



RÊVE PREPARATORY
CHARTER SCHOOL

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2021

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RÊVE PREPARATORY, INC.
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 82-2809171
COUNTY DISTRICT NUMBER 101-876

CERTIFICATE OF THE BOARD

We, the undersigned, certify that the attached Financial and Compliance Report of Rêve Preparatory, Inc. was reviewed and (check one) approved disapproved for the year ended June 30, 2021, at a meeting of the governing body of the charter holder on the 14 day of October, 2021



Signature of Board Secretary



Signature of Board President



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rêve Preparatory, Inc.
Houston, Texas

Report on the Financial Statements

We have audited the accompanying statement of financial position of Rêve Preparatory, Inc. as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 Rêve Preparatory, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year 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 Information (consisting of the schedule of expenses, schedule of capital assets and budgetary comparison schedule and notes) is presented for the purposes of additional analysis and is not a required part of the financial statements. The Supplementary 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 other 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 Supplementary Information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2021 on our consideration of Rêve Preparatory, 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 the 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 Rêve Preparatory, Inc.'s internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.

October 1, 2021

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

RÊVE PREPARATORY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	617,531
Grants Receivable		75,699
Other Receivables		1,132
Prepaid Expenses		48,074
<i>Total Current Assets</i>		742,436

Other Assets:

Property and Equipment, net		132,076
<i>Total Other Assets</i>		132,076

TOTAL ASSETS	\$	874,512
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$	43,779
Wages Payable		48,388
Payroll Deductions and Withholdings		16,610
<i>Total Liabilities</i>		108,777

Net Assets:

With Donor Restrictions		249,571
Without Donor Restrictions		516,164
<i>Total Net Assets</i>		765,735

TOTAL LIABILITIES AND NET ASSETS	\$	874,512
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The accompanying notes are an integral part of these financial statements.

RÊVE PREPARATORY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE			
<i>Local Revenue</i>			
5740 Contributions and Other Local	\$ 336,199	\$ -	\$ 336,199
<i>State Program Revenue</i>			
5810 Foundation School Program	-	1,198,057	1,198,057
5820 Other State Programs	-	52,990	52,990
<i>Federal Program Revenue</i>			
5920 Passed through TEA	-	295,235	295,235
5930 Passed Through Other Agencies	-	148,735	148,735
5940 Direct Federal Award	-	8,470	8,470
	<u>336,199</u>	<u>1,703,487</u>	<u>2,039,686</u>
Net Assets Released from Restrictions	<u>1,571,751</u>	<u>(1,571,751)</u>	<u>-</u>
TOTAL REVENUE	<u>1,907,950</u>	<u>131,736</u>	<u>2,039,686</u>
EXPENSES			
11 Instruction	689,750	-	689,750
13 Curriculum Development and Instructional Student Development	76,167	-	76,167
21 Instructional Leadership	68,367	-	68,367
23 School Leadership	272,007	-	272,007
31 Guidance and Counseling	1,781	-	1,781
33 Health Services	360	-	360
34 Student Transportation	4,499	-	4,499
35 Food Services	55,027	-	55,027
41 General Administration	113,147	-	113,147
51 Plant Maintenance	303,816	-	303,816
52 Security and Monitoring	595	-	595
53 Data Processing	74,926	-	74,926
61 Community Service	37,215	-	37,215
71 Debt Service	1,135	-	1,135
TOTAL EXPENSES	<u>1,698,792</u>	<u>-</u>	<u>1,698,792</u>
CHANGE IN NET ASSETS	209,158	131,736	340,894
NET ASSETS - BEGINNING OF YEAR	<u>307,006</u>	<u>117,835</u>	<u>424,841</u>
NET ASSETS - END OF YEAR	<u>\$ 516,164</u>	<u>\$ 249,571</u>	<u>\$ 765,735</u>

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

RÊVE PREPARATORY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Payroll and Benefits	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Debt Service	Totals
11 Instruction	\$ 466,784	\$ 87,794	\$ 93,344	\$ 41,828	\$ -	\$ 689,750
13 Curriculum and Instructional Student Development	63,838	12,188	-	141	-	76,167
21 Instructional Leadership	68,367	-	-	-	-	68,367
23 School Leadership	232,903	25,786	9,799	3,519	-	272,007
31 Guidance and Counseling	-	1,781	-	-	-	1,781
33 Health Services	-	-	360	-	-	360
34 Student Transportation	-	4,499	-	-	-	4,499
35 Food Services	-	52,274	1,471	1,282	-	55,027
41 General Administration	77,095	25,152	2,950	7,950	-	113,147
51 Plant Maintenance	9,426	247,676	10,645	36,069	-	303,816
52 Security and Monitoring	-	-	-	595	-	595
53 Data Processing	-	43,825	27,061	4,040	-	74,926
61 Community Service	-	26,243	10,859	113	-	37,215
71 Debt Service	-	-	-	-	1,135	1,135
TOTAL	<u>\$ 918,413</u>	<u>\$ 527,218</u>	<u>\$ 156,489</u>	<u>\$ 95,537</u>	<u>\$ 1,135</u>	<u>\$ 1,698,792</u>

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

RÊVE PREPARATORY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	
Cash Received from State and Federal Grantors	\$ 1,857,912
Cash Received from Others	336,170
Cash Paid to Employees for Services	(874,166)
Payments to Vendors for Goods and Services	(747,077)
Payments of Interest	(1,135)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>571,704</u>
 CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	
Purchase of Property and Equipment	<u>(73,501)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(73,501)</u>
 CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES	
Principal Payment on Note Payable	<u>(35,000)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(35,000)</u>
 NET INCREASE (DECREASE) IN CASH	 463,203
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>154,328</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 617,531</u></u>
 RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ 340,894
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	63,773
(Increase) Decrease in Assets:	
Accounts Receivable:	
Texas Education Agency	162,895
Other Receivables	(29)
Prepaid Expenses	(45,561)
Increase (Decrease) in Liabilities:	
Accounts Payable	13,955
Payroll Deductions and Withholdings	8,287
Wages Payable	35,960
Deferred Grant Revenue	(8,470)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 571,704</u></u>

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

RÊVE PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Rêve Preparatory, Inc. (“Rêve”) is a Texas nonprofit corporation that operates an open-enrollment charter school (Rêve Preparatory Charter School) in Houston, Texas. The State Board of Education of the State of Texas approved the open-enrollment charter, pursuant to Chapter 12 of the Texas Education Code (“TEC”). Rêve is governed by a Board of Directors consisting of no fewer than three members. The Board of Directors has the authority to make decisions, appoint the chief executive officer, and has the primary accountability for the fiscal affairs of the School.

Rêve receives the majority of its funding from the Texas Education Agency based on average daily attendance in the school it operates. Since this includes funding from local, state, and federal government sources, Rêve must comply with the requirements of the entities providing those funds.

Rêve does not currently conduct any non-charter activities.

Basis of Accounting and Presentation

The general-purpose financial statements of Rêve were prepared in conformity with accounting principles generally accepted in the United States. The *Financial Accounting Standards Board* is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when they are incurred.

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 organization and changes therein are classified and reported as follows:

Without Donor Restrictions – net assets that are not subject to grantor or donor-imposed stipulations.

With Donor Restrictions – net assets subject to grantor or donor-imposed stipulations that may be met either by actions of Rêve and/or passage of time or may be required to remain in perpetuity.

Cash and Cash Equivalents

For financial statement purposes, Rêve considers all highly liquid investment instruments with an original maturity of three months or less to be cash.

Contributions

Rêve accounts for contributions as with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. Contributions that are restricted by the donor are 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 restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Promises to give are recognized when communication of the promise is made if the gift is unconditional. Conditional promises to give are not recognized until the conditions are met.

RÊVE PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Capital Assets

Capital assets are defined by Rêve as assets with a useful life greater than one year and an individual cost of more than \$5,000 or group purchases in excess of \$5,000. Such assets are recorded at historical cost (or fair value if donated) and are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation. Useful lives are estimated to be 3-to-5 years for furniture and equipment. Leasehold improvements are amortized over the lesser of the life of the lease or the expected useful life.

Use of Estimates

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

Functional Expenses

Rêve records expenses in accordance with the Texas Education Agency's chart of accounts outlined in the Financial Accountability System Resource Guide. Indirect expenses are generally recorded as administrative expenses. Administrative expenses include the office of the superintendent, legal and accounting fees. Personnel costs are allocated between the functions based on time spent on the underlying activities.

Income Taxes

Rêve Preparatory, Inc. is a not-for-profit organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, except to the extent that it has unrelated business income. As such, no provision for income taxes has been made in the financial statements. The organization is generally no longer subject to income tax examination by Federal authorities for years prior to June 30, 2018.

Subsequent Events

Subsequent events were considered through October 1, 2021, which is the date the financial statements were available to be issued.

NOTE 2 – GRANTS RECEIVABLE

Grants receivable at June 30, 2021 consisted of funding from the following programs:

<i>Texas Education Agency</i>	
Foundation School Program	\$ 7,127
ESSER	43,104
EMAT	619
Charter School Start-up	7,776
Every Student Succeeds Act	5,166
IDEA B	11,907
<i>Total Grants Receivable</i>	<u>\$ 75,699</u>

RÊVE PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2021

NOTE 3 -- CAPITAL ASSETS

Capital assets at June 30, 2021 were as follows:

Furniture and Equipment	\$ 210,603
Less: Accumulated Depreciation	<u>(78,527)</u>
Property and Equipment - Net	<u>\$ 132,076</u>

Capital assets acquired with public funds received by Rêve for the operation of the open-enrollment charter school constitute public property pursuant to Charter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets. Should the charter school be closed for any reason, these assets may revert to the Texas Education Agency. Depreciation expense was \$63,773 for the year ended June 30, 2021.

NOTE 4 -- PAYCHECK PROTECTION PROGRAM

Rêve received a forgivable loan through the Paycheck Protection Program from the United States Federal Government in the amount of \$125,905 to be used on payroll, rent and utilities. Management fully expects the loan to be forgiven and has elected to treat the program as a conditional grant, recognizing revenue as the conditions are met. For the year ended June 30, 2021, Rêve recognized \$125,905 in revenue based on expenses in accordance with the program through that date. Official forgiveness of the loan is expected in 2022. While remote, there is a chance the forgiveness will not occur and Rêve will be required to repay the loan over a two year period with 1% interest.

NOTE 5 -- NET ASSETS WITH RESTRICTIONS

As of June 30, 2021, Rêve's net assets with donor restrictions consisted of the following:

Foundation School Program	\$ 248,335
Other Federal Grant Programs	<u>1,236</u>
Total Net Assets with Restrictions	<u>\$ 249,571</u>

NOTE 6 -- NET ASSETS RELEASED FROM RESTRICTIONS

Releases of net assets with donor restrictions during the year ending June 30, 2021 were as follows:

Foundation School Program	\$ 1,067,557
Charter School Start-up Program	178,292
Paycheck Protection Program	134,375
Every Student Succeeds Act	28,223
ESSER	43,119
Child Nutrition	44,327
Special Education	22,998
Other State and Local Programs	<u>52,860</u>
Total Released from Restriction	<u>\$ 1,571,751</u>

RÊVE PREPARATORY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 2021

NOTE 7 -- PENSION PLAN OBLIGATION

The charter school contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the charter school, but are the liability of the State of Texas. Charters are legally separate entities from the State and there is no withdrawal penalty for leaving TRS. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS 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 TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publications Heading.

The plan financial statements for the year ending August 31, 2020 reported a plan net position of \$165 billion with a total pension liability of \$218 billion. Net position of the plan represented 76% of the total pension liability.

Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. The following table presents contribution rates and amounts:

Year Ending June 30,	Member	State	Employer
<i>Rates</i>			
September - June 2021	7.70%	7.50%	1.60%
July - August 2020	7.70%	7.50%	1.50%
<i>Amounts</i>			
Fiscal Year 2020 - 2021	\$ 59,141	\$ 57,605	\$ 39,863

Rêve is required to contribute 1.6% of all covered salaries. Additional contributions are required for salaries funded through certain private and federal grants, new members, and salaries over the statutory minimum amount.

RÊVE PREPARATORY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 2021

NOTE 8 -- RETIREE HEALTH PLAN – OTHER POST EMPLOYMENT BENEFIT

TRS also offers retiree health insurance, called TRS-Care, a cost-sharing multiple-employer defined benefit postemployment health care plan. Qualified retirees (and their dependents) receive health insurance paid for by the plan. The statutory authority for the program is Texas Insurance Code, Chapter 1575. The State, employees and employers contribute a portion of covered payroll.

The plan financial statements for the year ending August 31, 2020 reported a plan net position of \$2 billion with a total OPEB liability of \$40 billion. Net position of the plan represented 5% of the total OPEB liability.

Contribution requirements are not actuarially determined but are established each biennium by the Texas State Legislature. The Contribution rates and amounts were as follows:

Year Ending June 30,	Member	State	Employer
<i>Rates</i>			
September - June 2021	0.65%	1.25%	0.75%
July - August 2020	0.65%	1.25%	0.75%
<i>Amounts</i>			
Fiscal Year 2020 - 2021	\$ 4,993	\$ 9,602	\$ 6,119

Rêve is required to contribute 0.75% of all covered salaries. Additional contributions are required for salaries funded through certain private and federal grants.

NOTE 9 -- BUILDING LEASE

In 2019, Rêve leased a school site for 2 years through July 31, 2021. Rental expense for the year ending June 30, 2021 related to the lease was \$142,367.

NOTE 10 -- COMMITMENTS AND CONTINGENCIES

Rêve 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 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 charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

RÊVE PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2021

NOTE 11 -- LIQUIDITY AND AVAILABILITY

Rêve is substantially supported by the State of Texas Foundation School Program (FSP) which is based on student enrollment. Most of the private philanthropy received is without restriction and can be used to support operations of the charter school. Thus, all of the current assets reported on the Statement of Financial Position are available to fund the operations of the School.

<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 617,531
Grants Receivable	75,699
Other Receivables	1,132
Prepaid Expenses	48,074
<i>Total Current Assets</i>	<u>742,436</u>
 <i>Less Current Liabilities:</i>	
Accounts Payable	43,779
Payroll Deductions and Withholdings	16,610
Wages Payable	48,388
<i>Total Liabilities</i>	<u>108,777</u>
 <i>Less Net Assets with Restrictions:</i>	
Restrictions Other than Foundation School Program	<u>1,236</u>
 <i>Available to Fund Operations</i>	 <u><u>\$ 632,423</u></u>

This represents almost three months of operating costs. In addition, an estimated FSP allotment of \$1.7 million will be available to fund the 2022 fiscal year. The Organization had over 60 days of cash.

NOTE 12 -- LITIGATION

Management is unaware of any pending or threatened litigation that would result in any significant financial impact.

NOTE 13 -- SUBSEQUENT EVENT

Subsequent to year-end, the School entered into a lease agreement beginning August 1, 2021, that expires on September 1, 2022, for a monthly payment of \$30,000.

SUPPLEMENTARY INFORMATION

RÊVE PREPARATORY, INC.
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

EXPENSES	
6100 Payroll	\$ 918,413
6200 Professional and Contracted Services	527,218
6300 Supplies and Materials	156,489
6400 Other Operating Costs	95,537
6500 Debt Service	<u>1,135</u>
Total Expenses	<u><u>\$ 1,698,792</u></u>

RÊVE PREPARATORY, INC.
 SCHEDULE OF CAPITAL ASSETS
 JUNE 30, 2021

	Local	State	Federal
1110 Cash	\$ 481,769	\$ 135,763	\$ -
1510 Land and Improvements	-	-	-
1520 Leashold Improvements	-	-	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	-	210,603
1549 Textbooks	-	-	-
Total Property and Equipment	\$ 481,769	\$ 135,763	\$ 210,603

See Independent Auditor's Report.

RÊVE PREPARATORY, INC.
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE				
<i>Local Revenue</i>				
5740 Donations and Other Local	\$ 100,000	\$ 351,000	\$ 336,199	\$ (14,801)
<i>State Programs</i>				
5810 Foundation School Program	1,558,994	1,344,861	1,198,057	(146,804)
5820 Other State Programs	-	-	52,990	52,990
<i>Federal Programs</i>				
5920 Passed Through TEA	342,668	441,668	295,235	(146,433)
5930 Federal Passed Through State	-	-	148,735	148,735
5940 Direct Awards	-	-	8,470	8,470
TOTAL REVENUE	<u>2,001,662</u>	<u>2,137,529</u>	<u>2,039,686</u>	<u>(97,843)</u>
EXPENSES				
11 Instruction	833,638	737,662	689,750	47,912
13 Curriculum Development and Instructional Student Development	79,074	79,955	76,167	3,788
21 Instructional Leadership	67,741	71,927	68,367	3,560
23 School Leadership	334,477	290,373	272,007	18,366
31 Guidance and Counseling	1,350	1,900	1,781	119
33 Health Services	1,200	375	360	15
34 Student Transportation	75,000	4,800	4,499	301
35 Food Services	113,047	57,500	55,027	2,473
41 General Administration	99,196	123,947	113,147	10,800
51 Plant Maintenance	231,524	319,491	303,816	15,675
52 Security and Monitoring	1,140	650	595	55
53 Data Processing Services	63,000	78,695	74,926	3,769
61 Community Service	21,500	38,939	37,215	1,724
71 Debt Service	-	1,200	1,135	65
TOTAL EXPENSES	<u>1,921,887</u>	<u>1,807,414</u>	<u>1,698,792</u>	<u>108,622</u>
CHANGE IN NET ASSETS	79,775	330,115	340,894	10,779
BEGINNING NET ASSETS	<u>424,841</u>	<u>424,841</u>	<u>424,841</u>	<u>-</u>
ENDING NET ASSETS	<u>\$ 504,616</u>	<u>\$ 754,956</u>	<u>\$ 765,735</u>	<u>\$ 10,779</u>

See Independent Auditor's Report.

RÊVE PREPARATORY, INC.
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021

BUDGETARY VARIANCES

The final budget in several functions changed more than 10% from the original budget. Because, this was the school's second year in operations, pupil projections were difficult. It was also difficult to anticipate the level of federal and private grants. As these grants were awarded during the year, budget amendments were made to appropriate those funds.

**COMPLIANCE AND
INTERNAL CONTROL**



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rêve Preparatory, Inc. (Rêve)
Houston, Texas

We have audited 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, the combined financial statements of Rêve, which comprise the statement of financial position as of June 30, 2021, 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 October 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rêve'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 Rêve's internal control. Accordingly, we do not express an opinion on the effectiveness of Rêve's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rêve Preparatory, 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*.

We noted certain matters that we have reported to management of Rêve Preparatory, Inc. in a separate letter dated October 1, 2021.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armstrong, Vaughan & Associates, P.C.

October 1, 2021