



RÊVE PREPARATORY
CHARTER SCHOOL

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2022

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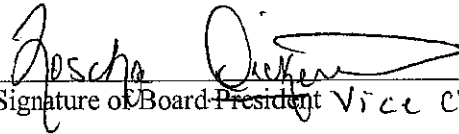
RÊVE PREPARATORY, INC.
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 82-2809171
COUNTY DISTRICT NUMBER 101-876

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, 2022, at a meeting of the governing body of the charter holder on the 18th day of October, 2022



Signature of Board Secretary



Signature of Board President Vice Chair



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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Rêve Preparatory, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rêve Preparatory, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rêve Preparatory, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rêve Preparatory, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rêve Preparatory, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rêve Preparatory, Inc.'s ability to continue as a going concern for a reasonable period of time.

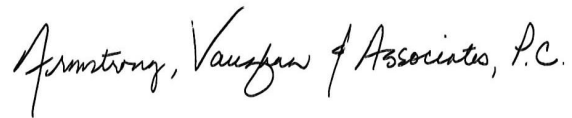
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information (as listed in the table of contents) and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying 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 13, 2022 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.

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive, flowing style.

Armstrong, Vaughan & Associates, P.C.

October 13, 2022

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

RÊVE PREPARATORY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 492,929
Grants Receivable	543,700
Other Receivables	1,132
Prepaid Expenses	44,654
<i>Total Current Assets</i>	<u>1,082,415</u>

Other Assets:

Cash Restricted for Debt Service and Debt Reserves	947,844
Cash Restricted for Construction	2,617,793
Property and Equipment, net	6,962,068
<i>Total Other Assets</i>	<u>10,527,705</u>

TOTAL ASSETS \$11,610,120

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 70,673
Payroll Deductions and Withholdings	20,184
Wages Payable	68,885
Accrued Interest Payable from Restricted Assets	103,432
Unearned Grant Revenue	85,750
<i>Total Current Liabilities</i>	<u>348,924</u>

Long-term Liabilities:

Bonds Payable	11,240,000
Unamortized Debt Issuance Costs	(593,070)
<i>Total Long-term Liabilities</i>	<u>10,646,930</u>
<i>Total Liabilities</i>	<u>10,995,854</u>

Net Assets:

With Donor Restrictions	31,270
Without Donor Restrictions	582,996
<i>Total Net Assets</i>	<u>614,266</u>

TOTAL LIABILITIES AND NET ASSETS \$11,610,120

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

RÊVE PREPARATORY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE			
<i>Local Revenue</i>			
5740 Contributions and Other Local	\$ 442,097	\$ -	\$ 442,097
<i>State Program Revenue</i>			
5810 Foundation School Program	-	1,762,297	1,762,297
5820 Other State Programs	-	77,789	77,789
<i>Federal Program Revenue</i>			
5920 Passed through TEA	-	865,760	865,760
5930 Passed Through Other Agencies	-	12,891	12,891
	<u>442,097</u>	<u>2,718,737</u>	<u>3,160,834</u>
Net Assets Released from Restrictions	<u>2,937,038</u>	<u>(2,937,038)</u>	<u>-</u>
TOTAL REVENUE	<u>3,379,135</u>	<u>(218,301)</u>	<u>3,160,834</u>
EXPENSES			
11 Instruction	1,514,645	-	1,514,645
13 Curriculum Development and Instructional Student Development	192,954	-	192,954
21 Instructional Leadership	71,125	-	71,125
23 School Leadership	239,538	-	239,538
33 Health Services	55,456	-	55,456
34 Student Transportation	102,543	-	102,543
35 Food Services	121,667	-	121,667
41 General Administration	244,156	-	244,156
51 Plant Maintenance	513,173	-	513,173
52 Security and Monitoring	5,803	-	5,803
53 Data Processing	77,940	-	77,940
61 Community Service	64,174	-	64,174
71 Debt Service	107,181	-	107,181
81 Fundraising	1,948	-	1,948
TOTAL EXPENSES	<u>3,312,303</u>	<u>-</u>	<u>3,312,303</u>
CHANGE IN NET ASSETS	66,832	(218,301)	(151,469)
NET ASSETS - BEGINNING OF YEAR	<u>516,164</u>	<u>249,571</u>	<u>765,735</u>
NET ASSETS - END OF YEAR	<u>\$ 582,996</u>	<u>\$ 31,270</u>	<u>\$ 614,266</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, 2022

	Payroll and Benefits	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Debt Service	Totals
11 Instruction	\$1,039,284	\$ 305,660	\$ 120,044	\$ 49,657	\$ -	\$1,514,645
13 Curriculum and Instructional						
Student Development	165,207	13,521	2,048	12,178	-	192,954
21 Instructional Leadership	71,125	-	-	-	-	71,125
23 School Leadership	167,859	56,927	11,325	3,427	-	239,538
33 Health Services	50,770	-	4,526	160	-	55,456
34 Student Transportation	-	102,543	-	-	-	102,543
35 Food Services	19,385	-	101,831	451	-	121,667
41 General Administration	123,000	105,996	-	15,160	-	244,156
51 Plant Maintenance	33,576	423,754	12,467	43,376	-	513,173
52 Security and Monitoring	-	338	-	5,465	-	5,803
53 Data Processing	11,428	60,975	1,978	3,559	-	77,940
61 Community Service	37,323	26,493	358	-	-	64,174
71 Debt Service	-	-	-	-	107,181	107,181
81 Fundraising	-	-	-	1,948	-	1,948
TOTAL	<u>\$1,718,957</u>	<u>\$ 1,096,207</u>	<u>\$ 254,577</u>	<u>\$ 135,381</u>	<u>\$107,181</u>	<u>\$3,312,303</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, 2022

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash Received from State and Federal Grantors		\$ 2,336,486
Cash Received from Others		442,097
Cash Paid to Employees for Services		(1,694,886)
Payments to Vendors for Goods and Services		<u>(1,383,078)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		<u>(299,381)</u>
 CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of Property and Equipment		<u>(6,902,765)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		<u>(6,902,765)</u>
 CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Issuance of Bonds Payable		11,240,000
Debt Issuance Costs Paid		<u>(596,819)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		<u>10,643,181</u>
 NET INCREASE (DECREASE) IN CASH		 3,441,035
 BEGINNING CASH AND CASH EQUIVALENTS		 <u>617,531</u>
 ENDING CASH AND CASH EQUIVALENTS		
Unrestricted Cash	\$ 492,929	
Restricted Cash	<u>3,565,637</u>	<u>\$ 4,058,566</u>

RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets		\$ (151,469)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		72,773
Amortization		3,749
(Increase) Decrease in Assets:		
Grants Receivable		(468,001)
Prepaid Expenses		3,420
Increase (Decrease) in Liabilities:		
Accounts Payable		26,894
Accrued Interest		103,432
Payroll Deductions and Withholdings		3,574
Wages Payable		20,497
Deferred Grant Revenue		<u>85,750</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		<u>\$ (299,381)</u>

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

RÊVE PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022

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 and 40 years for buildings. 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, 2019.

Subsequent Events

Subsequent events were considered through October 13, 2022, which is the date the financial statements were available to be issued.

NOTE 2 -- GRANTS RECEIVABLE

Grants receivable at June 30, 2022 consisted of funding from the following programs:

<i>Texas Education Agency</i>	
Foundation School Program	\$ 280,999
ESSER	205,418
Every Student Succeeds Act	25,674
Child Nutrition	7,951
Other Programs	21,205
<i>ESC Region 4</i>	
Title III	2,453
<i>Total Grants Receivable</i>	\$ 543,700

RÊVE PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 3 -- CAPITAL ASSETS

Capital assets at June 30, 2022 were as follows:

Land	\$ 1,719,603
Buildings and Improvements	5,164,011
Furniture and Equipment	229,754
Less: Accumulated Depreciation	<u>(151,300)</u>
Property and Equipment - Net	<u><u>\$ 6,962,068</u></u>

Land are not depreciated. 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 \$72,773 for the year ended June 30, 2022.

NOTE 4 -- BONDS PAYABLE

In April 2022, Rêve issued bonds through the Arlington Higher Education Finance Corporation for \$11,240,000 to purchase and expand a school facility. The bonds bear interest between 5.3% and 5.5% and mature serially through April 1, 2062. The bonds have certain restrictive covenants, including a debt reserve equal to half of the maximum annual debt service, a debt service coverage ratio of 1.1 to 1.0 (beginning with the year ending June 30, 2023), and 40 days cash on hand (beginning with the year ending June 20, 2023). Future minimum debt service requirements on the bonds as of June 30, 2022 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 556,939	\$ 556,939
2024	-	596,720	596,720
2025	-	596,720	596,720
2026	100,000	596,720	696,720
2027	110,000	591,220	701,220
2028-2032	635,000	2,860,125	3,495,125
2033-2037	830,000	2,671,465	3,501,465
2038-2042	1,075,000	2,426,075	3,501,075
2043-2047	1,385,000	2,110,195	3,495,195
2048-2052	1,785,000	1,703,420	3,488,420
2053-2057	2,315,000	1,177,395	3,492,395
2058-2062	3,005,000	494,225	3,499,225
	<u><u>\$ 11,240,000</u></u>	<u><u>\$ 16,381,219</u></u>	<u><u>\$ 27,621,219</u></u>

RÊVE PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 5 -- NET ASSETS WITH RESTRICTIONS

As of June 30, 2022, Rêve’s net assets with donor restrictions consisted of the following:

Child Nutrition Program	\$ 30,034
Other Federal Programs	<u>1,236</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 31,270</u></u>

NOTE 6 -- NET ASSETS RELEASED FROM RESTRICTIONS

Releases of net assets with donor restrictions during the year ending June 30, 2022 were as follows:

Foundation School Program	\$ 2,011,868
Every Student Succeeds Act	38,279
ESSER	645,219
Child Nutrition	121,631
Special Education	30,098
Other Programs	<u>89,943</u>
Total Released from Restriction	<u><u>\$ 2,937,038</u></u>

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, 2021 reported a plan net position of \$202 billion with a total pension liability of \$227 billion. Net position of the plan represented 89% of the total pension liability.

RÊVE PREPARATORY, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 2022

NOTE 7 -- PENSION PLAN OBLIGATION (CONT.)

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 2022	8.00%	7.75%	1.70%
July - August 2021	7.70%	7.50%	1.60%
<i>Amounts</i>			
Fiscal Year 2021 - 2022	\$118,194	\$114,500	\$ 85,791

Rêve is required to contribute 1.7% 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.

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, 2021 reported a plan net position of \$2.5 billion with a total OPEB liability of \$41 billion. Net position of the plan represented 6% 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 2022	0.65%	1.25%	0.75%
July - August 2021	0.65%	1.25%	0.75%
<i>Amounts</i>			
Fiscal Year 2021 - 2022	\$ 9,649	\$ 18,556	\$ 14,185

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

RÊVE PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2022

NOTE 9 -- 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.

NOTE 10 -- 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>	
Unrestricted Cash and Cash Equivalents	\$ 492,929
Grants Receivable	543,700
Other Receivables	1,132
Prepaid Expenses	44,654
<i>Total Current Assets</i>	1,082,415
 <i>Less Current Liabilities:</i>	
Accounts Payable	70,673
Payroll Deductions and Withholdings	20,184
Wages Payable	68,885
Unearned Grant Revenue	85,750
<i>Total Current Liabilities</i>	245,492
 <i>Less Net Assets with Restrictions</i>	 31,270
 <i>Available to Fund Operations</i>	 \$ 805,653

This represents almost three months of operating costs. In addition, an estimated FSP allotment of \$2.6 million will be available to fund the 2023 fiscal year. The Organization had over 50 days of cash as of June 30, 2022.

NOTE 11 -- LITIGATION

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

SUPPLEMENTARY INFORMATION

RÊVE PREPARATORY, INC.
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

EXPENSES	
6100 Payroll	\$ 1,718,957
6200 Professional and Contracted Services	1,096,207
6300 Supplies and Materials	254,577
6400 Other Operating Costs	135,381
6500 Debt Service	<u>107,181</u>
Total Expenses	<u><u>\$ 3,312,303</u></u>

RÊVE PREPARATORY, INC.
SCHEDULE OF CAPITAL ASSETS
JUNE 30, 2022

	<u>Local</u>	<u>State</u>	<u>Federal</u>
1110 Cash	\$ 325,610	\$ 3,732,956	\$ -
1510 Land and Improvements	-	1,719,603	-
1520 Buildings & Improvements	28,593	5,135,418	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	37,435	192,319
1549 Textbooks	-	-	-
Total Property and Equipment	<u>\$ 354,203</u>	<u>\$ 10,625,412</u>	<u>\$ 192,319</u>

See Independent Auditor's Report.

RÊVE PREPARATORY, INC.
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
<i>Local Revenue</i>				
5740 Donations and Other Local	\$ 242,000	\$ 504,300	\$ 442,097	\$ (62,203)
<i>State Programs</i>				
5810 Foundation School Program	2,122,051	1,891,943	1,762,297	(129,646)
5820 Other State Programs	-	-	77,789	77,789
<i>Federal Programs</i>				
5920 Passed Through TEA	375,826	784,617	865,760	81,143
5930 Passed Through State Agencies	-	-	12,891	12,891
TOTAL REVENUE	<u>2,739,877</u>	<u>3,180,860</u>	<u>3,160,834</u>	<u>(20,026)</u>
EXPENSES				
11 Instruction	1,137,845	1,513,652	1,514,645	(993)
13 Curriculum Development and Instructional Student Development	57,050	185,850	192,954	(7,104)
21 Instructional Leadership	177,095	78,000	71,125	6,875
23 School Leadership	256,793	253,000	239,538	13,462
33 Health Services	830	56,010	55,456	554
34 Student Transportation	75,000	101,000	102,543	(1,543)
35 Food Services	78,255	133,000	121,667	11,333
41 General Administration	122,681	260,000	244,156	15,844
51 Plant Maintenance	120,000	346,066	513,173	(167,107)
52 Security and Monitoring	-	6,300	5,803	497
53 Data Processing Services	98,500	72,279	77,940	(5,661)
61 Community Service	2,800	67,950	64,174	3,776
71 Debt Service	-	86,500	107,181	(20,681)
81 Fundraising	-	2,000	1,948	52
TOTAL EXPENSES	<u>2,126,849</u>	<u>3,161,607</u>	<u>3,312,303</u>	<u>(150,696)</u>
 CHANGE IN NET ASSETS	 613,028	 19,253	 (151,469)	 (170,722)
 BEGINNING NET ASSETS	 <u>765,735</u>	 <u>765,735</u>	 <u>765,735</u>	 <u>-</u>
ENDING NET ASSETS	<u>\$ 1,378,763</u>	<u>\$ 784,988</u>	<u>\$ 614,266</u>	<u>\$ (170,722)</u>

See Independent Auditor's Report.

RÊVE PREPARATORY, INC.
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022

BUDGETARY AMENDMENTS

The School begins the year budgeting expected revenue streams, primarily the foundation school program and child nutrition. As grants are awarded, revenue and related expenses are added to the budget through amendments. This resulted in the following function's budgets increasing more than 10%:

- 11 Instruction
- 13 Curriculum Development and Instructional Student Development
- 33 Health Services
- 41 General Administration
- 52 Security and Monitoring
- 61 Community Service
- 81 Fundraising

During the year, the school signed a lease for a building and then ended up issuing bonds to purchase that building. This increased costs in the following functions, requiring budget amendments:

- 51 Plant Maintenance
- 71 Debt Service

The School originally budgeted to add positions in instruction leadership (function 21) but later redesigned the position into curriculum. This required a reduction in function 21's budget.

Similarly, data processing expenditures (function 53) were less than expected. The School decided to move the budget to other functions.

BUDGETARY OVERRAGES

The following functional expenses exceeded the amended budget by more than 10%:

- 51 Plant Maintenance – The budget underestimated the costs of moving schools, lease termination and depreciation.
- 71 Debt Service – Bonds were issued late in the year and the amount of interest that would accrue by year end was underestimated.

RÊVE PREPARATORY, INC.
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
FOR THE YEAR ENDED JUNE 30, 2022

Not Applicable.

RÊVE PREPARATORY, INC.
SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 2022

Not Applicable.

RÊVE PREPARATORY, INC.
 SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
 FOR THE YEAR ENDED JUNE 30, 2022

Description	Address	Total Assessed Value			
			Local	State	Federal
Campus Location	12707 Cullen Blvd Houston Texas	\$2,734,300	\$ -	\$2,734,300	\$ -
Future Building Land	0 Cullen Blvd Houston Texas	\$ 234,159	\$ -	\$ 234,159	\$ -

See Independent Auditor's Report.

RÊVE PREPARATORY, INC.
SCHEDULE OF BONDED DEBT COVENANTS
FOR THE YEAR ENDED JUNE 30, 2022

Days Cash on Hand

Total Expenses	\$ 3,312,303
Unrestricted Cash	\$ 492,929
Days Cash on Hand	<u>54</u>

RÊVE PREPARATORY, INC.
SPECIAL PROGRAM COMPLIANCE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022

<u>Data Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 222,375
AP4	List the actual direct program expenditures for state compensatory education during the LEA's fiscal year (PICs 24, 26, 28, 29, 30, 34)	\$ 219,629
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 23,181
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 26,737

**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, 2022, 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 13, 2022.

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.

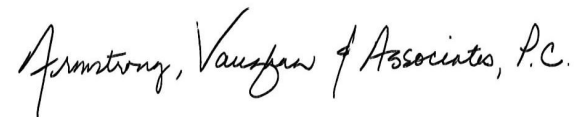
Compliance and Other Matters

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 13, 2022.

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 13, 2022



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rêve Preparatory, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Rêve Preparatory, Inc.'s major federal programs for the year ended June 30, 2022. Rêve Preparatory, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Rêve Preparatory, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Rêve Preparatory, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Rêve Preparatory, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Rêve Preparatory, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Rêve Preparatory, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Rêve Preparatory, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Rêve Preparatory, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Rêve Preparatory, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Rêve Preparatory, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

October 13, 2022

RÊVE PREPARATORY, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2022

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Any material weaknesses identified? Yes No

Any significant deficiencies identified? Yes No

Noncompliance material to financial Statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Any material weaknesses identified? Yes No

Any significant deficiencies identified? Yes No

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 2 CFR 200.516(a)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D, 84.425U	Elementary and Secondary School Emergency Relief

Dollar threshold used to distinguish between Type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. Prior Audit Findings Related to Federal Awards

NONE

RÊVE PREPARATORY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Texas Education Agency</i>			
Title I Part A Improving Basic Instruction	84.010A	2261010110876	\$ 38,279
IDEA B Formula	84.027A	226600011018766000	30,098
Title II	84.367A	20694501101876	2,660
Title IV Part A Subpart 1	84.424A	22680101101876	7,102
<i>Elementary and Secondary School Emergency Relief</i>			
Texas COVID Learning Acceleration Supports	84.425U	21528042101876	183,066
TCLAS High-Quality After School	84.425U	215280587110120	154,499
CRSSA	84.425D	21521001101876	108,225
American Rescue Plan	84.425U	21528001101876	200,181
<i>Total Passed Through Texas Education Agency</i>			<u>724,110</u>
<i>Passed Through Education Service Center Region 4</i>			
Title III Part A	84.365A		4,639
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>728,749</u>
 U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Department of Agriculture</i>			
School Breakfast Program*	10.553	71402201	50,683
National School Lunch Program*	10.555	71302201	86,328
Supply Chain Assistance*	10.555		12,891
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>149,902</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 878,651</u>
 <i>Cluster Totals</i>			
Child Nutrition*			\$ 149,902
 <i>Program Totals</i>			
Elementary and Secondary School Emergency Relief	84.425		\$ 645,971

RÊVE PREPARATORY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

For all Federal programs, Rêve follows generally accepted accounting principles. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenue until earned. Once costs are incurred on reimbursement grants, a receivable from the granting agency is recorded. Grant revenues are also considered earned upon the purchase of a capital asset.

Rêve charges indirect costs to federal programs based on a rate calculated by the Texas Education Agency and has not elected to use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.