is reported as revenue in the accompanying statement of activities.

For the year ended August 31, 2019, the net interest cost paid on these bonds was \$258,849, which consists of interest paid of \$385,497, less the federal subsidy benefit of \$126,648. For the year ended August 31, 2018, the net interest cost paid on these bonds was \$267,743, which consists of interest paid of \$405,550, less the federal subsidy benefit of \$137,807.

The bond agreements contain certain financial covenants with which the School must stay in compliance. For the years ended August 31, 2019 and 2018, the School was in compliance with all covenants.

As part of the loan agreements for the bonds, the School is required to establish and maintain the following trustee-held funds, which are not available for general use:

***Revenue Fund***

The School is required to transfer revenues from its operating account to the revenue fund on a monthly basis. These revenues are transferred on a monthly basis to the debt service reserve fund, and, therefore, the balance is \$-0- at August 31, 2019 and 2018.

***Debt Service Reserve Fund***

Amounts in this fund are used to meet debt service requirements of the bonds payable and are reserved by the School. These funds totaled \$237,750 and \$104,862 as of August 31, 2019 and 2018, respectively.

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 5 - Bonds Payable (continued)**

***Repair and Replacement Fund***

This fund is used to pay for major repairs and renovations on an as-needed basis. As of August 31, 2019 and 2018, the balance in this fund totaled \$150,100 and \$147,364, respectively.

***Reserve Fund Guaranty***

In addition, in connection with the Texas Credit Enhancement Program for Charter Schools and a guaranty agreement dated October 1, 2010, between the School and the Texas Public Finance Authority Charter School Finance Corporation, a reserve fund guaranty was established on behalf of the School for the maximum amount of \$600,000. The reserve fund guaranty is held on deposit with the Texas Comptroller of Public Accounts solely to provide security for repayment of the bonds. The funds are not available for the current debt service payments of the School, but serve as a guaranty if future payments are unable to be made by the School. If the trustee draws on the guaranty to make a payment, the School is then obligated to reimburse the Texas Public Finance Authority Charter School Finance Corporation for any amounts paid on its behalf. This guaranty expires on the earlier of August 15, 2040, or upon full payments of the bonds.

**Note 6 - Operating Leases**

The School leases portable buildings and equipment under noncancelable operating leases with various expiration dates. Rental expense for the years ended August 31, 2019 and 2018 was \$130,045 and \$132,542, respectively.

The following is a schedule of the operating lease obligations subsequent to August 31, 2019:

Year Ending August 31,	
2020	\$ 125,730
2021	112,265
2022	22,740
2023	540
2024	135
Total	<u>\$ 261,410</u>

**Note 7 - Health Care Coverage**

Employees of the School are covered by a health insurance plan. The plan only covers employees, not dependents. Employees, at their option, authorize payroll withholdings to pay contributions or premiums for dependents. During the years ended August 31, 2019 and 2018, the School paid medical premiums of \$300 and dental premiums of \$13.28 per month per employee. The aggregate cost of premiums paid by the School was \$228,215 and \$231,363 for the years ended August 31, 2019 and 2018, respectively. All premiums were paid to licensed insurers.

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 8 - Net Assets With Donor Restrictions**

Net assets with donor restrictions were for the following purposes at August 31:

	2019	2018
Scholarships	\$ -	\$ 1,000
Textbooks	27,422	31,022
Title I, Part A	-	8,748
Child Nutrition Program	5,454	34,240
Foundation School Program	3,677,910	4,351,104
Teacher Stipends	350	-
Total	\$ 3,711,136	\$ 4,426,114

**Note 9 - Pension Plan Obligations**

*Plan Description*

The School contributes to the Teacher Retirement System of Texas (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. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, *Public Retirement Systems*, Subtitle C, *Teacher Retirement System of Texas*, which is subject to amendment by the Texas Legislature. TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.
- There is no withdrawal penalty for leaving the TRS system.

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$176,942,454,000  
 Accumulated Benefit Obligations - \$181,752,796,715  
 The plan is 76.9% funded.

There are no collective-bargaining agreements.

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 9 - Pension Plan Obligations (continued)**

***Funding Policy***

Under provisions in state law, plan members are required to contribute 6.7% of their annual covered salary and the state of Texas contributes an amount equal to 6.0% of the School's covered payroll.

The School's contributions to TRS were \$131,738 and \$145,790 for the years ended August 31, 2019 and 2018, respectively, which include \$62,938 and \$62,534, respectively, in Non-OASDI participating surcharges. The School's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

**Note 10 - Liquidity and Availability of Financial Resources**

The following reflects the School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-stipulated restrictions.

	<b>2019</b>	2018
Cash and Cash Equivalents	<b>\$ 2,372,790</b>	\$ 2,980,165
Due from State	<b>383,448</b>	531,700
Due from Federal Agencies	<b>183,625</b>	154,943
Total Financial Assets	<b>2,939,863</b>	3,666,808
 Donor Restrictions (net of Foundation School Program)	 <b>(33,226)</b>	 (75,010)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<b>\$ 2,906,637</b>	\$ 3,591,798

Although some of the financial assets are subject to donor or other contractual restrictions, restrictions are part of the entity's mission that make them available for general expenditure within one year of the statement of financial position date. The School has a goal to maintain financial assets on hand to meet at least 90 days of normal operating expenses which are, on average, approximately \$592,000 per month, given full programmatic expenditures.

**Note 11 - Fair Value of Financial Instruments**

The School adopted the provisions of ASC 820, "*Fair Value Measurements and Disclosures*" (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the School's financial position or results of operations. The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2019 and 2018**

**Note 11 - Fair Value of Financial Instruments (continued)**

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The School has no Level 2 or Level 3 assets or liabilities.

The School's financial instruments (Level 1) were as follows at August 31:

	<b>2019</b>		<b>2018</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<b>Financial Assets:</b>				
Cash and Cash Equivalents	\$ 2,372,790	\$ 2,372,790	\$ 2,980,165	\$ 2,980,165
Due from State	\$ 383,448	\$ 383,448	\$ 531,700	\$ 531,700
Due from Federal Agencies	\$ 183,625	\$ 183,625	\$ 154,943	\$ 531,700
Prepaid Expenses	\$ 6,817	\$ 6,817	\$ 4,420	\$ 4,420
<b>Financial liabilities:</b>				
Accounts Payable	\$ 72,561	\$ 72,561	\$ 139,560	\$ 139,560
Accrued Expenses	\$ 86,704	\$ 86,704	\$ 47,541	\$ 47,541
Due to Student Groups	\$ 12,041	\$ 12,041	\$ 12,722	\$ 12,722
Bonds Payable - current	\$ 265,000	\$ 265,000	\$ 260,000	\$ 260,000

The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

## **SUPPLEMENTARY INFORMATION**

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**SCHEDULE OF EXPENSES**  
**For the Years Ended August 31, 2019 and 2018**

<b>Expenses</b>	<u>2019</u>	<u>2018</u>
6100 Payroll Costs	<b>\$ 4,822,649</b>	\$ 4,825,909
6200 Professional and Contracted Services	<b>1,262,041</b>	1,051,410
6300 Supplies and Materials	<b>414,671</b>	497,118
6400 Other Operating Costs	<b>543,258</b>	529,259
6500 Debt	<b>438,020</b>	462,613
<b>Total Expenses</b>	<b><u>\$ 7,480,639</u></b>	<b><u>\$ 7,366,309</u></b>

See independent auditor's report.

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**SCHEDULE OF CAPITAL ASSETS**  
**August 31, 2019**

Capital assets acquired with public funds, which constitute public property pursuant to Chapter 12 of the Texas Education Code, are as follows:

	<b>Ownership Interest</b>		
	<b>Local</b>	<b>State</b>	<b>Federal</b>
1110 Cash	\$ 39,098	\$ 2,721,542	\$ -
1510 Property Held for Future Use	-	828,963	-
1510 Land and Improvements	-	221,164	-
1520 Buildings and Improvements	-	7,640,245	31,201
1531 Vehicles	-	25,943	8,784
1539 Furniture and Equipment	-	922,454	17,848
1549 Computer Software	-	26,696	-
<b>Total Capital Assets</b>	<b>\$ 39,098</b>	<b>\$ 12,387,007</b>	<b>\$ 57,833</b>

Reconciliation of Fixed Assets (Excluding Property Held for Sale) on Schedule of Capital Assets to Statements of Financial Position:

*Per Schedule of Capital Assets:*

1510 Land and Improvements	\$ 221,164
1520 Buildings and Improvements	7,671,446
1531 Vehicles	34,727
1539 Furniture and Equipment	940,302
1549 Computer Software	26,696

*Less Accumulated Depreciation:* (3,435,131)

**Total Fixed Assets per Statements of Financial Position:** \$ 5,459,204

See independent auditor's report.



**NEW FRONTIERS PUBLIC SCHOOL, INC.**  
**BUDGETARY COMPARISON SCHEDULE**  
**Year Ended August 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES AND OTHER SUPPORT</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 1,086,488	\$ 77,800	\$ 77,799	\$ (1)
5750 Revenue from Cocurricular/Enterprising	7,452	4,003	4,003	-
5760 Revenues from Intermediate Sources	18,360	14,799	14,799	-
<b>Total Local Support</b>	<u>1,112,300</u>	<u>96,602</u>	<u>96,601</u>	<u>(1)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	5,280,000	6,185,074	5,541,614	(643,460) (1)
5820 State Program Revenues Distributed by Texas Education Agency	90,887	100,452	102,593	2,141
<b>Total State Program Revenues</b>	<u>5,370,887</u>	<u>6,285,526</u>	<u>5,644,207</u>	<u>(641,319)</u>
Federal Program Revenues:				
5910 Federal Revenues Distributed through Government Entities Other than State or Federal Agencies	-	126,648	126,648	-
5920 Federal Revenues Distributed by Texas Education Agency	1,085,163	929,902	929,901	(1)
<b>Total Federal Program Revenues</b>	<u>1,085,163</u>	<u>1,056,550</u>	<u>1,056,549</u>	<u>(1)</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>7,568,350</u>	<u>7,438,678</u>	<u>6,797,357</u>	<u>(641,321)</u>
<b>EXPENSES</b>				
11 Instructional	3,659,705	3,690,228	3,652,658	37,570
13 Curriculum Development and Instructional Staff Development	51,142	162,852	168,294	(5,442)
21 Instructional Leadership	-	229	229	-
23 School Leadership	581,851	514,067	514,069	(2)
31 Guidance, Counseling and Evaluation Services	225,275	242,511	242,512	(1)
33 Health Services	59,763	57,408	57,206	202
34 Student Transportation	48,910	54,817	54,818	(1)
35 Food Services	483,334	402,628	401,325	1,303
36 Extracurricular Activities	2,700	7,184	7,184	-
41 General Administration	613,563	551,099	551,100	(1)
51 Plant Maintenance and Operations	952,402	908,134	907,292	842
52 Security and Monitoring Services	3,627	58,780	58,780	-
53 Data Processing Services	195,614	212,563	212,563	-
61 Community Services	235,728	210,423	210,423	-
62 School District Administrative Support Services	-	5,443	-	5,443
71 Debt Service	442,397	438,008	438,020	(12)
81 Fundraising	8,405	4,178	4,166	12
<b>TOTAL EXPENSES</b>	<u>7,564,416</u>	<u>7,520,552</u>	<u>7,480,639</u>	<u>39,913</u>
<b>CHANGE IN NET ASSETS</b>	3,934	(81,874)	(683,282)	(601,408)
<b>NET ASSETS, Beginning of Year</b>	<u>4,682,425</u>	<u>4,682,425</u>	<u>4,682,425</u>	<u>-</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 4,686,359</u>	<u>\$ 4,600,551</u>	<u>\$ 3,999,143</u>	<u>\$ (601,408)</u>

(1) Unfavorable variance is due to the overestimation of the FSP receivable and revenue related to the portion of the 2019-2020 school year that was part of the FY'19 fiscal year. The FSP receivable and revenue were adjusted during the course of the audit.

See independent auditor's report.

# **SINGLE AUDIT SECTION**

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2019**

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<b>U.S. Department of Agriculture:</b>			
Pass-Through Texas Department of Agriculture:			
National Child Nutrition Cluster:			
School Breakfast Program	10.553	71401901	\$ 112,851
National School Lunch Program	10.555	71301901	251,201
USDA Commodities - Noncash Award	10.555	03001901	7,571
Total National Child Nutrition Cluster			<u>371,623</u>
<i>Total U.S. Department of Agriculture</i>			<u>371,623</u>
<b>U.S. Department of Education:</b>			
Pass-Through Texas Education Agency:			
Special Education Cluster:			
Special Education Grants to States	84.027A	196600010158056000	174,785
Special Education Preschool Grants	84.173A	196610010158056000	2,526
Total Special Education Cluster			<u>177,311</u>
Title I Grants to Local Educational Agencies	84.010A	19610101015805	316,580
Supporting Effective Instruction State Grants	84.367A	19694501015805	32,509
Student Support and Academic Enrichment Program	84.424A	19680101015805	21,616
Total Pass-Through Texas Education Agency			<u>548,016</u>
Pass-Through Education Service Center Region 20:			
English Language Acquisition State Grants	84.365A	N/A	5,142
Migrant Education State Grant Program	84.011A	N/A	2,120
Special Education Grants to States	84.027A	N/A	3,000
Total Pass-Through Education Service Center Region 20			<u>10,262</u>
<i>Total U.S. Department of Education</i>			<u>558,278</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>929,901</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2019**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of New Frontiers Public Schools, Inc. (the School) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - RECONCILIATION OF FEDERAL PROGRAM REVENUES**

Total federal program revenues for the year ended August 31, 2019 are as follows:

Federal program revenues per schedule of expenditures of federal awards	\$ 929,901
Federal interest subsidy	<u>126,648</u>
Total federal program revenues	\$ <u>1,056,549</u>

**NOTE 4 - OTHER DISCLOSURES**

There were no loans or loan guarantees outstanding at year end.

The School has elected not to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

The School did not pass any awards through to subrecipients for the year ended August 31, 2019.

**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  
New Frontiers Public Schools, Inc.  
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Frontiers Public Schools, Inc., a nonprofit organization, which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered New Frontiers Public Schools, 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 New Frontiers Public Schools, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of New Frontiers Public Schools, Inc.’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.

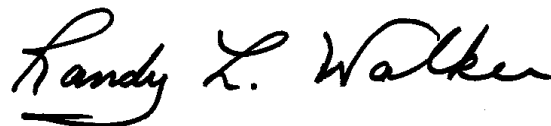
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Frontiers Public Schools, 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 New Frontiers Public Schools, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline under the first letter of the last name.

San Antonio, Texas  
January 22, 2020

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

To the Board of Directors  
New Frontiers Public Schools, Inc.  
San Antonio, Texas

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

We have audited New Frontiers Public Schools, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of New Frontiers Public Schools, Inc.'s major federal programs for the year ended August 31, 2019. New Frontiers Public Schools, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of New Frontiers Public Schools, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Frontiers Public Schools, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of New Frontiers Public Schools, Inc.'s compliance.

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

In our opinion, New Frontiers Public Schools, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

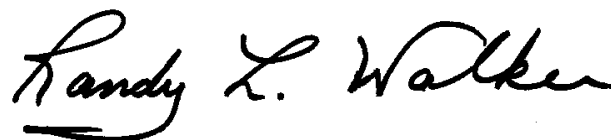
### **Report on Internal Control Over Compliance**

Management of New Frontiers Public Schools, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered New Frontiers Public Schools, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Frontiers Public Schools, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



San Antonio, Texas  
January 22, 2020



**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2019**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Noncompliance material to the financial statements	None

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	None

**Major Programs**

*Federal*

10.553/10.555 National Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs	\$750,000
Audit qualified as low-risk auditee	Yes

**Findings - Financial Statements Audit** None

**Findings and Questioned Costs - Major Federal Award Programs Audit** None

**NEW FRONTIERS PUBLIC SCHOOLS, INC.**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2019**

**Prior Year Findings - Financial Statement Audit** None

**Prior Year Findings - Federal Awards Audit** None

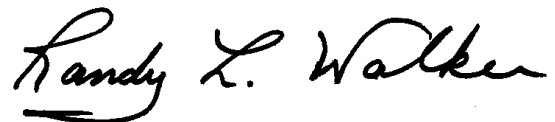
To the Board of Directors  
New Frontiers Public Schools, Inc.  
San Antonio, Texas

In planning and performing our audit of the financial statements of New Frontiers Public Schools, Inc. (the School) as of and for the years ended August 31, 2019 and 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

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



San Antonio, Texas  
January 22, 2020

January 22, 2020

To the Board of Directors  
New Frontiers Public Schools, Inc.  
San Antonio, Texas

We have audited the financial statements of New Frontiers Public Schools, Inc. (the School) for the years ended August 31, 2019 and 2018, and have issued our report thereon dated January 22, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 15, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes misstatements of the financial statements, some which are considered to be material, both individually and in the aggregate, to the financial statements taken as a whole. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 22, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

*Supplementary Information*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

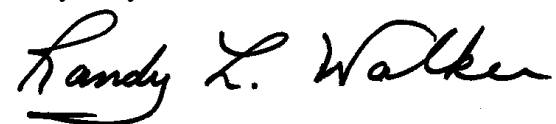
Board of Directors  
New Frontiers Public Schools, Inc.

We would like to express our appreciation for the courtesy and cooperation extended to us by Alfredo Segura, Mike Oropeza, and their staff.

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

Please do not hesitate to contact us if you want to discuss any of the matters contained herein.

Very truly,

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline under the first letter of "Randy".

Randy L. Walker

Client: **New Frontiers Public Schools, Inc.**  
 Engagement: **New Frontiers Public Schools - FY 2019**  
 Period Ending: **8/31/2019**  
 Workpaper: **Adjusting Journal Entries Report - School**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>C-2b</b>		
CLIENT-PROPOSED ENTRY: To reverse original FSP accrual.				
420-00-5811.00-000-9-00-0-00	Per Capita Apportionment		57,548.00	
420-00-5812.00-000-9-00-0-00	FSP Revenue		967,219.00	
420-00-1241.00-000-9-00-0-00	DUE FROM STATE			1,024,767.00
<b>Total</b>			<b>1,024,767.00</b>	<b>1,024,767.00</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>C-2b</b>		
CLIENT-PROPOSED ENTRY: To record FSP accrual.				
420-00-1241.00-000-9-00-0-00	DUE FROM STATE		383,448.00	
420-00-5811.00-000-9-00-0-00	Per Capita Apportionment			9,792.00
420-00-5812.00-000-9-00-0-00	FSP Revenue			373,656.00
<b>Total</b>			<b>383,448.00</b>	<b>383,448.00</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>ZZ-4</b>		
CLIENT-PROPOSED ENTRY: To adjust A/P and due to/from accounts to the proper amounts at year-end.				
211-00-2110.00-000-9-00-0-00	All Others - Accounts Payable		553.00	
211-11-6399.00-041-9-30-0-00	Title I Part A Schoolwide - General Supplies		553.00	
224-00-2110.00-000-9-00-0-00	All Others - Accounts Payable		350.00	
224-11-6399.00-041-9-23-0-00	GENERAL SUPPLIES		350.00	
225-00-2110.00-000-9-00-0-00	All Others - Accounts Payable		5.00	
225-11-6399.00-041-9-23-0-00	General Supplies		5.00	
420-00-1262.68-000-9-00-0-00	Due from Fund 211		553.00	
420-00-1262.71-000-9-00-0-00	Due from Fund 224		350.00	
420-00-1262.72-000-9-00-0-00	Due from Fund 225		5.00	
211-00-2172.63-000-9-00-0-00	Due to Fund 420			553.00
211-11-6399.00-041-9-30-0-00	Title I Part A Schoolwide - General Supplies			553.00
224-00-2172.63-000-9-00-0-00	Due to Fund 420			350.00
224-11-6399.00-041-9-23-0-00	GENERAL SUPPLIES			350.00
225-00-2172.63-000-9-00-0-00	Due to Fund 420			5.00
225-11-6399.00-041-9-23-0-00	General Supplies			5.00
420-11-6399.00-041-9-11-0-00	GENERAL SUPPLIES			5.00
420-11-6399.00-041-9-11-0-00	GENERAL SUPPLIES			350.00
420-11-6399.00-041-9-11-0-00	GENERAL SUPPLIES			553.00
<b>Total</b>			<b>2,724.00</b>	<b>2,724.00</b>
<b>Adjusting Journal Entries JE # 4</b>		<b>ZZ-4</b>		
CLIENT-PROPOSED ENTRY: To adjust A/P and due to/from accounts to the proper amounts at year-end.				
240-00-2110.00-000-9-00-0-00	All Others - Accounts Payable		5,127.00	
240-35-6399.00-999-9-99-0-00	General Supplies		5,127.00	
255-00-2110.00-000-9-00-0-00	All Others - Accounts Payable		81.00	
255-11-6399.00-041-9-30-0-00	General Supplies		81.00	
420-00-1262.73-000-9-00-0-00	Due from Fund 240		5,127.00	
420-00-1262.74-000-9-00-0-00	Due from Fund 255		81.00	
420-00-2110.00-000-9-00-0-00	All Others - Accounts Payable		37,765.00	
240-00-2172.63-000-9-00-0-00	Due to Fund 420			5,127.00
240-35-6399.00-999-9-99-0-00	General Supplies			5,127.00
255-00-2172.63-000-9-00-0-00	Due to Fund 420			81.00
255-11-6399.00-041-9-30-0-00	General Supplies			81.00
420-11-6399.00-041-9-11-0-00	GENERAL SUPPLIES			81.00
420-11-6399.00-041-9-11-0-00	GENERAL SUPPLIES			5,127.00
420-11-6399.00-041-9-11-0-00	GENERAL SUPPLIES			37,765.00
<b>Total</b>			<b>53,389.00</b>	<b>53,389.00</b>
<b>Adjusting Journal Entries JE # 5</b>		<b>ZZ-5</b>		
CLIENT-PROPOSED ENTRY: To reclassify disbursement recorded to fund 288.				
288-11-6399.00-041-9-11-0-00	Supplies		6,711.00	
288-00-3600.00-000-9-00-0-00	Fund Balance			6,711.00
<b>Total</b>			<b>6,711.00</b>	<b>6,711.00</b>
<b>Adjusting Journal Entries JE # 6</b>		<b>ZZ-6</b>		
CLIENT-PROPOSED ENTRY: To adjust beginning net assets to agree to ending net assets per prior year audit report.				
420-11-6399.00-041-9-11-0-00	GENERAL SUPPLIES		853.00	
420-00-3600.00-000-9-00-0-00	420 - Fund Balance			853.00
<b>Total</b>			<b>853.00</b>	<b>853.00</b>

Client: **New Frontiers Public Schools, Inc.**  
 Engagement: **New Frontiers Public Schools - FY 2019**  
 Period Ending: **8/31/2019**  
 Workpaper: **Adjusting Journal Entries Report - School**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 7</b>		<b>ZZ-7</b>		
CLIENT-PROPOSED ENTRY: To reclass expenses to proper function codes.				
198-71-6529-01-999-9-99-0-00	Bank Charges - Golf Tournament		12.00	
212-13-6121-00-999-9-24-0-00	Comp Ed - SUPPORT - HOURLY		5.00	
212-13-6129-00-999-9-24-0-00	Comp Ed - SUPPORT FULL TIME		248.00	
212-13-6141-00-999-9-24-0-00	Comp Ed - FICA/Medi		18.00	
212-13-6142-00-999-9-24-0-00	Comp Ed - Group Health		35.00	
212-13-6143-00-999-9-24-0-00	Comp Ed - Workers Comp		1.00	
212-13-6145-00-999-9-24-0-00	Comp Ed - Unemployment		1.00	
212-13-6146-00-999-9-24-0-00	Comp Ed - TRS		22.00	
263-13-6219-00-999-9-25-0-00	ESL - Professional Services		2,113.00	
263-13-6299-00-999-9-25-0-00	ESL - Misc Contracted Services		13.00	
263-13-6311-00-999-9-25-0-00	ESL - Gasoline and Other Fuels for Vehicles (including buses)		1.00	
263-13-6399-00-999-9-25-0-00	ESL - General Supplies		1,225.00	
263-13-6411-00-999-9-25-0-00	ESL - Travel - Employee		85.00	
263-13-6419-00-999-9-25-0-00	ESL - Travel - Non-Employees		1,676.00	
198-81-6529.01-999-9-99-0-00	Bank Charges - Golf Tournament			12.00
212-62-6121.00-999-9-24-0-00	Comp Ed - SUPPORT - HOURLY			5.00
212-62-6129.00-999-9-24-0-00	Comp Ed - SUPPORT FULL TIME			248.00
212-62-6141.00-999-9-24-0-00	Comp Ed - FICA/Medi			18.00
212-62-6142.00-999-9-24-0-00	Comp Ed - Group Health			35.00
212-62-6143.00-999-9-24-0-00	Comp Ed - Workers Comp			1.00
212-62-6145.00-999-9-24-0-00	Comp Ed - Unemployment			1.00
212-62-6146.00-999-9-24-0-00	Comp Ed - TRS			22.00
263-62-6219.00-999-9-25-0-00	ESL - Professional Services			2,113.00
263-62-6299.00-999-9-25-0-00	ESL - Misc Contracted Svcs			13.00
263-62-6311.00-999-9-25-0-00	ESL - Gasoline and Other Fuels for Vehicles (Including Buses)			1.00
263-62-6399.00-999-9-25-0-00	ESL - General Supplies			1,225.00
263-62-6411.00-999-9-25-0-00	ESL - Travel - Employee			85.00
263-62-6419.00-999-9-25-0-00	ESL - Travel - Non-Employees			1,676.00
<b>Total</b>			<b>5,455.00</b>	<b>5,455.00</b>
<b>Adjusting Journal Entries JE # 8</b>		<b>ZZ-7</b>		
CLIENT PROPOSED ENTRY: To reclass expense to prepaid expense.				
240-00-1290-00-000-9-00-0-00	Prepaid or Other Receivables		1,303.00	
240-35-6399.00-999-9-99-0-00	General Supplies			1,303.00
<b>Total</b>			<b>1,303.00</b>	<b>1,303.00</b>