



REACH Network

Financial Statements

June 30, 2021 and 2020

(With Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
REACH Network

We have audited the accompanying statements of financial position of REACH Network as of June 30, 2021 and 2020 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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

Independent Auditors' Report

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 REACH Network at June 30, 2021 and 2020 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.



Midland, Texas
December 28, 2021

REACH Network
 Statements of Financial Position
 June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash	\$ 14,522	-
Accounts receivable	618	-
Prepaid expenses	<u>954</u>	<u>954</u>
Total assets	\$ <u>16,094</u>	<u>954</u>
 <u>Liabilities and Net Assets</u>		
Accrued liabilities	\$ <u>1,425</u>	<u>-</u>
Total liabilities	<u>1,425</u>	<u>-</u>
Net assets:		
Without donor restrictions:		
Undesignated	<u>14,669</u>	<u>954</u>
	<u>14,669</u>	<u>954</u>
With donor restrictions:		
Total net assets	<u>-</u>	<u>-</u>
	<u>14,669</u>	<u>954</u>
Total liabilities and net assets	\$ <u>16,094</u>	<u>954</u>

See accompanying notes to financial statements

REACH Network

Statements of Activities

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in net assets without donor restrictions:		
Revenue and support:		
State program revenue	\$ <u>160,000</u>	<u>128,995</u>
Total revenue and support before net assets released from restriction	160,000	128,995
Net assets released from restriction:		
Satisfaction as to purpose	<u>-</u>	<u>-</u>
Total revenue and support	<u>160,000</u>	<u>128,995</u>
Expenses:		
Program services	123,889	113,447
General and administrative	<u>22,396</u>	<u>14,594</u>
Total expenses	<u>146,285</u>	<u>128,041</u>
Increase (decrease) in net assets	13,715	954
Net assets without donor restrictions:		
Beginning of period	<u>954</u>	<u>-</u>
End of period	\$ <u><u>14,669</u></u>	<u><u>954</u></u>

See accompanying notes to financial statements

REACH Network

Statements of Functional Expenses

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>			<u>2020</u>		
	<u>Program Services</u>	<u>Management And General</u>	<u>Totals</u>	<u>Program Services</u>	<u>Management And General</u>	<u>Totals</u>
<u>Personnel costs:</u>						
Salaries and wages	\$ 113,773	12,641	126,414	104,082	11,565	115,647
Payroll taxes	1,520	169	1,689	1,509	168	1,677
Benefits	<u>6,122</u>	<u>680</u>	<u>6,802</u>	<u>5,360</u>	<u>596</u>	<u>5,956</u>
Total personnel costs	<u>121,415</u>	<u>13,490</u>	<u>134,905</u>	<u>110,951</u>	<u>12,329</u>	<u>123,280</u>
<u>Operating costs:</u>						
Advertising	-	-	-	-	1,750	1,750
Professional fees	-	8,100	8,100	750	-	750
Insurance	1,142	202	1,344	332	59	391
Office supplies	<u>1,332</u>	<u>604</u>	<u>1,936</u>	<u>1,414</u>	<u>456</u>	<u>1,870</u>
Total operating costs	<u>2,474</u>	<u>8,906</u>	<u>11,380</u>	<u>2,496</u>	<u>2,265</u>	<u>4,761</u>
Total expenses	\$ <u>123,889</u>	<u>22,396</u>	<u>146,285</u>	<u>113,447</u>	<u>14,594</u>	<u>128,041</u>

See accompanying notes to financial statements

REACH Network

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 13,715	954
Add items not requiring cash:		
(Increase) decrease in accounts receivable	(618)	-
(Increase) decrease in prepaid expenses	-	(954)
Increase (decrease) in accrued liabilities	<u>1,425</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>14,522</u>	<u>-</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	<u>14,522</u>	<u>-</u>
Cash and equivalents, beginning of period	<u>-</u>	<u>-</u>
Cash and equivalents, end of period	\$ <u>14,522</u>	<u>-</u>

See accompanying notes to financial statement

REACH Network

Notes to Financial Statements

June 30, 2021 and 2020

(1) Summary of Significant Accounting Policies

Organization

REACH Network, (the Organization) is a non-profit organization created via Texas Senate Bill 1882 to partner with Midland Independent School District (MISD) to provide services to operate an in-district charter elementary school and an in-district charter junior high school.

During 2021 and 2020, the Organization's record keeping was maintained by MISD including accounting for revenues and expenses.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis. Revenues are recognized when earned or contributed and expenses are recognized when incurred.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by donors, as follows:

Net assets without donor restrictions:

- * Net assets without donor restrictions are resources representing the portion of expendable funds that is available for support of operations.

Net assets with donor restrictions:

- * Net assets with donor restrictions represents resources received for use for designated purposes or for use in future periods.

REACH Network

Notes to Financial Statements

June 30, 2021 and 2020

(1) **Summary of Significant Accounting Policies, continued**

Income Taxes

The Organization is a charitable organization as defined under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii). As such, it is exempt from Federal income taxes on all income except income earned from unrelated business activities. There was no unrelated business income during the years ended June 30, 2021 and 2020. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the year ended 2021 is subject to examination by the IRS, generally for three years after it is filed.

The Organization adheres to accounting standards for uncertain income tax positions, which would require additional disclosure. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include any uncertain tax positions.

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.

Revenue and Revenue Recognition

The Organization receives funding as established under Texas Senate Bill 1882 in partnership with MISD to operate two in-district charter schools. Revenue is recognized as expenses are incurred related to the Organization's activities.

REACH Network

Notes to Financial Statements

June 30, 2021 and 2020

(1) **Summary of Significant Accounting Policies, continued**

Revenue and Revenue Recognition, continued

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional and non-reciprocal. Conditional promises to give, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met. The Organization had no conditional promises to give at June 30, 2021 and 2020.

The Organization reports gifts of cash or other assets, received with donor stipulations that limit the use of the donated gift, as support without donor restriction if the donor restrictions are satisfied within the same fiscal year the gift is received. If the donor restrictions are not fully satisfied by June 30 of the year in which the gift is received, the entire value of the gift is recorded as net assets with donor restriction and only that portion expended for its intended purpose or satisfying a time restriction is reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

The Organization reports in-kind gifts as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as donor restricted support. Absent explicit donor stipulations about how long those long lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or the gifts of cash are expended for the purpose intended.

REACH Network

Notes to Financial Statements

June 30, 2021 and 2020

(1) Summary of Significant Accounting Policies, continued

Cash, Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, the Organization considers demand deposits, money market accounts and other highly liquid financial instruments available for current use with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents, except for account balances donor restricted or board designated for capital improvements or future operations, which are classified as such, since use of such funds is donor restricted or board designated and not available for the Organization's use in current operations.

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of non professional volunteer services donated to the Organization is not clearly measurable and, accordingly, is not included as revenues and expenses in the accompanying financial statements. Donated professional computer, legal and accounting fees are recognized in the financial statements in accordance with U.S. generally accepted accounting principles when incurred.

Reclassification

Certain 2020 amounts may have been reclassified to conform to the presentation adopted in 2021.

REACH Network

Notes to Financial Statements

June 30, 2021 and 2020

(2) Information Regarding Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit and money market funds.

The following table reflects the Organization's financial assets as of June 30, 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations, if any. Amounts not available include any board-designated funds for future use. In the event the need arises to utilize any board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with board designations or donor restrictions at June 30, 2021.

	<u>2021</u>
Cash	\$ <u>14,522</u>
Total financial assets	14,522
Donor restricted net assets	-
Board-designated reserves	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>14,522</u>

REACH Network

Notes to Financial Statements

June 30, 2021 and 2020

(3) Contingencies and Concentration

The Organization does not record an estimate for accrued vacation earned by employees because accurate information is not available. Management believes the effect of such an accrual would not be material to the financial position or results of operations for the years ended June 30, 2021 and 2020.

(4) Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include insurance which is allocated on a utilization basis, as well as salaries and wages, benefits, payroll taxes, and office supplies, which are allocated on the basis of estimates of time and effort.

(5) Subsequent Events

Subsequent events have been evaluated by management through December 28, 2021, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

