

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE

***DBA SAN ANTONIO SCHOOL FOR
INQUIRY AND CREATIVITY***

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2015

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**DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 52-2169554
BEXAR COUNTY DISTRICT NUMBER 015-820**

CERTIFICATE OF BOARD

We, the undersigned, certify that the attached Financial and Compliance Report of Democratic Schools Research Institute dba San Antonio School for Inquiry and Creativity was reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2015, at a meeting of the governing body of the charter holder on the _____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

SHAREHOLDERS:
Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Democratic Schools Research Institute
dba San Antonio School for Inquiry and Creativity
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Democratic Schools Research Institute dba San Antonio School for Inquiry and Creativity, which comprise the statement of financial position as of August 31, 2015, and the related statements of activities 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Antonio School for Inquiry and Creativity as of August 31, 2015, 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.

Other Matter

Other Information

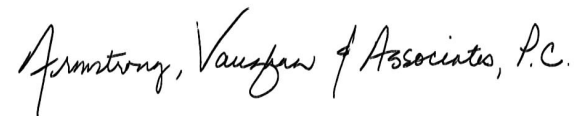
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived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

Report on Summarized Comparative Information

We have previously audited the San Antonio School for Inquiry and Creativity's August 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 31, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2016 on our consideration of San Antonio School for Inquiry and Creativity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Antonio School for Inquiry and Creativity's internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.

January 20, 2016

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
 DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
 STATEMENT OF FINANCIAL POSITION
 AUGUST 31, 2015
 (with summarized financial information at August 31, 2014)

ASSETS	<u>2015</u>	<u>2014</u>
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 1,115,162	\$ 1,098,551
Certificates of Deposit	253,054	301,850
Due from Texas Education Agency	275,929	80,094
Prepaid Expenses	52,317	56,629
Security Deposits	32,080	32,080
<i>Total Current Assets</i>	<u>1,728,542</u>	<u>1,569,204</u>
 <i>Property and Equipment, net</i>	 <u>169,599</u>	 <u>233,397</u>
 TOTAL ASSETS	 <u><u>\$ 1,898,141</u></u>	 <u><u>\$ 1,802,601</u></u>
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 36,818	\$ 72,803
Accrued Liabilities	47,166	47,913
<i>Total Current Liabilities</i>	<u>83,984</u>	<u>120,716</u>
 <i>Net Assets:</i>		
Unrestricted	213,577	244,554
Temporarily Restricted	1,600,580	1,437,331
<i>Total Net Assets</i>	<u>1,814,157</u>	<u>1,681,885</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,898,141</u></u>	 <u><u>\$ 1,802,601</u></u>

The accompanying notes are an integral part of this financial statement.

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015
(with summarized financial information for the year ended August 31, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Totals	
REVENUE				
5740 Other Local Revenues	\$ 1,972	\$ -	\$ 1,972	\$ 2,335
5750 Food Service, Enterprising	1,111	-	1,111	19,090
5760 Intermediate Sources	6,076	-	6,076	2,062
5810 State Foundation School Program	-	4,018,541	4,018,541	3,679,488
5820 Other State Revenue	-	32,644	32,644	50,879
5920 Federal Revenues	-	453,466	453,466	429,623
	<u>9,159</u>	<u>4,504,651</u>	<u>4,513,810</u>	<u>4,183,477</u>
Net Assets Released from Restrictions	4,341,402	(4,341,402)	-	-
TOTAL REVENUE	<u>4,350,561</u>	<u>163,249</u>	<u>4,513,810</u>	<u>4,183,477</u>
EXPENSES				
11 Instruction	1,938,149	-	1,938,149	1,890,639
12 Instructional Resources	10,914	-	10,914	16,843
13 Curriculum and Instructional Staff Development	26,079	-	26,079	25,294
21 Instructional Leadership	1,215	-	1,215	667
23 School Leadership	527,411	-	527,411	574,381
31 Guidance, Counseling and Evaluation Services	103,297	-	103,297	74,224
33 Health Services	21,374	-	21,374	24,306
35 Food Services	275,862	-	275,862	217,793
36 Extracurricular Activities	22,491	-	22,491	21,379
41 General Administration	303,810	-	303,810	216,313
51 Plant Maintenance	985,079	-	985,079	918,109
52 Security and Monitoring	11,759	-	11,759	7,305
53 Data Processing	113,962	-	113,962	154,603
81 Fundraising	40,136	-	40,136	24,400
TOTAL EXPENSES	<u>4,381,538</u>	<u>-</u>	<u>4,381,538</u>	<u>4,166,256</u>
CHANGE IN NET ASSETS	(30,977)	163,249	132,272	17,221
NET ASSETS - BEGINNING OF YEAR	<u>244,554</u>	<u>1,437,331</u>	<u>1,681,885</u>	<u>1,664,664</u>
NET ASSETS - END OF YEAR	<u>\$ 213,577</u>	<u>\$ 1,600,580</u>	<u>\$ 1,814,157</u>	<u>\$ 1,681,885</u>

The accompanying notes are an integral part of this financial statement.

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
 DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED AUGUST 31, 2015
 (with summarized financial information for the year ended August 31, 2014)

	2015	2014
CASH FLOWS PROVIDED (USED)		
BY OPERATING ACTIVITIES		
Payments Received from State and Federal Agencies	\$ 4,308,816	\$ 4,476,907
Payments Received from Local Sources	9,158	23,487
Cash paid to Suppliers for Goods and Services	(1,889,746)	(1,654,902)
Cash paid to Employees for Services	(2,447,418)	(2,359,536)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(19,190)	485,956
CASH FLOWS PROVIDED (USED)		
BY INVESTING ACTIVITIES		
Maturity (Purchase) of Certificates of Deposit	48,796	(30,999)
Purchase of Property and Equipment	(12,995)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	35,801	(30,999)
NET INCREASE (DECREASE) IN CASH	16,611	454,957
CASH AT BEGINNING YEAR	1,098,551	643,594
CASH AT END OF YEAR	\$ 1,115,162	\$ 1,098,551
RECONCILIATION OF CHANGE IN NET ASSETS TO NET		
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 132,272	\$ 17,221
Adjustments:		
Depreciation	76,792	112,305
(Increase) Decrease in Current Assets:		
Due from Texas Education Agency	(195,835)	316,918
Prepaid Expenses	4,312	2,828
Increase (Decrease) in Liabilities:		
Accounts Payable	(35,984)	29,755
Accrued Liabilities	(747)	6,929
NET CASH PROVIDED (REQUIRED) BY		
OPERATING ACTIVITIES	\$ (19,190)	\$ 485,956

The accompanying notes are an integral part of this financial statement.

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of Democratic Schools Research Institute dba San Antonio School for Inquiry and Creativity (the Corporation) 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.

Reporting Entity

The corporation is a not-for-profit organization incorporated in the State of Texas in 1998 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporation is governed by a Board of Directors comprised of three members. The Board of Directors is selected pursuant to the bylaws of the corporation and has the authority to make decisions, appoint the chief executive officer of the Corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Corporation.

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

Corporate Operations

In May 1998, the State Board of Education of the State of Texas granted the Corporation an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract of Charter, San Antonio School for Inquiry and Creativity was opened. San Antonio School for Inquiry and Creativity was organized to provide educational services to students in grades Kindergarten through 12 and the Corporation's Board of Directors governs their programs, services, activities and functions.

Basis of Accounting and Presentation

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:

Unrestricted Net Assets – net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Corporation and/or passage of time.

Permanently Restricted Net Assets – net assets required to be maintained in perpetuity with only the income to be used for the charter school's activities due to donor-imposed restrictions.

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2015

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

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.

Contributions

The Corporation accounts for contributions as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

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

Capital Assets

Capital assets, which include leasehold improvements, playgrounds, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the Corporation as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over their estimated useful lives using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

Income Taxes

The Corporation 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 it has unrelated business income. As such, no provision for income taxes has been made in the financial statements. The Corporation generally is no longer subject to income tax examination by Federal authorities for years prior to August 31, 2012.

Reclassifications

Certain amounts for the year ended August 31, 2014, have been reclassified for comparative purposes to conform to the presentation used in the August 31, 2015 financial statements. The reclassifications have no effect on net assets for the year ended August 31, 2014.

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
 DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 AUGUST 31, 2015

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

Subsequent Events

Subsequent events were considered through January 20, 2016, which is the date the financial statements were available to be issued.

NOTE 2 -- CASH AND CASH EQUIVALENTS

The Corporation has deposits at various banking institutions. As of August 31, 2015 all deposits were fully covered by a combination of FDIC insurance and pledged collateral.

NOTE 3 -- DUE FROM THE TEXAS EDUCATION AGENCY

Amounts due from the Texas Education Agency at August 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Foundation School Program Accrual	\$ 175,885	\$ 70,561
Federal Revenue Due from TEA	100,044	9,533
Total Due from the State	<u>\$ 275,929</u>	<u>\$ 80,094</u>

This accrual for the Foundation School Program is based on settle-up payments received after year end and a calculated portion of the subsequent school year's funding related to the days of instruction held in August.

NOTE 4 -- CAPITAL ASSETS

Capital assets at August 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Buildings and Improvements	\$ 152,263	\$ 146,008
Equipment, Furniture & Fixtures	217,788	487,407
Vehicles	47,407	47,407
Total Property and Equipment	417,458	680,822
Less: Accumulated Depreciation	<u>(247,859)</u>	<u>(447,425)</u>
Property and Equipment - Net	<u>\$ 169,599</u>	<u>\$ 233,397</u>

Capital assets acquired with public funds received by the Corporation for the operation of San Antonio School for Inquiry and Creativity constitute public property pursuant to Charter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets in the Supplementary Information. Depreciation expense for the year ending August 31, 2015 was \$76,792.

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2015

NOTE 5 -- PENSION PLAN OBLIGATIONS

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. 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.

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.

As of August 31, 2014, the Plan reported assets of \$128 billion and an actuarially accrued liability of \$160 billion. The plan was 80.2% funded.

For the 2015 fiscal year, the Charter's plan members were required to contribute 6.7% of their annual covered salary and the State of Texas contributes an amount equal to 6.8% of the charter school's covered payroll. Charter employees' contributions to the System for the year ending August 31, 2015 and 2014, were \$152,838 and \$140,836, respectively. The Charter is required to contribute in certain circumstances such as salaries funded through certain private and federal grants, new members, and covered payroll in excess of certain State determined caps. In addition, the Charter is required to contribute 1.5% of all covered salaries to TRS because the Charter does not participate in social security. The Charter's contributions for the years ending August 31, 2015 and 2014, were \$56,011 and \$28,094, respectively.

NOTE 6 -- RETIREE HEALTH PLAN

The Corporation contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost sharing multiple-employer defined benefit post-employment health care plan administered by the System. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the System. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The System issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-2263-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
 DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 AUGUST 31, 2015

NOTE 6 -- RETIREE HEALTH PLAN (CONT.)

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature, Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. However, the school is responsible for contributing the State portion for employees funded from private or federal grants. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below:

Year ending August 31,	Active Member		State		Corporation	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
2015	0.65%	\$ 14,827	1.00%	\$ 22,811	0.55-1.55%	\$ 15,041
2014	0.65%	14,113	1.00%	21,712	0.55-1.55%	11,207

NOTE 7 -- HEALTH CARE COVERAGE

During the year ended August 31, 2015, employees of Corporation were covered by TRS Active Care health insurance (the Plan). The Corporation contributed \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents.

NOTE 8 -- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of August 31, 2015 and August 31, 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Foundation School Program	<u>\$ 1,600,580</u>	<u>\$ 1,437,331</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,600,580</u>	<u>\$ 1,437,331</u>

NOTE 9 -- CHARTER HOLDER OPERATIONS

Democratic Schools Research Institute is the Charter Holder. The Charter Holder operates only a single charter school named San Antonio School for Inquiry and Creativity and does not conduct any other charter or non-charter activities.

NOTE 10 -- LITIGATION

The Corporation is subject to various claims and litigation that have arisen in the course of its operations. Management and legal counsel are of the opinion that the Corporation's liability in these cases, if decided adversely to the Corporation, will not have a material effect on the Corporation's financial position.

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
 DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 AUGUST 31, 2015

NOTE 11 -- COMMITMENTS AND CONTINGENCIES

The charter school receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency 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.

The charter school rents various facilities under operating leases and building use agreements. Estimated future minimum rental payments are as follows:

Fiscal year ending August 31,	Minimum Lease Payments
2016	\$ 554,001
2017	529,001
2018	299,667
2019	204,000
2020	204,500
2021-2022	402,500
	<u>\$ 2,193,669</u>

SUPPLEMENTARY INFORMATION

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
 DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
 SCHEDULE OF EXPENSES
 FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

EXPENSES	2015	2014
6100 Payroll	<u>\$ 2,446,671</u>	<u>\$ 2,366,465</u>
6200 Professional and Contracted Services	1,547,680	1,277,076
6300 Supplies and Materials	165,059	206,602
6400 Other Operating Costs	<u>222,128</u>	<u>316,113</u>
Total Expenses	<u>\$ 4,381,538</u>	<u>\$ 4,166,256</u>

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
 DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
 SCHEDULE OF CAPITAL ASSETS
 AUGUST 31, 2015

	Local	State	Federal
1510 Land and Improvements	\$ -	\$ -	\$ -
1520 Building Improvements	-	152,263	-
1531 Vehicles	-	47,407	-
1539 Furniture and Equipment	-	212,288	5,500
Total Capital Assets	\$ -	\$ 411,958	\$ 5,500

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
 DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2015

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE				
5740 Other Local Revenues	\$ 36,168	\$ 36,168	\$ 1,972	\$ (34,196)
5750 Food Service, Enterprising	38,000	38,000	1,111	(36,889)
5760 Intermediate Sources	-	-	6,076	6,076
5810 State Foundation School Program	3,840,528	3,840,528	4,018,541	178,013
5820 Other State Revenue	-	-	32,644	32,644
5920 Federal Revenues	410,752	410,752	453,466	42,714
TOTAL REVENUE	<u>4,325,448</u>	<u>4,325,448</u>	<u>4,513,810</u>	<u>188,362</u>
EXPENSES				
11 Instruction	2,032,027	2,032,027	1,938,149	93,878
12 Instructional Resources	20,000	20,000	10,914	9,086
13 Curriculum and Instructional Staff Development	12,960	12,960	26,079	(13,119)
21 Instructional Leadership	-	-	1,215	(1,215)
23 School Leadership	479,000	479,000	527,411	(48,411)
31 Guidance, Counseling and Evaluation Services	74,734	74,734	103,297	(28,563)
33 Health Services	20,500	20,500	21,374	(874)
34 Transportation	750	750	-	750
35 Food Services	213,176	213,176	275,862	(62,686)
36 Extracurricular Activities	39,000	39,000	22,491	16,509
41 General Administration	222,500	222,500	303,810	(81,310)
51 Plant Maintenance	1,000,500	1,000,500	985,079	15,421
52 Security and Monitoring	10,000	10,000	11,759	(1,759)
53 Data Processing	101,695	101,695	113,962	(12,267)
61 Community Service	7,000	7,000	-	7,000
81 Fundraising	-	-	40,136	(40,136)
TOTAL EXPENSES	<u>4,233,842</u>	<u>4,233,842</u>	<u>4,381,538</u>	<u>(147,696)</u>
CHANGE IN NET ASSETS	<u>\$ 91,606</u>	<u>\$ 91,606</u>	<u>\$ 132,272</u>	<u>\$ 40,666</u>

DEMOCRATIC SCHOOLS RESEARCH INSTITUTE
DBA SAN ANTONIO SCHOOL FOR INQUIRY AND CREATIVITY
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2015

VARIANCES BETWEEN FINAL BUDGET AND ACTUAL EXPENSES

Functions 13, 23, 31, 41 and 53 incurred additional costs because of turnover in key management positions. Additional consultants were hired to assist in the transition.

Function 35 exceeded the budget as the School hired a new food service vendor that provided higher quality food and garnered higher participation levels than expected.

Function 81 exceeded the budget as costs related to marketing the School were not budgeted in function 81. During the financial reporting process, function 81 was identified as a more appropriate function code.

**COMPLIANCE AND
INTERNAL CONTROL**



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
Democratic Schools Research Institute
dba San Antonio School for Inquiry and Creativity
San Antonio, 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 financial statements of San Antonio School for Inquiry and Creativity, which comprise the statement of financial position as of August 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Antonio School for Inquiry and Creativity'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 San Antonio School for Inquiry and Creativity's internal control. Accordingly, we do not express an opinion on the effectiveness of San Antonio School for Inquiry and Creativity'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.

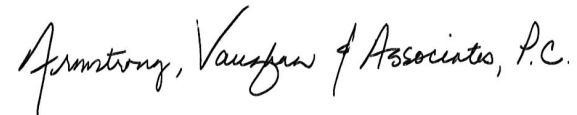
Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Antonio School for Inquiry and Creativity'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 San Antonio School for Inquiry and Creativity in a separate letter dated January 20, 2016.

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.

January 20, 2016