

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

**SAN ANTONIO FOUNDATION
FOR EXCELLENCE IN EDUCATION, INC.**
San Antonio, Texas

REPORT ON THE CONDUCT OF AUDIT

Year Ended December 31, 2017

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
San Antonio Foundation for Excellence in Education, Inc.
San Antonio, Texas

We have audited the financial statements of the San Antonio Foundation for Excellence in Education, Inc. (the Foundation), a nonprofit organization, for the year ended December 31, 2017 and have issued our report thereon dated May 18, 2018. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, and that we also communicate to you other information related to our audit. Our responsibilities and other information is provided in Parts I through IX of this report.

This report does not affect our report dated May 18, 2018, on the Foundation's financial statements.

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

We would like to take this opportunity to acknowledge the courtesy and assistance extended by personnel of the Foundation during the course of our audit.



May 18, 2018

SAN ANTONIO FOUNDATION FOR EXCELLENCE IN EDUCATION, INC.
San Antonio, Texas

REPORT ON THE CONDUCT OF AUDIT

Year Ended December 31, 2017

	PAGE
I. Our Responsibilities Under U.S. Generally Accepted Auditing Standards.....	1
II. Qualitative Aspects of Accounting Practices.....	1
III. Difficulties Encountered in Performing the Audit.....	2
IV. Corrected and Uncorrected Audit Differences	2
V. Disagreements with Management.....	2
VI. Management Representations	2
VII. Management Consultations with Other Independent Accountants.....	2
VIII. Other Issues	3
IX. Internal Control and Other Matters.....	3

I. Our Responsibilities Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 15, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

As part of our audit we considered the Foundation's internal control. Such considerations were solely for the purpose of determining our auditing procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

II. Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted by the Foundation and the application of existing policies was not changed during the year ended December 31, 2017. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The financial statement disclosures, as included in the financial statements, are neutral, consistent, and clear.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Foundation's financial statements is the fair value measurement of investments, which is based on information provided by a financial institution. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

III. Difficulties Encountered in Performing the Audit

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

IV. Corrected and Uncorrected Audit Differences

Professional standards require us to accumulate all known and likely audit differences identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following audit differences detected, as a result of audit procedures performed, included adjustments to record pledges receivable, related discounts, and accounts payable. The audit differences were corrected by management and resulted in the following effect:

- Total assets and revenues increased by \$6.72 million; and,
- Total expenses and liabilities increased by \$1.16 million.

V. Disagreements with Management

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

VI. Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 18, 2018.

VII. Management Consultations with Other Independent Accountants

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

VIII. Other Issues

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

IX. Internal Control and Other Matters

Cash

Due to the concentration of the Foundation's cash deposits held at a single financial institution, the Foundation's cash deposits exceeded federally insured limits for eleven months of its fiscal year.

We recommend the Foundation continue diversifying their deposits to reduce the risk of uninsured deposits.

Written Policies and Procedures

Written Board-approved policies and procedures are a key element that strengthens the control environment over business processes, provides documentation on how business and financial transactions are consistently handled, and provides a training tool for current and future employees. Although there are standard practices in place for its business processes, the Foundation does not have written policies and procedures over cash receipting, check disbursements, cash management, procurement, contract administration, timekeeping, payroll, fund raising, record retention, etc.

We recommend the Foundation, due to its increased and more complex activities, prepare an accounting manual that documents its Board-approved policies and business processes to strengthen its control environment.