

# Winfree Academy Charter Schools

Financial Statements

Year Ended August 31, 2022



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## Certificate of Board

### Winfree Academy Charter Schools

(Federal Employer Identification Number: 31-1686000)

Winfree Academy  
Name of Charter School

Dallas  
County

057-828  
County District Number

We, the undersigned, certify that the attached Financial and Compliance Reports of the above named charter school were reviewed and (X) approved (\_\_\_) disapproved for the year ended August 31, 2022, at a meeting of the governing body of said charter schools on the 27<sup>th</sup> day of January, 2023.

  
Signature of Board Chair

  
Signature of Board Secretary

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Winfree Academy Charter Schools  
Dallas, Texas

### Report on the Audit of the Financial Statements Opinion

We have audited the accompanying financial statements of Winfree Academy Charter Schools (a nonprofit organization) (the "School"), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the School as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, on our consideration of the School'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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 the School's internal control over financial reporting and compliance.

Vail + Park, P.C.

Richardson, Texas  
January 25, 2023



# Winfree Academy Charter Schools

## Statement of Financial Position

As of August 31, 2022

### ASSETS

#### CURRENT ASSETS

Cash & Cash Equivalents	\$ 5,323,918
Due from Grantor Agencies	1,749,661
Prepaid Expenses	12,022
Deposits	52,431
<b>TOTAL CURRENT ASSETS</b>	<u>7,138,032</u>

#### CAPITAL ASSETS

Capital Assets (non-depreciable)	1,524,588
Capital Assets (depreciable)	5,867,321
Accumulated Depreciation	(2,541,316)
<b>TOTAL CAPITAL ASSETS (NET)</b>	<u>4,850,593</u>

### **TOTAL ASSETS**

\$ 11,988,625

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accounts Payable	\$ 396,177
Accrued Expenses - Wages & Benefits	396,893
Accrued Interest	20,438
Current Portion of Long Term Debt, Net	94,327
<b>TOTAL CURRENT LIABILITIES</b>	<u>907,835</u>

#### LONG TERM LIABILITIES

Deferred Rent	59,624
Long-Term Debt, Net	8,346,675
<b>TOTAL LONG TERM LIABILITIES</b>	<u>8,406,299</u>

### **TOTAL LIABILITIES**

9,314,134

### NET ASSETS

Without Donor Restrictions	1,190,248
With Donor Restrictions	1,484,243
<b>TOTAL NET ASSETS</b>	<u>2,674,491</u>

### **TOTAL LIABILITIES AND NET ASSETS**

\$ 11,988,625

The Notes to Financial Statements are an integral part of these statements.



# Winfree Academy Charter Schools

Statement of Activities  
For the Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Local Support:			
5742 Interest Income	\$ 5,716	\$ -	\$ 5,716
5740 Other Local Support	225,024	-	225,024
Total Local Support	230,740	-	230,740
State Program Revenues:			
5810 Foundation School Program	-	8,522,308	8,522,308
5820 Other State Aid	-	127,500	127,500
Total Provided by State	-	8,649,808	8,649,808
Federal Program Revenues:			
5910 Federal Revenue from Other Sources	-	113,016	113,016
5920 Federal Revenue distributed by TEA	-	622,659	622,659
5930 Federal Revenue distributed by State	-	46,593	46,593
5940 Paycheck Protection Program Forgiveness	1,282,347	-	1,282,347
Total Provided by Federal	1,282,347	782,268	2,064,615
Net Assets released from Restrictions	9,432,076	(9,432,076)	-
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	10,945,163	-	10,945,163
<b>EXPENSES</b>			
Program Services:			
11 Instruction	4,986,704	-	4,986,704
13 Development - Curriculum & Instruction	367,095	-	367,095
21 Instructional Leadership	134,994	-	134,994
23 School Leadership	1,154,419	-	1,154,419
31 Counseling & Evaluation Services	828,684	-	828,684
32 Social Work Services	154,275	-	154,275
33 Health Services	240	-	240
34 Student Transportation	24,084	-	24,084
36 Extracurricular Activities	3,210	-	3,210
Total Program Services	7,653,705	-	7,653,705
Support Services:			
41 General Administration	775,234	-	775,234
51 Facilities Maintenance & Operations	1,128,529	-	1,128,529
52 Security & Monitoring Services	6,295	-	6,295
53 Data Processing Services	560,488	-	560,488
71 Debt Service	637,025	-	637,025
81 Fundraising	74,440	-	74,440
Total Support Services	3,182,011	-	3,182,011
<b>TOTAL EXPENSES</b>	10,835,716	-	10,835,716
<b>Change in Net Assets</b>	109,447	-	109,447
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,080,801	1,484,243	2,565,044
<b>NET ASSETS, END OF YEAR</b>	\$ 1,190,248	\$ 1,484,243	\$ 2,674,491

The Notes to Financial Statements are an integral part of these statements.

# Winfree Academy Charter Schools

## Statement of Cash Flows For the Year Ended August 31, 2022

### CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Miscellaneous Sources	\$ 230,740
State Grant Receipts	8,102,497
Federal Grant Receipts	970,401
Payments to Vendors for Goods & Services Rendered	(3,000,063)
Payments to Personnel for Services Rendered	(6,567,922)
Payments on Long-Term Debt for Interest Expense	(502,316)
Net Cash provided (used) by Operating Activities	<u>(766,663)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment on Long-Term Debt	<u>(220,000)</u>
Net cash provided (used) by Financing Activities	<u>(220,000)</u>

Net increase (decrease) in Cash & Cash Equivalents (986,663)

**CASH & CASH EQUIVALENTS, BEGINNING OF YEAR** 6,310,581

**CASH & CASH EQUIVALENTS, END OF YEAR** \$ 5,323,918

### Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:

Change in Net Assets \$ 109,447

### Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:

Depreciation Expense	163,155
Debt Amortization	135,673
Forgiveness of Long-Term Debt	(1,282,347)
(Increase)/Decrease in:	
Due from Grantor Agencies	(359,178)
Prepaid Expenses	191,234
Deposits	(26,836)
Increase/(Decrease) in:	
Accounts Payable	370,782
Accrued Expenses - Wages & Benefits	(47,187)
Accrued Interest	(964)
Deferred Rent	(20,442)
Net cash provided (used) by Operating Activities	<u>\$ (766,663)</u>

### SUPPLEMENTAL CASH FLOW INFORMATION

Interest Paid During the Fiscal Year \$ 502,316

The Notes to Financial Statements are an integral part of these statements.

## Winfree Academy Charter Schools

Statement of Functional Expenses  
For the Year Ended August 31, 2022

	Program Services	Support Services		Total Expenses
		General and Administrative	Fundraising	
<b>EXPENSES</b>				
Salaries & Wages	\$ 4,980,188	\$ 871,934	\$ 72,537	\$ 5,924,659
Payroll Taxes	67,339	12,007	1,010	80,356
Employee Benefits	462,673	52,154	893	515,720
Total Payroll Expenses	<u>5,510,200</u>	<u>936,095</u>	<u>74,440</u>	<u>6,520,735</u>
Legal	-	4,201	-	4,201
Accounting	-	28,500	-	28,500
Education Service Center	28,522	57,100	-	85,622
Misc. Contracted Services	782,925	350,951	-	1,133,876
Rental Expense	703,138	47,161	-	750,299
Utilities	-	348,323	-	348,323
Repairs & Maintenance	-	185,924	-	185,924
Insurance	-	99,210	-	99,210
Supplies & Materials	346,910	354,991	-	701,901
Instructional & Testing Materials	15,518	-	-	15,518
Travel	19,177	11,304	-	30,481
Other Operating Expenses	92,113	37,990	-	130,103
Interest Expense	-	637,868	-	637,868
Depreciation	155,202	7,953	-	163,155
Total Non-Payroll Expenses	<u>2,143,505</u>	<u>2,171,476</u>	<u>-</u>	<u>4,314,981</u>
<b>TOTAL EXPENSES</b>	<u>\$ 7,653,705</u>	<u>\$ 3,107,571</u>	<u>\$ 74,440</u>	<u>\$ 10,835,716</u>

The Notes to Financial Statements are an integral part of these statements.

# Winfree Academy Charter Schools

## Notes to Financial Statements

### Note 1. Background

Winfree Academy Charter Schools, Inc. (the "School"), 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.

### Note 2. Summary of Significant Accounting Policies

The accounting policies of the School conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant policies.

#### Basis of Accounting

The accompanying financial statements of the School have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Basis of Presentation

The financial statement presentation follows the guidance of the Financial Accounting Standards Board ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the School is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor-imposed restrictions.

Accordingly, net assets of the School and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.

*Net Assets With Donor Restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. Cash and cash equivalents are reported at cost which approximates fair value.

#### Capital Assets

Expenditures for capital assets are stated at cost, representing the purchase price or fair market value at the date of gift, less accumulated depreciation. Depreciation expense is computed using the straight-line method over estimated useful lives of each asset.

Building and improvements	5 - 40 years
Furniture and equipment	3 - 7 years
Vehicles	5 - 10 years

## Winfree Academy Charter Schools

### Notes to Financial Statements

Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. The School capitalizes property and equipment with a cost greater than \$5,000. The School reviews the carrying value of long-lived assets to determine if facts and circumstances suggest that they may be impaired or that the depreciation or amortization period may need to be changed. There were no impairment charges recorded in the fiscal year ending August 31, 2022.

Construction in progress will not be depreciated over the useful lives of the respective assets until they are ready for their intended use. The costs and accumulated depreciation of assets sold or retired are removed from the accounts and the related gains and losses are included in the statements of activities.

#### **Income Tax Status**

The School has been recognized by the Internal Revenue Service as a nonprofit corporation exempt from federal income tax on its income, under Section 501(c)(3) of the Internal Revenue Code, with the exception of any unrelated business income. The School had no unrelated business income for the year ended August 31, 2022. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the School's tax returns. The School does not believe there are any material uncertain tax positions and accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended August 31, 2022, there were no interest or penalties recorded or included in the financial statements. The School is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

The School's informational returns are generally subject to examination for three years after the later of the due date or date of filing. As a result, the School is no longer subject to income tax examinations by tax authorities for years prior to 2019.

#### **Revenue Recognition**

Revenues from the State's available school fund are earned based on reported attendance.

A portion of the School's revenue is derived from cost-reimbursement contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

Government grant contracts that are entered into by the School are recognized as revenue when services are rendered or when expenses in connection with those services are incurred.

Contributions are considered to be available for purposes without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions.

# Winfree Academy Charter Schools

## Notes to Financial Statements

### Contributed Services

Contributed services are recognized at fair value of the services provided: add value to the School, require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. For the year ended August 31, 2022, the School did not receive any services that would meet the criteria for recognition in the financial statements.

### Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or supporting services. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the School exists. Supporting services are not directly identifiable with specific program activities. Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefitted. Salaries and related costs are charged directly either to program services or supporting services based on actual time worked in each area. Information technology costs are allocated based on whether the costs are associated with program services or supporting services. The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of functional activities.

### 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.

### Note 3. Liquidity and Availability of Resources

The School relies on state aid and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing activities of education, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of the School's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in cash.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of August 31, 2022 are as follows:

Cash & Cash Equivalents	\$ 5,323,918
Due from Grantor Agencies	<u>1,749,661</u>
Total Financial Assets	7,073,579
Less: Contractually Restricted	<u>(2,075,861)</u>
	<u>\$ 4,997,718</u>

### Note 4. Cash Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the School will not be able to recover its deposits. The School maintains deposits at federally insured banks and strives to minimize its exposure to custodial risk by maintaining deposits at institutions with demonstrated financial strength. Balances in interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. At August 31, 2022, cash balances of \$2,997,858 were considered unsecured.

As of August 31, 2022, the School has not incurred any losses on amounts held in depository accounts in excess of FDIC limits.

**Winfree Academy Charter Schools**  
Notes to Financial Statements

**Note 5. Due from Grantor Agencies**

Amounts due from grantor agencies consist of the following as of August 31, 2022:

Foundation School Program	\$ 1,531,292
Other Federal Receivables	218,369
Due From Grantor Agencies	<u>\$ 1,749,661</u>

**Note 6. Capital Assets**

Capital assets consist of the following as of August 31, 2022:

	2021	Additions	Disposals	2022
Buildings & Improvements	\$ 5,768,709	-	-	\$ 5,768,709
Furniture & Equipment	6,412	-	-	6,412
Vehicles	92,200	-	-	92,200
Depreciable Assets	5,867,321	-	-	5,867,321
Less: Accumulated Depreciation	(2,378,161)	(163,155)	-	(2,541,316)
Total Depreciable Assets	3,489,160	(163,155)	-	3,326,005
Land	1,524,588	-	-	1,524,588
Capital Assets, Net	<u>\$ 5,013,748</u>	<u>(163,155)</u>	<u>-</u>	<u>\$ 4,850,593</u>

For the year ended August 31, 2022, the School charged \$163,155 to depreciation expense.

**Note 7. Long Term Debt**

Long-term debt consists of Series 2019A Education Revenue and Refunding Bonds and Series 2019B Taxable Educational Revenue and Refunding Bonds. The bonds are secured by real and personal property. Series 2019A Education Revenue and Refunding Bonds bear interest rates of 5.50% from 2019 to 2029 and 5.75% from 2030 to 2043. Series 2019B Taxable Educational Revenue and Refunding Bonds bear 5.50% 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, 2022 was \$637,025.

Changes in long-term debt for the year ended August 31, 2022 was as follows:

	2021	Issuance	Retirement	2022	Current
Series 2019A Bonds	\$ 8,640,000	\$ -	\$ (75,000)	\$ 8,565,000	\$ 75,000
Series 2019B Bonds	300,000	-	(145,000)	155,000	155,000
Issuance Costs	(414,671)	-	135,673	(278,998)	(135,673)
Total Bonds Payable, Net	8,525,329	-	(84,327)	8,441,002	\$ 94,327
PPP Loan	1,282,347	-	(1,282,347)	-	
Total Long Term Debt, Net	9,807,676			8,441,002	
Less: Current Portion, Net	1,366,674			94,327	
Non-Current Portion, Net	<u>\$ 8,441,002</u>			<u>\$ 8,346,675</u>	

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

Fiscal Year End	Amount	Interest	Total
2023	\$ 230,000	490,512	\$ 720,512
2024	245,000	478,125	723,125
2025	260,000	465,507	725,507
2026	270,000	452,118	722,118
2027	285,000	438,212	723,212
Thereafter	7,430,000	4,122,058	11,552,058
	<u>\$ 8,720,000</u>	<u>\$ 6,446,532</u>	<u>\$ 15,166,532</u>

# Winfree Academy Charter Schools

## Notes to Financial Statements

### Note 8. TCEP Grant

On December 12, 2019, the School was awarded a grant of \$726,775 from the Texas Public Finance Authority (TPFA) of the Texas Credit Enhancement Program (TCEP). The TCEP was established to create reserve funds for open enrollment charter schools that issue municipal bonds to finance the acquisition, construction, repair or renovation of Texas charter school facilities. The grant funds are held in the State treasury solely to provide security for repayment of the 2019 bonds. The grant award reduced the Debt Service Reserve funds held by the trustee permitting the Academy to use the funds for project expenditures or debt repayment.

### Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

Foundation School Program	\$ 8,522,308
Other State Funded Programs	127,500
Federally Funded Programs	782,268
Total	<u>\$ 9,432,076</u>

For the year ended August 31, 2022, the School reported net assets with donor restrictions of \$1,484,243 related to the Foundation School Program.

### Note 10. Leases

The school maintains various non-cancelable operating leases for facility usage. Details for the leases are as follows:

Description	Lease Term	Monthly
Campus - North Richland Hills	04/13/13 - 07/31/24	\$ 15,253
Campus - Grand Prairie	05/01/12 - 06/30/23	\$ 28,394
Campus - Dallas	08/01/14 - 07/31/25	\$ 18,970
District Office	08/01/17 - 10/31/22	\$ 5,605
District Office	09/01/22 - 08/31/29	\$ 8,971

Future minimum lease payments under non-cancellable leases as of August 31, 2022 were as follows:

Fiscal Year End	
2023	\$ 793,034
2024	482,631
2025	297,581
2026	107,650
2027	107,650
2028 - 2029	215,300
	<u>\$ 2,003,846</u>



# Winfree Academy Charter Schools

## Notes to Financial Statements

### Note 11. Defined Pension Plan

#### Plan Description

The School contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system. TRS is a cost sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the 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.

TRS as a multiple-employer plan is different from single-employer plans in that:

- Charters are legally separate entities from the state and each other.
- Assets contributed by one charter or Independent School District (ISD) may be used for the benefit of an employee of another ISD or charter.
- Unfunded obligations of the plan get passed along to other charters and ISDs participating in the plan.
- There is not a withdrawal penalty for leaving the TRS system.

The following table includes the disclosures required per FASB 715-80-50-5:

Legal Name of the Plan	Teacher Retirement System of Texas	
Plan's Employer Identification Number	N/A	
	<u>2022</u>	<u>2021</u>
Total Plan Assets	\$ 223,172,755,137	\$ 184,361,870,581
Accumulated Benefit Obligations	\$ 227,273,463,630	\$ 218,974,205,084
% Funded	88.79%	75.54%
Expiration Date of the Collective-Bargaining Agreements Requiring Contributions to the Plan	There is not a Collective-Bargaining Agreement.	
Contribution Rates	<u>2022</u>	<u>2021</u>
Member	8.00%	7.70%
Non-Member Contributing Entity (State)	7.75%	7.50%
Employers	1.70%	1.60%
Employer Contributions	\$ 280,404	\$ 265,967
Member Contributions	\$ 492,283	\$ 510,548

There have been no changes that would affect the comparison of employer contributions from year to year.

Information regarding the plan may be found at the TRS website (<http://www.trs.state.tx.us/>). The TRS posts the Annual Financial Report (AFR) every year on its website.

The School did not contribute to or participate in any other defined benefit pension plan or defined contribution plan.

## Winfree Academy Charter Schools

### Notes to Financial Statements

#### **Note 12. Contingencies**

The 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 (TEA) 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 School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, school funds may be subject to refund if so determined by the TEA or the grantor agency.

From time to time, the School is subject to certain claims and contingent liabilities that arise in the normal course of business. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the School's financial position.

Certain federal grants which the School administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. Current and prior year costs of such grants are subject to adjustment upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although the School expects such amounts, if any, would not have a significant impact on the financial position of the School.

The extent of the operational and financial impact the COVID-19 pandemic may have on the School has yet to be fully determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. While the disruption is currently expected to be temporary, there is uncertainty around the duration.

#### **Note 13. Economic Dependency**

During the year ended August 31, 2022, the School recognized revenue of \$10,714,423, from the TEA and federal government. These amounts constitute approximately 98% of total revenues earned. Any unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the School to continue to provide the current level of services to its students.

#### **Note 14. Evaluation of Subsequent Events**

Management has evaluated the financial statements for subsequent events through January 25, 2023, and is not aware of any subsequent events which would require recoding or disclosure in the financial statements.

## Supplementary Information

# Winfree Academy Charter Schools

Schedule of Expenses  
For the Year Ended August 31, 2022

## EXPENSES

6100	Payroll Costs	\$ 6,520,735
6200	Professional & Contracted Services	2,536,744
6300	Supplies & Materials	717,420
6400	Other Operating Costs	423,792
6500	Debt Costs	637,025
	Total Expenses	<u>\$ 10,835,716</u>

## Winfree Academy Charter Schools

### Schedule of Cash and Capital Assets

August 31, 2022

Object	Ownership Interest			Total
	Local	State	Federal	
Cash & Cash Equivalents	\$ -	\$ 5,323,918	\$ -	\$ 5,323,918
1510 Land	-	1,524,588	-	1,524,588
1520 Building & Improvements	-	5,574,737	-	5,574,737
1531 Vehicles	-	92,200	-	92,200
1539 Furniture & Equipment	-	6,412	-	6,412
1551 Buildings (Capital Lease)	-	193,972	-	193,972
Total Property & Equipment	\$ -	\$ 12,715,827	\$ -	\$ 12,715,827

## Winfree Academy Charter Schools

Budgetary Comparison Schedule  
For the Year Ended August 31, 2022

	Budgeted Amounts			Actual	Variance
	Original	Final	Variance		
<b>REVENUES AND OTHER SUPPORT</b>					
5742 Interest Income	\$ 7,000	\$ 5,716	\$ (1,284)	\$ 5,716	\$ -
5740 Other Local Support	-	225,024	225,024	225,024	-
Total Local Support	<u>7,000</u>	<u>230,740</u>	<u>223,740</u>	<u>230,740</u>	<u>-</u>
State Program Revenues:					
5810 Foundation School Program	9,959,177	8,522,308	(1,436,869)	8,522,308	-
5820 Other State Aid	390,185	127,500	(262,685)	127,500	-
Total Provided by State	<u>10,349,362</u>	<u>8,649,808</u>	<u>(1,699,554)</u>	<u>8,649,808</u>	<u>-</u>
Federal Program Revenues:					
5910 Federal Revenue from Other Sources	110,000	113,016	3,016	113,016	-
5920 Federal Revenue distributed by TEA	526,143	622,659	96,516	622,659	-
5930 Federal Revenue distributed by State	174,310	46,593	(127,717)	46,593	-
5940 Paycheck Protection Program Forgiveness	-	1,282,347	1,282,347	1,282,347	-
Total Provided by Federal	<u>810,453</u>	<u>2,064,615</u>	<u>1,254,162</u>	<u>2,064,615</u>	<u>-</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>11,166,815</u>	<u>10,945,163</u>	<u>(221,652)</u>	<u>10,945,163</u>	<u>-</u>
<b>EXPENSES</b>					
11 Instruction	4,515,689	4,986,704	471,015	4,986,704	-
13 Development - Curriculum & Instruction	275,675	367,095	91,420	367,095	-
21 Instructional Leadership	99,462	134,994	35,532	134,994	-
23 School Leadership	1,574,003	1,154,419	(419,584)	1,154,419	-
31 Counseling & Evaluation Services	1,033,059	828,684	(204,375)	828,684	-
32 Social Work Services	125,887	154,275	28,388	154,275	-
33 Health Services	347	240	(107)	240	-
34 Student Transportation	53,712	24,084	(29,628)	24,084	-
36 Extracurricular Activities	33,175	3,210	(29,965)	3,210	-
41 General Administration	841,472	775,234	(66,238)	775,234	-
51 Facilities Maintenance & Operations	881,454	1,128,529	247,075	1,128,529	-
52 Security & Monitoring Services	6,383	6,295	(88)	6,295	-
53 Data Processing Services	109,025	560,488	451,463	560,488	-
61 Community Services	400	-	(400)	-	-
71 Debt Service	727,350	637,025	(90,325)	637,025	-
81 Fundraising	59,559	74,440	14,881	74,440	-
<b>TOTAL EXPENDITURES</b>	<u>10,336,652</u>	<u>10,835,716</u>	<u>499,064</u>	<u>10,835,716</u>	<u>-</u>
<b>Change in Net Assets</b>	<u>\$ 830,163</u>	<u>\$ 109,447</u>	<u>\$ (720,716)</u>	<u>\$ 109,447</u>	<u>\$ -</u>

## **Winfree Academy Charter Schools**

Notes to Budgetary Comparison Schedule  
For the Year Ended August 31, 2022

### **Note 1:**

At the end of the fiscal year, the School amends the budget in order to redistribute the budget to align amounts to meet actual expenditures.

### **Note 2:**

The School prepared the original budget on a basis of 863 ADA. Actual ADA was 759. Each ADA accounted for approximately \$11,500 in annual FSP revenues. The decrease in ADA resulted in an overall decrease in FSP revenue of \$1.2 million.

### **Note 3:**

The original budget did not account for the forgiveness of the Paycheck Protection Program (PPP) loan. The addition of these funds increased overall revenue by \$1.3 million compared to the original budget.

# Winfree Academy Charter Schools

Education Program Schedule  
For the Year Ended August 31, 2022

<b>Data Codes</b>	<b>Compensatory Education Programs</b>	<b>Responses</b>
AP1	Did the LEA expend any state compensatory education program state allotment funds during the fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs.	\$ 976,586
AP4	List the actual direct program expenditures for state compensatory education programs during the fiscal year (PICs: 24, 26, 28, 29, 30, 34).	\$ 545,358

<b>Data Codes</b>	<b>Bilingual Education Programs</b>	<b>Responses</b>
AP5	Did the LEA expend any bilingual education program state allotment funds during the fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs.	\$ 67,000
AP8	List the actual direct program expenditures for bilingual education programs during the fiscal year (PICs: 25, 35).	\$ 36,850



**Winfree Academy Charter Schools**  
Schedule of Real Property Ownership Interest  
For the Year Ended August 31, 2022

<u>Description</u>	<u>Property Address</u>	<u>Assessed Value</u>	<u>Ownership Interest</u>		
			<u>Local</u>	<u>State</u>	<u>Federal</u>
Walnut Hill Bus Pk Sec P 3rd Inst; Blk D Pt Lot 2; 1.932 Acres	3108 S. Skyway Cir Irving, TX 75038	\$ 257,427	\$ -	\$ 257,427	\$ -
Walnut Hill Bus Pk Sec P 3rd Inst; Blk D Pt Lot 2; 1.909 Acres	3110 S. Skyway Cir Irving, TX 75038	1,160,600	-	1,160,600	-
University Office Park Blk C Tr 2; 1.597 Acres	1661 Gateway Blvd Richardson, TX 75080	3,449,500	-	3,449,500	-
Bennett Oaks Blk A Lot 1	341 Bennett Ln Lewisville, TX 75057	2,557,559	-	2,557,559	-
		<u>\$ 7,425,086</u>	<u>\$ -</u>	<u>\$ 7,425,086</u>	<u>\$ -</u>

**Winfree Academy Charter Schools**

Schedule of Related Party Transactions  
For the Year Ended August 31, 2022

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During FY</u>	<u>Principal Balance Due</u>
- N/A -								

**Winfree Academy Charter Schools**  
Schedule of Related Party Compensation and Benefits  
For the Year Ended August 31, 2022

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Compensation or Benefit</u>	<u>Payment Frequency</u>	<u>Description</u>	<u>Source of Funds Used</u>	<u>Total Paid During FY</u>
- N/A -							

## **Compliance and Internal Control**

**INDEPENDENT AUDITOR’S 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 Schools  
Dallas, Texas

We have audited, in accordance with the 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 Winfree Academy Charter Schools (a nonprofit organization)(the “School”), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) as a basis for designing 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 the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’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 or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School’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 financial statements. 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*.

***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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vail + Park, P.C." The signature is written in a cursive, slightly slanted style.

Richardson, Texas

January 25, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

Board of Directors  
Winfree Academy Charter Schools  
Dallas, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Winfree Academy Charter Schools (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the School's major federal programs for the year ended August 31, 2022. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a

substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Report on Internal Control over Compliance***

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Richardson, Texas  
January 25, 2023



**Winfree Academy Charter Schools**  
Schedule of Findings and Questioned Costs  
For the Year Ended August 31, 2022

**Section I - Summary of Auditor's Results**

**Financial Statements:**

An unmodified opinion was issued on the financial statements.  
Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ Yes ✓ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ Yes ✓ None Reported
- Noncompliance material to financial statements noted? \_\_\_ Yes ✓ No

**Federal Awards:**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_ Yes ✓ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ Yes ✓ None Reported

An unmodified opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) or Uniform Guidance? \_\_\_ Yes ✓ No

Identification of major programs:

IDEA B, Formula 84.027A

Threshold for distinguishing Type A and B programs: \$750,000

Auditee qualified as a low-risk auditee? ✓ Yes \_\_\_ No

**Winfree Academy Charter Schools**  
Schedule of Findings and Questioned Costs  
For the Year Ended August 31, 2022

**Section II – Financial Statement Findings**

None noted.

**Section III – Federal Award Findings and Questioned Costs**

None noted.

**Section IV – Summary Schedule of Prior Year Findings**

None noted.

**Winfree Academy Charter Schools**  
Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2022

Federal/Pass Through Grantor Program Title	Assistance Listing Number*	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Education			
<u>Passed through Education Service Center, Region 10:</u>			
Title I, Improving Basic Programs	84.010A	22610101057950	\$ 84,924
Title II, Supporting Effective Instruction	84.367A	22694501057950	14,854
Title IV, Student Support and Academic Enrichment	84.424A	22680101057950	13,239
Total passed through Education Service Center, Region 10			<u>113,017</u>
<u>Passed through Texas Department of Education:</u>			
Special Education Grants - IDEA-B Formula	84.027A	226600010578286000	266,271
Title I, Part A - School Improvement	84.010A	22610141057828	356,388
Total passed through Texas Department of Education			<u>622,659</u>
Total passed through United States Department of Education			<u>735,676</u>
United States Department of Health and Human Services			
<u>Passed through Texas Department of Education:</u>			
ELC Reopening Schools	93.323	39352201	46,592
Total passed through Texas Department of Education			<u>46,592</u>
Total passed through United States Department of Health and Human Services			<u>46,592</u>
Total Expenditures of Federal Awards			<u>\$ 782,268</u>

\*Formerly known as CFDA.

Note - Paycheck Protection Program (PPP) forgiveness of \$1,282,347 is recorded as federal program revenue in the statement of activities, but is not considered "awards" for the purpose of this schedule.

## **Winfree Academy Charter Schools**

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2022

### **Note 1: General**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the expenditures for all federal award programs received by the School for the fiscal year ended August 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

### **Note 2: Basis of Accounting**

The accompanying Schedule is presented using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **Note 3: Election to Use 10% de Minimis Indirect Cost Rate**

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

### **Note 4: Relationship to Financial Report Submitted to Grantor Agencies**

Variances may occur between the amounts reflected in the financial reports filed with the grantor agencies and the supplementary schedules. Variances may consist of: timing related to accruals, matching requirements, and differences in program year ends.

### **Note 5: Commitments and Contingencies**

Federal grants received by the School are subject to review and audit by grantor agencies. The School's management believes that the results of such audits will not have a material effect of the schedule.