

WINFREE ACADEMY CHARTER SCHOOL

Financial Statements

August 31, 2015

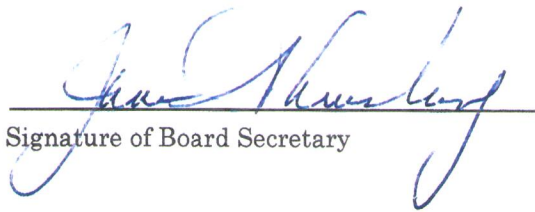
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WINFREE ACADEMY CHARTER SCHOOL
County District Number 057-828

CERTIFICATE OF BOARD

We, the undersigned, certify that the attached annual financial reports of the above named school were reviewed and approved () disapproved for the year ended August 31, 2015, at a meeting of the governing body of said charter school on the 10th day of December, 2015.



Signature of Board Secretary



Signature of Board Chairman

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EVANS, PINGLETON and HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

WINFREE ACADEMY CHARTER SCHOOL

We have audited the accompanying statement of financial position and the related statements of activities and cash flows of Winfree Academy Charter School (a nonprofit School) as of and for the year ended August 31, 2015. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 standards applicable to financial audits contained in the 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 Winfree Academy Charter School 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2015, on our consideration of Winfree Academy Charter School' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is required by the Texas Education Agency. 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.

Evans, Pingleton and Howard, PLLC

Evans, Pingleton and Howard, PLLC
Frisco, TX
November 2, 2015

FINANCIAL STATEMENTS

WINFREE ACADEMY CHARTER SCHOOL
Statement of Financial Position
August 31, 2015

ASSETS

Current Assets:

| | |
|------------------------------------|------------------|
| Cash and Cash Equivalents | \$ 780,702 |
| Cash - Restricted for Debt Service | 812,000 |
| Due From State | 563,304 |
| Other Receivables | 13,383 |
| Prepays | 120,635 |
| Deposits | <u>25,595</u> |
| Total Current Assets | <u>2,315,619</u> |

| | |
|---------------------|------------------|
| Capital Assets, Net | <u>6,035,963</u> |
|---------------------|------------------|

| | |
|--------------|----------------------------|
| Total Assets | <u><u>\$ 8,351,582</u></u> |
|--------------|----------------------------|

LIABILITIES & NET ASSETS

Current Liabilities:

| | |
|-----------------------------------|----------------|
| Accounts Payable | \$ 92,488 |
| Accrued Liabilities | 366,407 |
| Other Liabilities | 522 |
| Current Portion of Long-Term Debt | <u>110,000</u> |
| Total Current Liabilities | <u>569,417</u> |

| | |
|----------------|------------------|
| Long-Term Debt | <u>7,690,000</u> |
|----------------|------------------|

| | |
|-------------------|------------------|
| Total Liabilities | <u>8,259,417</u> |
|-------------------|------------------|

Net Assets:

| | |
|------------------|---------------|
| Unrestricted | <u>92,165</u> |
| Total Net Assets | <u>92,165</u> |

| | |
|--------------------------------|----------------------------|
| Total Liabilities & Net Assets | <u><u>\$ 8,351,582</u></u> |
|--------------------------------|----------------------------|

The notes to the financial statements are an integral part of this statement.

WINFREE ACADEMY CHARTER SCHOOL
Statement of Activities
For the Year Ended August 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-------------------|
| REVENUES | | | |
| Local Support: | | | |
| 5744 Contributions | \$ 2,975 | - | \$ 2,975 |
| 5749 Other Revenues from Local Sources | 25,762 | - | 25,762 |
| Total Local Support | <u>28,737</u> | <u>-</u> | <u>28,737</u> |
| | | | |
| State Program Revenues: | | | |
| 5810 Foundation School Program | - | 9,886,955 | 9,886,955 |
| 5829 Other State Aid | - | 84,180 | 84,180 |
| Total State Program Revenues | <u>-</u> | <u>9,971,135</u> | <u>9,971,135</u> |
| | | | |
| Federal Program Revenues: | | | |
| 5920 Federal Revenues Distributed by Texas Education Agency | <u>-</u> | <u>287,604</u> | <u>287,604</u> |
| Total Federal Program Revenues | <u>-</u> | <u>287,604</u> | <u>287,604</u> |
| | | | |
| Net Assets Released from Restrictions: | | | |
| Restrictions Satisfied by Payments | <u>10,258,739</u> | <u>(10,258,739)</u> | <u>-</u> |
| | | | |
| Total Revenues | <u>\$ 10,287,476</u> | <u>-</u> | <u>10,287,476</u> |

The notes to the financial statements are an integral part of this statement.

WINFREE ACADEMY CHARTER SCHOOL
Statement of Activities
For the Year Ended August 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|--------------|
| EXPENSES | | | |
| Program Services: | | | |
| 11 Instruction | \$ 4,617,719 | - | 4,617,719 |
| 13 Curriculum Development & Instructional Staff Development | 328,383 | - | 328,383 |
| 21 Instructional Leadership | 168,671 | - | 168,671 |
| 23 School Leadership | 949,064 | - | 949,064 |
| 31 Guidance, Counseling & Evaluation Services | 1,166,594 | - | 1,166,594 |
| 32 Social Work Services | 189,283 | - | 189,283 |
| 33 Health Services | 250 | - | 250 |
| 34 Student Transportation | 69,666 | - | 69,666 |
| 36 Extra Curricular Activities | 16,893 | - | 16,893 |
| Total Program Services | 7,506,523 | - | 7,506,523 |
| Support Services: | | | |
| 41 General Administration | 891,603 | - | 891,603 |
| 51 Plant Maintenance & Operations | 1,148,988 | - | 1,148,988 |
| 52 Security & Monitoring Services | 2,783 | - | 2,783 |
| 53 Data Processing Services | 128,912 | - | 128,912 |
| 71 Debt Service | 725,643 | - | 725,643 |
| 81 Fund Raising | 40,542 | - | 40,542 |
| Total Support Services | 2,938,471 | - | 2,938,471 |
| Total Expenses | 10,444,994 | - | 10,444,994 |
| Non-Operating Income/Expense | | | |
| Gain/(Loss) on Sale of Asset | 13,383 | - | 13,383 |
| Change in Net Assets | (144,135) | - | (144,135) |
| Net Assets, Beginning of Year | 236,300 | - | 236,300 |
| Net Assets, End of Year | \$ 92,165 | - | 92,165 |

The notes to the financial statements are an integral part of this statement.

WINFREE ACADEMY CHARTER SCHOOL
Statement of Cash Flows
For the Year Ended August 31, 2015

| | |
|--|----------------------------|
| Cash Flows from Operating Activities: | |
| State Program Revenues | \$ 9,556,371 |
| Federal Program Revenues | 287,604 |
| Local Revenues | 28,737 |
| Payments to Vendors | (3,259,936) |
| Payments to Employees | (6,821,279) |
| Net Cash Provided/(Used) by Operating Activities | <u>(208,503)</u> |
| Cash Flows from Financing Activities: | |
| Proceeds from Long-Term Debt | - |
| Principal Payments on Long-Term Debt | (105,000) |
| Net Cash Provided/(Used) by Financing Activities | <u>(105,000)</u> |
| Cash Flows from Investing Activities: | |
| Purchase of Capital Assets | - |
| Net Cash Provided/(Used) by Investing Activities | <u>-</u> |
| Net Increase/(Decrease) in Cash | (313,503) |
| Cash at Beginning of Year | <u>1,906,205</u> |
| Cash at End of Year | <u><u>\$ 1,592,702</u></u> |

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

| | |
|--|----------------------------|
| Increase/(Decrease) in Net Assets | \$ (144,135) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | |
| Depreciation Expense | 222,299 |
| (Increase)/Decrease in: | |
| Due From State | (414,765) |
| Other Receivable | 52,874 |
| Prepays | 24,901 |
| Deposits | - |
| Increase/(Decrease) in: | |
| Accounts Payable | (51,206) |
| Accrued Liabilities | 101,007 |
| Other Liabilities | 522 |
| Net Cash Provided by Operating Activities | <u><u>\$ (208,503)</u></u> |

The notes to the financial statements are an integral part of this statement.

WINFREE ACADEMY CHARTER SCHOOL

Notes to Financial Statements
For the Year Ended August 31, 2015

(1) ORGANIZATION AND NATURE OF ACTIVITIES

Winfree Academy Charter School, Inc. (Winfree Academy), is an open enrollment charter school serving at risk students at six campuses in North Texas. Winfree Academy is supported primarily through state foundation school program act entitlements, donor contributions, and Federal grants. Winfree Academy does not conduct any non-charter activities.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The basic financial statements of the School were prepared in conformity with accounting principles generally accepted in the United States of America. Encumbrances representing outstanding purchase orders and other commitments for materials or services not yet received are not liabilities as of the reporting date.

Basis of Presentation

In order to comply with accounting principles generally accepted in the United States of America, the School must prepare its external financial statements in accordance with statements issued by the Financial Accounting Standard Board as described in the AICPA Audit and Accounting Guide for not for profit organizations.

The Financial Accounting Standards Board requires classification of the School's net assets and its revenues, expenses, gains, and losses based on the existence or absences of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

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

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

Permanently Restricted - Net assets required to be maintained in perpetuity with only the income to be used for the School's activities due to donor-imposed restrictions. The School does not have any permanently restricted net assets.

Cash and Cash Equivalents

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

WINFREE ACADEMY CHARTER SCHOOL

Notes to Financial Statements
For the Year Ended August 31, 2015

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the financial statements. Capital assets are defined by the School as assets with an individual cost of more than \$1,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to thirty years, 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.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/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.

Federal Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

Compensated Absences

Compensated absences cannot be reasonably estimated and are therefore recorded when paid.

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.

(3) DUE FROM GRANTOR AGENCIES

As of August 31, 2015, Winfree Academy had earned the following revenues which were not received until after the end of the fiscal year:

| | | |
|-------------------------|----|----------------|
| Foundation entitlements | \$ | 534,843 |
| Federal grants | | <u>28,461</u> |
| Total | \$ | <u>563,304</u> |

WINFREE ACADEMY CHARTER SCHOOL

Notes to Financial Statements
For the Year Ended August 31, 2015

(4) RESTRICTED NET ASSETS

The School reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The School reports gifts of land, buildings, and equipment as unrestricted support 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the following restricted purposes:

| | |
|---------------------------------------|----------------------|
| State Funded Educational Programs | \$ 9,971,135 |
| Federally Funded Educational Programs | <u>287,604</u> |
| Total | <u>\$ 10,258,739</u> |

(5) CAPITAL ASSETS

Changes in capital assets for the year ended August 31, 2015 was as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance |
|----------------------------|----------------------|------------------|-----------------|--------------------|
| Land | \$ 609,733 | - | - | 609,733 |
| Buildings and Improvements | 7,787,540 | - | - | 7,787,540 |
| Furniture and Equipment | 325,208 | - | - | 325,208 |
| Vehicles | 198,984 | - | (12,000) | 186,984 |
| | <u>8,921,465</u> | <u>-</u> | <u>(12,000)</u> | <u>8,909,465</u> |
| Accumulated Depreciation | <u>(2,663,203)</u> | <u>(222,299)</u> | 12,000 | <u>(2,873,502)</u> |
| Net Fixed Assets | <u>\$ 6,258,262</u> | <u>(222,299)</u> | <u>-</u> | <u>6,035,963</u> |

Depreciation expense for the year ended August 31, 2015 was \$222,299.

WINFREE ACADEMY CHARTER SCHOOL

Notes to Financial Statements
For the Year Ended August 31, 2015

(6) LONG TERM DEBT

Long-term debt consists of Series 2009 Education Revenue Bonds. The bonds are secured by real and personal property and bear a 9% interest rate. Principal payments are due August 15th of each year and interest payments are due February 15th and August 15th of each year. The amount charged to interest expense for the year ended August 31, 2015 was \$711,393.

Changes in long-term debt for the year ended August 31, 2015 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|-----------------------|------------------------------|------------------|--------------------|---------------------------|
| Series 2009 Bonds | \$ 7,905,000 | - | (105,000) | 7,800,000 |
| | <u>\$ 7,905,000</u> | <u>-</u> | <u>(105,000)</u> | 7,800,000 |
| Less: Current Portion | | | | (110,000) |
| | | | | <u>\$ 7,690,000</u> |

Future Debt service requirements, by year, are as follows:

| <u>Fiscal Year End</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|-------------------|-------------------|
| 2016 | \$ 110,000 | 702,000 | 812,000 |
| 2017 | 120,000 | 692,100 | 812,100 |
| 2018 | 135,000 | 681,300 | 816,300 |
| 2019 | 145,000 | 669,150 | 814,150 |
| 2020 | 160,000 | 656,100 | 816,100 |
| 2021-2025 | 1,035,000 | 3,038,850 | 4,073,850 |
| 2026-2030 | 1,590,000 | 2,481,300 | 4,071,300 |
| 2031-2035 | 2,445,000 | 1,624,500 | 4,069,500 |
| 2036-2038 | 2,060,000 | 381,150 | 2,441,150 |
| | <u>\$ 7,800,000</u> | <u>10,926,450</u> | <u>18,726,450</u> |

(7) LEASES

Winfree Academy has various non-cancelable operating leases with varying expiration dates through 2025.

Future minimum lease payments under operating leases as of August 31, 2015 are as follows:

| | |
|---------------------------------|---------------------|
| 2016 | \$ 883,044 |
| 2017 | 734,640 |
| 2018 | 734,004 |
| 2019 | 724,172 |
| 2020 | 742,149 |
| 2021-2025 | 2,801,517 |
| Total Minimum Lease Commitments | <u>\$ 6,619,526</u> |

WINFREE ACADEMY CHARTER SCHOOL

Notes to Financial Statements
For the Year Ended August 31, 2015

(8) 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 non-compliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

(9) CONCENTRATION OF CREDIT RISK

Winfree Academy frequently maintains cash balances at financial institutions in excess of federally insured limits.

(10) DEFINED BENEFIT PENSION PLAN

Plan Description

The School participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. There is not a collective-bargaining agreement.

Funding Policy

Under provisions of State law, plan members are required to contribute 6.7% of their annual covered salary and the State of Texas contributes an amount equal to 6.8% of the Schools covered payroll. The Schools employees contributions to the System for the year ending August 31, 2015 were \$392,304 and were equal to the required State of Texas' contributions for the year.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Charter Schools are legally separate entities from the State and each other. Assets contributed by one Charter School may be used for the benefit of another Charter School. Unfunded pension obligations get passed along to other plan participants. There is no penalty for leaving the TRS system

WINFREE ACADEMY CHARTER SCHOOL

Notes to Financial Statements
For the Year Ended August 31, 2015

(10) DEFINED BENEFIT PENSION PLAN (continued)

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan:

| | |
|---------------------------------------|--------------------|
| Total Plan Assets | \$ 157,261,707,241 |
| Accumulated Benefit Obligations | \$ 159,496,075,886 |
| Percentage of the Plan that is funded | 83.25% |

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

WINFREE ACADEMY CHARTER SCHOOL

Notes to Financial Statements
For the Year Ended August 31, 2015

(6) DEFINED BENEFIT PENSION PLAN (continued)

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the 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 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

| | <u>2014</u> | <u>2015</u> |
|--|-------------|-------------|
| Member | 6.4% | 6.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |
| Employer Contributions | \$ - | \$ 176,823 |

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

WINFREE ACADEMY CHARTER SCHOOL

Notes to Financial Statements
For the Year Ended August 31, 2015

(6) DEFINED BENEFIT PENSION PLAN (continued)

Contributions (continued)

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|-----------------------------------|
| Valuation Date | August 31, 2014 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Open |
| Remaining Amortization Period | 30 Years |
| Asset Valuation Method | 5 Year Market Value |
| Discount Rate | 8.00% |
| Long-Term Expected Investment Rate of Return* | 8.00% |
| Salary Increases* | 4.25% to 7.25% |
| Weighted-Average at Valuation Date | 5.55% |
| Payroll Growth Rate | 3.50% |

* Includes Inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

WINFREE ACADEMY CHARTER SCHOOL

Notes to Financial Statements
For the Year Ended August 31, 2015

(6) DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate (continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Real Return Geometric Basis</u> | <u>Long-Term Expected Portfolio Real Rate of Return*</u> |
|-------------------------------|--------------------------|------------------------------------|--|
| Global Equity | | | |
| U.S. | 18% | 7.0% | 1.4% |
| Non-U.S. Developed | 13% | 7.3% | 1.1% |
| Emerging Markets | 9% | 8.1% | 0.9% |
| Directional Hedge Funds | 4% | 5.4% | 0.2% |
| Private Equity | 13% | 9.2% | 1.4% |
| Stable Value | | | |
| U.S. Treasuries | 11% | 2.9% | 0.3% |
| Absolute Return | 0% | 4.0% | 0.0% |
| Stable Value Hedge Funds | 4% | 5.2% | 0.2% |
| Cash | 1% | 2.0% | 0.0% |
| Real Return | | | |
| Global Inflation Linked Bonds | 3% | 3.1% | 0.0% |
| Real Assets | 16% | 7.3% | 1.5% |
| Energy & Natural Resources | 3% | 8.8% | 0.3% |
| Commodities | 0% | 3.4% | 0.0% |
| Risk Parity | | | |
| Risk Parity | 5% | 8.9% | 0.4% |
| Alpha | - | - | 1.0% |
| Total | <u>100%</u> | | <u>8.7%</u> |

* *The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

Employer Contributions

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 9/1/2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

The charter's contributions to the plan did not represent more than 5% of the total contributions to the plan.

WINFREE ACADEMY CHARTER SCHOOL

Notes to Financial Statements
For the Year Ended August 31, 2015

(11) EVALUATION OF SUBSEQUENT EVENTS

The School has evaluated subsequent events through November 2, 2015, the date which the financial statements were available to be issued. No significant subsequent events have been noted.

SUPPLEMENTAL INFORMATION

WINFREE ACADEMY CHARTER SCHOOL
Schedule of Expenses
For the Year Ended August 31, 2015

| EXPENSES | <u>2015</u> |
|---|-----------------------------|
| 6100 Payroll Costs | \$ 6,821,279 |
| 6200 Professional and Contracted Services | 2,202,523 |
| 6300 Supplies and Materials | 200,901 |
| 6400 Other Operating Costs | 494,648 |
| 6500 Debt | <u>725,643</u> |
| Total | <u><u>\$ 10,444,994</u></u> |

WINFREE ACADEMY CHARTER SCHOOL
Schedule of Capital Assets
For the Year Ended August 31, 2015

| <u>Description</u> | <u>Ownership Interest</u> | | |
|---------------------------------|---------------------------|-------------------|----------------|
| | <u>Local</u> | <u>State</u> | <u>Federal</u> |
| 1110 Cash | - | 1,592,701 | - |
| 1510 Land | - | 609,733 | - |
| 1520 Buildings and Improvements | - | 7,787,540 | - |
| 1539 Furniture and Equipment | - | 325,208 | - |
| 1531 Vehicles | - | 186,984 | - |
| Total | \$ - | 10,502,166 | - |

WINFREE ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
For the Year Ended August 31, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance (Over)/Under Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUE & OTHER SUPPORT: | | | | |
| Local Support: | | | | |
| 5744 Contributions | \$ - | 1,660 | 2,975 | (1,315) |
| 5749 Other Revenues from Local Sources | <u>12,882</u> | <u>12,883</u> | <u>25,762</u> | <u>(12,879)</u> |
| Total Local Support | <u>12,882</u> | <u>14,543</u> | <u>28,737</u> | <u>(14,194)</u> |
| State Program Revenues: | | | | |
| 5810 Foundation School Program | 11,230,238 | 11,230,238 | 9,886,955 | 1,343,283 |
| 5829 Other State Aid | <u>165,534</u> | <u>109,681</u> | <u>84,180</u> | <u>25,501</u> |
| Total State Program Revenues | <u>11,395,772</u> | <u>11,339,919</u> | <u>9,971,135</u> | <u>1,368,784</u> |
| Federal Program Revenues: | | | | |
| 5920 Federal Program Revenues | <u>292,152</u> | <u>292,152</u> | <u>287,604</u> | <u>4,548</u> |
| Total Federal Program Revenues | <u>292,152</u> | <u>292,152</u> | <u>287,604</u> | <u>4,548</u> |
| | | | | |
| Total Revenues | <u>11,700,806</u> | <u>11,646,614</u> | <u>10,287,476</u> | <u>1,359,138</u> |
| EXPENSES: | | | | |
| Program Services: | | | | |
| 11 Instruction | 4,226,905 | 4,909,966 | 4,617,719 | 292,247 |
| 13 Curriculum Development & Instructional Staff Development | 415,861 | 356,230 | 328,383 | 27,847 |
| 21 Instructional Leadership | 371,577 | 300,448 | 168,671 | 131,777 |
| 23 School Leadership | 1,441,415 | 983,518 | 949,064 | 34,454 |
| 31 Guidance, Counseling & Evaluation Services | 456,893 | 1,218,973 | 1,166,594 | 52,379 |
| 32 Social Work Services | 154,902 | 205,071 | 189,283 | 15,788 |
| 33 Health Services | 250 | 1,508 | 250 | 1,258 |
| 34 Student Transportation | 34,600 | 76,780 | 69,666 | 7,114 |
| 36 Extra Curricular Activities | <u>31,484</u> | <u>43,649</u> | <u>16,893</u> | <u>26,756</u> |
| Total Program Services | <u>7,133,887</u> | <u>8,096,143</u> | <u>7,506,523</u> | <u>589,620</u> |
| Support Services: | | | | |
| 41 General Administration | 1,113,705 | 1,054,428 | 891,603 | 162,825 |
| 51 Plant Maintenance & Operations | 2,257,400 | 1,270,725 | 1,148,988 | 121,737 |
| 52 Security & Monitoring Services | 700 | 3,870 | 2,783 | 1,087 |
| 53 Data Processing Services | 296,693 | 296,646 | 128,912 | 167,734 |
| 61 Community Services | 200 | 400 | - | 400 |
| 71 Debt Service | 820,000 | 814,000 | 725,643 | 88,357 |
| 81 Fund Raising | <u>-</u> | <u>42,781</u> | <u>40,542</u> | <u>2,239</u> |
| Total Support Services | <u>4,488,698</u> | <u>3,482,850</u> | <u>2,938,471</u> | <u>544,379</u> |
| | | | | |
| Total Expenses | <u>11,622,585</u> | <u>11,578,993</u> | <u>10,444,994</u> | <u>1,133,999</u> |
| Non-Operating Income/Expense | | | | |
| Gain/(Loss) on Sale of Asset | - | - | 13,383 | (13,383) |
| | | | | |
| Change in Net Assets | 78,221 | 67,621 | (144,135) | (211,756) |
| | | | | |
| Net Assets, Beginning of Year | <u>236,300</u> | <u>236,300</u> | <u>236,300</u> | <u>-</u> |
| | | | | |
| Net Assets, End of Year | <u>\$ 314,521</u> | <u>303,921</u> | <u>92,165</u> | <u>(211,756)</u> |

COMPLIANCE AND INTERNAL CONTROL SECTION

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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

Board of Directors

WINFREE ACADEMY CHARTER SCHOOL

We have audited the financial statements of Winfree Academy Charter School as of and for the year ended August 31, 2015, and have issued our report thereon dated November 2, 2015. 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.

Internal Control Over Financial Reporting

Management of Winfree Academy Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Winfree Academy Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Winfree Academy Charter School's internal control over financial reporting.

A deficiency in 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winfree Academy Charter School's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the School, and the Texas Education Agency and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Evans, Pingleton and Howard, PLLC

Evans, Pingleton and Howard, PLLC
Frisco, TX
November 2, 2015