

WINFREE ACADEMY CHARTER SCHOOLS

Financial Statements

August 31, 2020

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WINFREE ACADEMY CHARTER SCHOOLS
County District Number 057-828
FEIN: 31-1686000

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, 2020, at a meeting of the governing body of said charter school on the 19th day of January, 2021.

Susan K Younger
Susan K Younger (Jan 22, 2021 10:22 CST)

Signature of Board Secretary

R. Gabrielle McCormick
R. Gabrielle McCormick (Jan 21, 2021 11:34 CST)

Signature of Board Chairman

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

WINFREE ACADEMY CHARTER SCHOOLS

We have audited the accompanying statement of financial position and the related statements of activities and cash flows of Winfree Academy Charter Schools (a nonprofit School) as of and for the year ended August 31, 2020. 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 Schools as of August 31, 2020, 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.

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.

K. Evans & Associates

K. Evans & Associates, CPA's
Frisco, TX
January 11, 2021

FINANCIAL STATEMENTS

WINFREE ACADEMY CHARTER SCHOOLS

Statement of Financial Position

August 31, 2020

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 5,717,049
Due From State	1,511,453
Prepays	148,601
Deposits	<u>25,595</u>
Total Current Assets	7,402,698

Capital Assets, Net	<u>5,217,711</u>
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Total Assets	<u>\$ 12,620,409</u>
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LIABILITIES & NET ASSETS

Current Liabilities:

Accounts Payable	\$ 74,119
Accrued Liabilities	119,834
Accrued Interest	30,760
Payroll Liabilities	601,464
Current Portion of Long-Term Debt	<u>1,356,674</u>
Total Current Liabilities	2,182,851

Long-Term Debt (net of issuance and discount)	<u>8,525,329</u>
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Total Liabilities	<u>10,708,180</u>
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Net Assets:

Without Donor Restrictions	1,105,946
With Donor Restrictions	<u>806,283</u>
Total Net Assets	<u>1,912,229</u>

Total Liabilities & Net Assets	<u>\$ 12,620,409</u>
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The notes to the financial statements are an integral part of this statement.

WINFREE ACADEMY CHARTER SCHOOLS

Statement of Activities

For the Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Local Support:			
5742 Interest Income	\$ 23,606	\$ -	\$ 23,606
5749 Other Revenues from Local Sources	<u>169,482</u>	<u>-</u>	<u>169,482</u>
Total Local Support	<u>193,088</u>	<u>-</u>	<u>193,088</u>
State Program Revenues:			
5810 Foundation School Program	-	11,242,054	11,242,054
5829 Other State Aid	<u>-</u>	<u>129,795</u>	<u>129,795</u>
Total State Program Revenues	<u>-</u>	<u>11,371,849</u>	<u>11,371,849</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency	<u>-</u>	<u>1,030,705</u>	<u>1,030,705</u>
Total Federal Program Revenues	<u>-</u>	<u>1,030,705</u>	<u>1,030,705</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>12,758,690</u>	<u>(12,758,690)</u>	<u>-</u>
Total Revenues	<u>12,951,778</u>	<u>(356,136)</u>	<u>12,595,642</u>

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

WINFREE ACADEMY CHARTER SCHOOLSStatement of Activities
For the Year Ended August 31, 2020
Continued

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
Program Services:			
11 Instruction	5,799,789	-	5,799,789
13 Curriculum Development & Instructional Staff Development	463,499	-	463,499
21 Instructional Leadership	121,315	-	121,315
23 School Leadership	1,322,104	-	1,322,104
31 Guidance, Counseling & Evaluation Services	1,267,532	-	1,267,532
32 Social Work Services	143,161	-	143,161
33 Health Services	1,364	-	1,364
34 Student Transportation	35,970	-	35,970
36 Extra Curricular Activities	9,479	-	9,479
Total Program Services	<u>9,164,213</u>	<u>-</u>	<u>9,164,213</u>
Support Services:			
41 General Administration	795,324	-	795,324
51 Plant Maintenance & Operations	1,042,151	-	1,042,151
52 Security & Monitoring Services	28,305	-	28,305
53 Data Processing Services	251,004	-	251,004
71 Debt Service	660,104	-	660,104
81 Fund Raising	65,033	-	65,033
Total Support Services	<u>2,841,921</u>	<u>-</u>	<u>2,841,921</u>
Total Expenses	<u>12,006,134</u>	<u>-</u>	<u>12,006,134</u>
Non-Operating Income/Expense			
Loss on Prepayment of Long Term Debt	<u>(25,781)</u>	<u>-</u>	<u>(25,781)</u>
Change in Net Assets	919,863	(356,136)	563,727
Net Assets, Beginning of Year	<u>186,083</u>	<u>1,162,419</u>	<u>1,348,502</u>
Net Assets, End of Year	<u>\$ 1,105,946</u>	<u>\$ 806,283</u>	<u>\$ 1,912,229</u>

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

WINFREE ACADEMY CHARTER SCHOOLS

Statement of Cash Flows
For the Year Ended August 31, 2020

Cash Flows from Operating Activities:	
State Program Revenues	\$ 11,194,313
Federal Program Revenues	741,497
Local Revenues	201,588
Payments to Vendors	(4,355,650)
Payments to Employees	(7,315,604)
Net Cash Provided by Operating Activities	<u>466,144</u>
Cash Flows from Financing Activities:	
Proceeds from Long-Term Debt	1,282,347
Principal Payments on Long-Term Debt	(200,000)
Net Cash Provided by Financing Activities	<u>1,082,347</u>
Net Increase/(Decrease) in Cash	1,548,491
Cash at Beginning of Year	<u>4,168,558</u>
Cash at End of Year	<u>\$ 5,717,049</u>

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

Increase/(Decrease) in Net Assets	\$ 563,727
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	172,900
Amortization Expense	135,673
(Increase)/Decrease in:	
Due From State	(466,744)
Other Receivable	8,500
Prepays	(131,350)
Increase/(Decrease) in:	
Accounts Payable	36,519
Accrued Liabilities	(4,582)
Payroll Liabilities	151,501
Net Cash Provided by Operating Activities	<u>\$ 466,144</u>

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

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2020

ORGANIZATION & NATURE OF ACTIVITIES

Winfree Academy Charter Schools, 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.

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 two classes of net assets – with donor restrictions and without donor restrictions - 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.

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions - 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, with donor restriction net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

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.

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.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributions

Contributions are recorded as without donor restrictions or with donor restrictions 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 with donor restrictions net assets in the reporting period in which the support is recognized. When a restriction expires, with donor restrictions net assets are reclassified to without donor restrictions 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.

LIQUIDITY & AVAILABILITY

Financial assets available for general expenditure, that is without donor or other restrictions limiting the use, within one year of the date of the statement of financial position, comprise the following:

Cash & Cash Equivalents	\$ 5,717,049
Due From State	1,511,453
Total Financial Assets	<u>7,228,502</u>
Less: Contractually Restricted	(2,012,674)
Less: Donor Restrictions	(806,283)
	<u>\$ 4,409,545</u>

As of August 31, 2020, the School maintained \$7,228,502 in total financial assets, of which \$2,818,957 was considered restricted. The remaining \$4,409,545 is available for general expenditure.

DUE FROM GRANTOR AGENCIES

As of August 31, 2020, Winfree Academy had earned the following revenues which were not received until after the end of the fiscal year:

Foundation Entitlements	\$ 879,264
State Grants	137,290
Federal grants	494,899
Total	<u>\$ 1,511,453</u>

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2020

CAPITAL ASSETS

Changes in capital assets for the year ended August 31, 2020 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 409,733	\$ -	\$ -	\$ 409,733
Buildings and Improvements	7,985,624	-	-	7,985,624
Furniture and Equipment	332,810	-	-	332,810
Vehicles	128,338	-	-	128,338
	<u>8,856,505</u>	<u>-</u>	<u>-</u>	<u>8,856,505</u>
Accumulated Depreciation	(3,465,894)	(172,900)	-	(3,638,794)
Net Fixed Assets	<u>\$ 5,390,611</u>	<u>\$ (172,900)</u>	<u>\$ -</u>	<u>\$ 5,217,711</u>

Depreciation expense for the year ended August 31, 2020 was \$172,900.

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, 2020 was \$660,104.

Changes in long-term debt for the year ended August 31, 2020 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Series 2019A Bonds	\$ 8,775,000	\$ -	\$ (65,000)	\$ 8,710,000	\$ 70,000
Series 2019B Bonds	575,000	-	(135,000)	440,000	140,000
	<u>9,350,000</u>	<u>-</u>	<u>(200,000)</u>	<u>9,150,000</u>	<u>210,000</u>
Bond issuance and discount	(686,017)	-	135,673	(550,344)	(135,673)
Net Bonds	8,663,983	-	(64,327)	8,599,656	74,327
PPP Loan	-	1,282,347	-	1,282,347	1,282,347
	<u>\$ 8,663,983</u>	<u>\$ 1,282,347</u>	<u>\$ (64,327)</u>	<u>\$ 9,882,003</u>	<u>\$ 1,356,674</u>

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

Fiscal Year End	Principal	Interest	Total
2021	\$ 1,492,347	\$ 513,655	\$ 2,006,002
2022	220,000	502,350	722,350
2023	230,000	490,513	720,513
2024	245,000	478,125	723,125
2025	260,000	465,508	725,508
2026 - 2030	1,500,000	2,113,813	3,613,813
2031 - 2035	1,955,000	1,652,263	3,607,263
2036 - 2040	2,595,000	1,019,763	3,614,763
2041 - 2043	1,935,000	226,550	2,161,550
	<u>\$ 10,432,347</u>	<u>\$ 7,462,538</u>	<u>\$ 17,894,885</u>

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2020

OPERATING 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, 2020 are as follows:

2021	\$	817,132
2022		818,446
2023		705,826
2024		395,423
2025		208,670
Total Minimum Lease Commitments	\$	<u>2,945,497</u>

NET ASSETS WITH DONOR RESTRICTIONS

The School reports gifts of cash and other assets as with donor restrictions 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, with donor restrictions net assets are classified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions. Donor Restricted contributions whose restrictions are met in the same reporting period are reported as without donor restriction.

The School reports gifts of land, buildings, and equipment as without donor restrictions 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.

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

State Funded Educational Programs	\$	11,001,210
Federally Funded Educational Programs		1,030,705
TCEP Grant		726,775
Total	\$	<u>12,758,690</u>

With donor restrictions net assets, at August 31, 2020, are restricted for:

State Funded Educational Programs	\$	806,283
Total	\$	<u>806,283</u>

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.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2020

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.

Funding Policy

Under provisions of State law, plan members are required to contribute 7.7% of their annual covered salary and the State of Texas contributes an amount equal to 7.5% of the Schools covered payroll. The School's employee contributions to the System for the year ending August 31, 2020 were \$480,438 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 workload 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.

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 (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>; selecting *About TRS* then *Publications* then *Financial Reports*, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701; or by calling (512) 542-6592.

The information provided in the Notes to the Financial Statements in the 2019 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan:

Total Plan Assets	\$ 160,233,295,324
Accumulated Benefit Obligations	\$ 209,719,687,047
Percentage of the Plan that is funded	76.40%

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2020

DEFINED BENEFIT PENSION PLAN *(continued)*

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, when 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 above.

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.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity of \$2,000, whichever was less.

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 thru 2025.

	<u>2020</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	6.8%
Employers	7.5%	6.8%
Employer Contributions	\$ 322,444	\$ 201,515

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).

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2020

DEFINED BENEFIT PENSION PLAN – Contributions (continued)

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.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to:

- 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation Rate	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2020

DEFINED BENEFIT PENSION PLAN - Actuarial Assumptions *(continued)*

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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 7.25%. 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. 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.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2020

DEFINED BENEFIT PENSION PLAN – Discount Rate (continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation ^(a) %	New Target Allocation ^(b) %	Long-Term Expencted Geometric Real Rate of Return ^(c)
Global Equity			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	0.0%	0.0%
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ^(d)	11.0%	16.0%	3.1%
Stable Value Hedge Funds	0.0%	0.0%	0.0%
Absolute Return	4.0%	5.0%	4.5%
Real Return			
Global Inflation Linked Bonds ^(d)	3.0%	0.0%	0.0%
Real Assets	14.0%	15.0%	8.5%
Energy, Natural Resources, & Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5% ^(e)
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	0.0%	-6.0%	2.7%
Total	100.0%	100.0%	7.23%

(a) FY 2019 Target allocation is based on the Strategic Asset Allocation dated 10/01/2018.

(b) New Target Allocation is based on the Strategic Asset dated 10/01/2019.

(c) 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%.

(d) New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

(e) 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

COMMITMENTS & 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 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 non-compliance, school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2020

UNCERTAINTIES

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID- 19, as a pandemic. As a result of the global coronavirus pandemic of 2020, the financial picture for schools has seen an unanticipated change. Given the uncertainty in the economic outlook, there may be short and long-term implications for the instruction, student experience and operations. The extent to which COVID-19 may continue to impact the school's activities will depend upon future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions required to contain the virus. As of August 31, 2020, the school incurred expenses totaling \$360,814 for payroll, virtual learning materials and supplies directly related to COVID-19.

EVALUATION OF SUBSEQUENT EVENTS

The School has evaluated subsequent events through January 11, 2021, the date which the financial statements were available to be issued. No significant subsequent events have been noted.

SUPPLEMENTAL INFORMATION

WINFREE ACADEMY CHARTER SCHOOLS

Schedule of Expenses
For the Year Ended August 31, 2020

EXPENSES

6100 Payroll Costs	\$ 7,467,105
6200 Professional and Contracted Services	2,582,636
6300 Supplies and Materials	816,293
6400 Other Operating Costs	479,996
6500 Debt	<u>660,104</u>
Total	<u>\$ 12,006,134</u>

WINFREE ACADEMY CHARTER SCHOOLS

Schedule of Capital Assets
For the Year Ended August 31, 2020

<u>Description</u>	<u>Ownership Interest</u>		
	<u>Local</u>	<u>State</u>	<u>Federal</u>
1110 Cash	\$ -	\$ 5,717,049	\$ -
1510 Land	-	409,733	-
1520 Buildings and Improvements	-	7,985,624	-
1539 Furniture and Equipment	-	332,810	-
1531 Vehidles	-	128,338	-
Total	<u>\$ -</u>	<u>\$ 14,573,554</u>	<u>\$ -</u>

WINFREE ACADEMY CHARTER SCHOOLS
 Budgetary Comparison Schedule
 For the Year Ended August 31, 2020

	Budgeted Amounts		Actual Amounts	Variance (Over)/Under Final Budget
	Original	Final		
REVENUE & OTHER SUPPORT:				
Local Support:				
5742 Interest Income	\$ 5,000	\$ 23,606	\$ 23,606	\$ -
5749 Other Revenues from Local Sources	6,000	169,482	169,482	-
Total Local Support	<u>11,000</u>	<u>193,088</u>	<u>193,088</u>	<u>-</u>
State Program Revenues:				
5810 Foundation School Program	10,524,668	11,242,054	11,242,054	-
5829 Other State Aid	94,998	129,795	129,795	-
Total State Program Revenues	<u>10,619,666</u>	<u>11,371,849</u>	<u>11,371,849</u>	<u>-</u>
Federal Program Revenues:				
5920 Federal Program Revenues	2,004,047	1,030,705	1,030,705	-
Total Federal Program Revenues	<u>2,004,047</u>	<u>1,030,705</u>	<u>1,030,705</u>	<u>-</u>
Total Revenues	<u>12,634,713</u>	<u>12,595,642</u>	<u>12,595,642</u>	<u>-</u>
EXPENSES:				
Program Services:				
11 Instruction	5,934,382	5,799,789	5,799,789	-
13 Curriculum Development & Instructional Staff Development	510,122	463,499	463,499	-
21 Instructional Leadership	116,776	121,315	121,315	-
23 School Leadership	1,826,437	1,322,104	1,322,104	-
31 Guidance, Counseling & Evaluation Services	1,214,138	1,267,532	1,267,532	-
32 Social Work Services	148,774	143,161	143,161	-
33 Health Services	347	1,364	1,364	-
34 Student Transportation	54,700	35,970	35,970	-
36 Extra Curricular Activities	31,988	9,479	9,479	-
Total Program Services	<u>9,837,664</u>	<u>9,164,213</u>	<u>9,164,213</u>	<u>-</u>
Support Services:				
41 General Administration	948,761	795,324	795,324	-
51 Plant Maintenance & Operations	918,918	1,042,151	1,042,151	-
52 Security & Monitoring Services	34,325	28,305	28,305	-
53 Data Processing Services	116,833	251,004	251,004	-
61 Community Services	400	-	-	-
71 Debt Service	727,000	660,104	660,104	-
81 Fund Raising	50,812	65,033	65,033	-
Total Support Services	<u>2,797,049</u>	<u>2,841,921</u>	<u>2,841,921</u>	<u>-</u>
Total Expenses	<u>12,634,713</u>	<u>12,006,134</u>	<u>12,006,134</u>	<u>-</u>
Non-Operating Income/Expense				
Loss on Prepayment of Long Term Debt	-	(25,781)	(25,781)	-
Change in Net Assets	-	563,727	563,727	-
Net Assets, Beginning of Year	<u>1,348,502</u>	<u>1,348,502</u>	<u>1,348,502</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 1,348,502</u>	<u>\$ 1,912,229</u>	<u>\$ 1,912,229</u>	<u>\$ -</u>

COMPLIANCE & INTERNAL CONTROL SECTION



**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***

To the Board of Directors of
WINFREE ACADEMY CHARTER SCHOOLS

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), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Winfree Academy Charter Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of Winfree Academy Charter Schools' internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

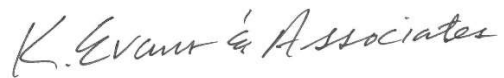
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winfree Academy Charter Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "K. Evans & Associates".

K. Evans & Associates, CPA's
Frisco, TX
January 11, 2021



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

To the Board of Directors of
WINFREE ACADEMY CHARTER SCHOOLS

Report on Compliance for Each Major Federal Program

We have audited Winfree Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Winfree Academy's major federal programs for the year ended August 31, 2020. Winfree Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Winfree Academy's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Cost Principles*, and *Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winfree Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Winfree Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Winfree Academy 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, 2020.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of Winfree Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Winfree Academy internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winfree Academy 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



K. Evans & Associates, CPA's
Frisco, TX
January 11, 2021

WINFREE ACADEMY CHARTER SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2020

I. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies were disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No issues of noncompliance material to the financial statements which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal controls over major federal award programs were disclosed during the audit. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Title 2 U.S. CFR Part 200, of the Uniform Guidance.
7. The programs tested as major programs were:
Title I School Improvement (CFDA 84.010)
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. Auditee was determined to be a high-risk auditee

WINFREE ACADEMY CHARTER SCHOOLS

Schedule of Status of Prior Findings
For the Year Ended August 31, 2020

<u>Program</u>	Status of Prior Year's Finding	<u>Noncompliance</u>
	- NONE -	

WINFREE ACADEMY CHARTER SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2020

Grantor/Program Title	Federal CFDA Number	Pass Through Entity ID Number	Federal Expenditures
<u>Unites States Department of Education</u>			
<u>Passed Through Region X ESC:</u>			
Title I, Improving Basic Programs	84.010A	20610101057950	\$ 149,419
Title II, Supporting Effective Instruction	84.367A	20694501057950	21,459
Title III, English Language Acquisition	84.365A	20671001057950	10,715
Title IV, Academic Enrichment	84.424A	20680101057950	27,825
Total Passed Through Region X ESC			<u>209,418</u>
<u>Passed Through State Department of Education:</u>			
Title I, School Improvement	84.010A	610120	558,000
IDEA, Part B, Formula	84.027A	660020	263,287
Total Passed Through State Department of Education			<u>821,287</u>
Total United States Department of Education			<u>1,030,705</u>
Total Expenditures of Federal Awards			<u>\$ 1,030,705</u>

Standard Financial Accounting System

For all federal programs, the corporation used the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.

WINFREE ACADEMY CHARTER SCHOOLS
Notes to Schedule of Expenditures of Federal Awards
For Year Ended August 31, 2020

1. Basis of Presentation:

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Winfree Academy under programs of federal government for the year ended August 31, 2020. The information in this Schedule is presented in accordance with the requirements Title 2 *U.S. Code of Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Winfree Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Winfree Academy.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Not-Profit Organizations, or the cost principles contained in Title 2 *U.S. Code of Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditure are not allowed or are limited as to reimbursement.

3. Indirect Cost:

Winfree Academy uses a pre-determined indirect cost rate of 4.327% of total direct costs.