

TEXAS CENTER FOR ARTS + ACADEMICS
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED
AUGUST 31, 2019

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TABLE OF CONTENTS

	<u>Page</u>
Certificate of Board	1
Independent Auditor's Report	2-3
General-Purpose Financial Statements	
A-1 Statement of Financial Position	4
A-2 Statement of Activities	5-6
A-3 Statement of Functional Expenses	7-8
A-4 Statement of Cash Flows	9
Notes to the Financial Statements	10-31
Specific-Purpose Financial Statements	
B-1.1 Fort Worth Academy of Fine Arts Statement of Financial Position	32
B-1.2 Texas School of the Arts Statement of Financial Position	33
B-1.3 Texas Center for Arts + Academics Statement of Financial Position	34
B-2.1 Fort Worth Academy of Fine Arts Statement of Activities	35-36
B-2.2 Texas School of the Arts Statement of Activities	37-38
B-2.3 Texas Center for Arts + Academics Statement of Activities	39-40
B-3.1 Fort Worth Academy of Fine Arts Statement of Cash Flows	41
B-3.2 Texas School of the Arts Statement of Cash Flows	42
B-3.3 Texas Center for Arts + Academics Statement of Cash Flows	43

**TEXAS CENTER FOR ARTS + ACADEMICS
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2019**

TABLE OF CONTENTS (Continued)

Required Supplementary Information

C-1.1 Fort Worth Academy of Fine Arts Schedule of Expenses	44
C-1.2 Texas School of the Arts Schedule of Expenses	45
C-1.3 Texas Center for Arts + Academics Schedule of Expenses	46
D-1.1 Fort Worth Academy of Fine Arts Schedule of Capital Assets	47
D-1.2 Texas School of the Arts Schedule of Capital Assets	48
D-1.3 Texas Center for Arts + Academics Schedule of Capital Assets	49
E-1.1 Fort Worth Academy of Fine Arts Budgetary Comparison Schedule	50
E-1.2 Texas School of the Arts Budgetary Comparison Schedule	51
E-1.3 Texas Center for Arts + Academics Budgetary Comparison Schedule	52

Compliance and 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 <i>Government Auditing Standards</i>	53-54
F-1 Schedule of Findings and Questioned Costs	55
G-1 Schedule of Prior Audit Findings	56

TEXAS CENTER FOR ARTS + ACADEMICS

CERTIFICATE OF BOARD

AUGUST 31, 2019

Texas Center for Arts + Academics

Tarrant

220809 & 220814

Name of Charter Holder

County

Co.-Dist. Numbers

Federal EIN: 75-0942885

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2019, at a meeting of the governing body of the charter holder on the 14th day of January, 2020.



Signature of Board Secretary



Signature of Board Chairman

If the governing body of the charter holder does not approve the independent auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

FREEMON, SHAPARD & STORY

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Texas Center for Arts + Academics
3901 S. Hulen Street
Fort Worth, TX 76109

Members of the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Texas Center for Arts + Academics (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 principles 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 Texas Center for Arts + Academics as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying specific-purpose financial statements and the supplementary information including the Schedules of Expenses, Schedules of Capital Assets, and Budgetary Comparison Schedules are presented for purposes of additional analysis as required by the Texas Education Agency 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 December 15, 2019, on our consideration of Texas Center for Arts + Academic'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 Texas Center for Arts + Academic'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 Texas Center for Arts + Academic's internal control over financial reporting and compliance.

Respectfully submitted,



Freemon, Shapard, & Story
Windthorst, TX
December 15, 2019

**General-Purpose
Financial Statements**

TEXAS CENTER FOR ARTS + ACADEMICS
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,243,350	\$ 940,945
Accounts receivable	108	-
Due from TEA	472,225	409,786
Deferred expenses	12,215	13,372
Prepaid expenses	39,498	24,575
Total Current Assets	<u>1,767,396</u>	<u>1,388,678</u>
Property and Equipment		
Land	308,507	308,507
Buildings and improvements	14,215,665	14,186,918
Furniture and equipment	613,531	595,655
Vehicles	276,650	276,650
Less accumulated depreciation	<u>(4,633,864)</u>	<u>(4,054,731)</u>
Total Property and Equipment	<u>10,780,489</u>	<u>11,312,999</u>
Other Assets		
Long-term investments	1,601,442	1,884,026
Capitalized debt issuance costs	133,165	153,651
Total Other Assets	<u>1,734,607</u>	<u>2,037,677</u>
Total Assets	<u>\$ 14,282,492</u>	<u>\$ 14,739,354</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 32,849	\$ 431
Due to student groups	63,545	64,952
Deferred revenue	109,197	39,442
Accrued wages payable	337,797	317,020
Payroll deductions and withholdings	7,719	7,275
Accrued interest	42,326	48,026
Current portion of long-term debt	914,853	778,265
Total Current Liabilities	<u>1,508,286</u>	<u>1,255,411</u>
Long-Term Debt		
Long-term debt	4,381,435	5,091,181
Total Long-Term Liabilities	<u>4,381,435</u>	<u>5,091,181</u>
Total Liabilities	<u>\$ 5,889,721</u>	<u>\$ 6,346,592</u>
Net Assets		
Without donor restrictions	5,329,002	5,260,675
With donor restrictions	3,063,769	3,132,087
Total Net Assets	<u>\$ 8,392,771</u>	<u>\$ 8,392,762</u>
Total Liabilities and Net Assets	<u>\$ 14,282,492</u>	<u>\$ 14,739,354</u>

The accompanying notes are an integral part of these financial statements.

TEXAS CENTER FOR ARTS + ACADEMICS
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Totals</u>
Revenues			
Local Support:			
Contributions	\$ 111,254	\$ 35,000	\$ 146,254
Fundraising	133,582	-	133,582
Interest, Dividends, Gains, and Losses	17,882	-	17,882
Royalty Income	4,810	-	4,810
Other Revenues from Local Sources	88,918	-	88,918
Program Services Revenue	311,249	-	311,249
Cocurricular and Enterprising Activities	193,956	-	193,956
Total Local Support	<u>861,651</u>	<u>35,000</u>	<u>896,651</u>
State Program Revenues:			
Foundation School Program Act Revenues	-	7,338,922	7,338,922
State Program Revenue Distributed by TEA	-	198,461	198,461
Total State Program Revenues	<u>-</u>	<u>7,537,383</u>	<u>7,537,383</u>
Federal Program Revenues:			
ESEA Title I, Part A Improving Basic Programs	-	9,512	9,512
IDEA Part B, Formula	-	91,207	91,207
IDEA Part B, Discretionary	-	2,000	2,000
ESEA Title II, Part A Teacher and Principal Training	-	4,504	4,504
Title IV Part A, Subpart 1	-	6,708	6,708
Total Federal Program Revenues	<u>-</u>	<u>113,931</u>	<u>113,931</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>7,754,632</u>	<u>(7,754,632)</u>	<u>-</u>
Total Revenues	<u>\$ 8,616,283</u>	<u>\$ (68,318)</u>	<u>\$ 8,547,965</u>
Expenses			
Program Services:			
Instruction and Instructional-Related Services	5,531,850	-	5,531,850
Instructional and School Leadership	524,618	-	524,618
Support Services			
Student Support Services	517,114	-	517,114
Administrative Support Services	695,014	-	695,014
Support Services-Non-Student Based	761,361	-	761,361
Debt Service	273,452	-	273,452
Fundraising	244,547	-	244,547
Total Expenses	<u>\$ 8,547,956</u>	<u>\$ -</u>	<u>\$ 8,547,956</u>
Change in Net Assets	<u>68,327</u>	<u>(68,318)</u>	<u>9</u>
Net Assets, Beginning of Year	<u>5,260,675</u>	<u>3,132,087</u>	<u>8,392,762</u>
Net Assets, End of Year	<u>\$ 5,329,002</u>	<u>\$ 3,063,769</u>	<u>\$ 8,392,771</u>

The accompanying notes are an integral part of these financial statements.

TEXAS CENTER FOR ARTS + ACADEMICS
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Totals</u>
Revenues			
Local Support:			
Contributions	\$ 159,903	\$ 60,000	\$ 219,903
Fundraising	198,326	-	198,326
Interest, Dividends, Gains, and Losses	78,194	-	78,194
Royalty Income	5,354	-	5,354
Other Revenues from Local Sources	37,964	-	37,964
Program Services Revenue	246,628	-	246,628
Cocurricular and Enterprising Activities	180,587	-	180,587
Total Local Support	<u>906,956</u>	<u>60,000</u>	<u>966,956</u>
State Program Revenues:			
Foundation School Program Act Revenues	-	7,030,933	7,030,933
State Program Revenue Distributed by TEA	-	58,438	58,438
Total State Program Revenues	<u>-</u>	<u>7,089,371</u>	<u>7,089,371</u>
Federal Program Revenues:			
ESEA Title I, Part A Improving Basic Programs	-	34,437	34,437
IDEA Part B, Formula	-	114,546	114,546
National School Breakfast and Lunch Program	-	38,285	38,285
ESEA Title II, Part A Teacher and Principal Training	-	10,276	10,276
Title IV Part A, Subpart 1	-	20,028	20,028
Total Federal Program Revenues	<u>-</u>	<u>217,572</u>	<u>217,572</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>7,340,193</u>	<u>(7,340,193)</u>	<u>-</u>
Total Revenues	<u>\$ 8,247,149</u>	<u>\$ 26,750</u>	<u>\$ 8,273,899</u>
Expenses			
Program Services:			
Instruction and Instructional-Related Services	5,225,972	-	5,225,972
Instructional and School Leadership	512,909	-	512,909
Support Services			
Student Support Services	574,812	-	574,812
Administrative Support Services	672,004	-	672,004
Support Services-Non-Student Based	703,825	-	703,825
Debt Service	279,987	-	279,987
Fundraising	251,562	-	251,562
Total Expenses	<u>\$ 8,221,071</u>	<u>\$ -</u>	<u>\$ 8,221,071</u>
Change in Net Assets	<u>26,078</u>	<u>26,750</u>	<u>52,828</u>
Net Assets, Beginning of Year	<u>5,234,597</u>	<u>3,105,337</u>	<u>8,339,934</u>
Net Assets, End of Year	<u>\$ 5,260,675</u>	<u>\$ 3,132,087</u>	<u>\$ 8,392,762</u>

The accompanying notes are an integral part of these financial statements.

**TEXAS CENTER FOR ARTS + ACADEMICS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>2019 Total</u>
Expenses			
Salaries and Wages	\$ 4,579,543	\$ 471,692	\$ 5,051,235
Benefits	376,779	23,032	399,811
Payroll Taxes	<u>114,511</u>	<u>14,987</u>	<u>129,498</u>
Total Payroll Expenses	5,070,833	509,711	5,580,544
Professional Services	408,829	119,329	528,158
Education Service Center Services	20,338	-	20,338
Repairs and Maintenance	270,703	-	270,703
Utilities	172,606	9,084	181,690
Rentals	171,840		171,840
Contracted Services	34,162	6,000	40,162
Maintenance Supplies	1,525	31,558	33,083
Instructional Materials	200,790	-	200,790
Testing Materials	2,592	-	2,592
Food Service	117,069	-	117,069
General Supplies	231,648	1,748	233,396
Travel	108,588	-	108,588
Insurance	58,327	6,481	64,808
Interest	-	253,235	253,235
Miscellaneous	<u>98,292</u>	<u>43,049</u>	<u>141,341</u>
Total Non-Payroll Expenses	1,897,309	470,484	2,367,793
Total Before Depreciation and Amortization	6,968,142	980,195	7,948,337
Amortization	-	20,486	20,486
Depreciation	<u>564,225</u>	<u>14,908</u>	<u>579,133</u>
Total Expenses	<u>\$ 7,532,367</u>	<u>\$ 1,015,589</u>	<u>\$ 8,547,956</u>

The accompanying notes are an integral part of these financial statements.

TEXAS CENTER FOR ARTS + ACADEMICS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	Program Services	Management and General	2018 Total
Expenses			
Salaries and Wages	\$ 4,613,336	\$ 366,738	\$ 4,980,074
Benefits	398,649	21,631	420,280
Payroll Taxes	<u>122,675</u>	<u>13,739</u>	<u>136,414</u>
Total Payroll Expenses	5,134,660	402,108	5,536,768
Professional Services	385,787	221,145	606,932
Education Service Center Services	4,723	6,026	10,749
Repairs and Maintenance	230,705	-	230,705
Utilities	175,736	9,249	184,985
Rentals	152,262		152,262
Contracted Services	13,171	6,000	19,171
Maintenance Supplies	1,837	30,584	32,421
Instructional Materials	62,025	-	62,025
Testing Materials	8,875	-	8,875
Food Service	128,015	-	128,015
General Supplies	184,541	1,015	185,556
Travel	76,046	2,238	78,284
Insurance	56,474	6,275	62,749
Interest	-	259,838	259,838
Miscellaneous	<u>45,412</u>	<u>18,227</u>	<u>63,639</u>
Total Non-Payroll Expenses	1,525,609	560,597	2,086,206
Total Before Depreciation and Amortization	6,660,269	962,705	7,622,974
Amortization	-	20,486	20,486
Depreciation	<u>562,703</u>	<u>14,908</u>	<u>577,611</u>
Total Expenses	<u>\$ 7,222,972</u>	<u>\$ 998,099</u>	<u>\$ 8,221,071</u>

The accompanying notes are an integral part of these financial statements.

TEXAS CENTER FOR ARTS + ACADEMICS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 9	\$ 52,828
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	579,133	577,611
(Increase) Decrease in Due from TEA	(62,439)	(45,962)
(Increase) Decrease in Accounts Receivable	(108)	-
(Increase) Decrease in Deferred Expenses	1,157	(1,259)
(Increase) Decrease in Prepaid Expenses	(14,923)	(3,829)
Increase (Decrease) in Accounts Payable	32,418	431
Increase (Decrease) in Due to Student Groups	(1,407)	(14,068)
Increase (Decrease) in Deferred Revenue	69,755	(371)
Increase (Decrease) in Wages Payable	20,777	22,793
Increase (Decrease) in Payroll Deductions	444	175
Increase (Decrease) in Accrued Interest	(5,700)	4,286
Net Cash Provided (Used) by Operating Activities	<u>619,116</u>	<u>592,635</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(46,623)	(38,397)
Purchase of Investment Securities	-	-
Withdrawal of Investment Securities	300,000	125,000
Dividends Reinvested in Securities	(46,373)	(39,815)
Capital Gains Reinvested in Securities	(21,394)	(17,299)
Fees Paid on Investments	6,406	7,617
Realized (Gain) Loss on Sale of Investment Securities	(52,845)	(21,626)
Unrealized (Gain) Loss on Investment Securities	<u>96,790</u>	<u>(6,734)</u>
Net Cash Provided (Used) by Investing Activities	<u>235,961</u>	<u>8,746</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of Debt Issuance Costs	20,486	20,486
Issuance of Short-Term Debt	150,000	100,000
Principal Payments on Debt	<u>(723,158)</u>	<u>(650,863)</u>
Net Cash Provided (Used) by Financing Activities	<u>(552,672)</u>	<u>(530,377)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	302,405	71,004
Cash and Cash Equivalents, Beginning of Year	<u>940,945</u>	<u>869,941</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,243,350</u>	<u>\$ 940,945</u>
Interest Paid During the Period Ended August 31, 2019 and 2018	\$ 258,665	\$ 255,215
Income Taxes Paid During the Period Ended August 31, 2019 and 2018	-	-

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of Texas Center for Arts + Academics (the corporation) were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

A. *Reporting Entity*

The corporation is a not-for-profit organization incorporated in the State of Texas in 1946 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporation is governed by a Board of Directors comprised of eight members. The Board of Directors is selected pursuant to the bylaws of the corporation and has the authority to make decisions, appoint the chief executive officer of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the corporation.

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

B. *Corporate Operations*

Texas Center for Arts + Academics establishes, supports, and grows our charter schools, the Texas Boys Choir, and our other artistic programs, which are designed to foster a lifelong passion for artistic and academic excellence.

Texas Center for Arts + Academics Programs conducts and manages performing groups of young people and provides education and training in the arts of music, theatre, dance, and the visual arts.

In 2000, the State Board of Education of the State of Texas granted the corporation an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Fort Worth Academy of Fine Arts Charter School was opened. The Texas State Board of Education issued the initial charter to the corporation for a period of five years from December 6, 2000, to August 1, 2005. Subsequent to the awarding of the initial charter, the corporation applied for and received a charter renewal in November 2006 extending the charter to August 1, 2015. The corporation applied for and received a charter renewal on February 2, 2015, extending the charter to July 31, 2025.

In 2006, the State Board of Education of the State of Texas granted the corporation another open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Texas School of the Arts was opened. Texas School of the Arts provides education to Kindergarten through 8th grade students. The Texas State Board of Education issued the initial charter to the charter holder for a period of five years from September 15, 2006, to July 31, 2011. Subsequent to the awarding of the initial charter, the corporation applied for and received a charter renewal on August 6, 2012, extending the charter to July 31, 2021.

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

C. *Basis of Accounting and Presentation*

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

D. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. *Contributions*

The corporation accounts for contributions as support without donor restrictions and with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

No amounts have been reflected in the financial statements for donated materials or services since no objective basis is available to measure the value thereof; however, a substantial number of volunteers donate their time to the school program services and in fund-raising activities.

F. *Cash and Cash Equivalents*

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

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

G. *Capital Assets*

Capital assets, which include land, buildings and improvements, furniture, equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the corporation as assets with an estimated useful life of more than one year and a cost of \$5,000 or more. 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.

H. *Personal Leave*

All employees of the charter schools earn five days of state paid personal and sick leave per year and four days of local paid personal and sick leave per year. There is no material liability for unpaid accumulated sick leave since the schools do not have a policy to pay any amount when the employees separate from service with the schools, and any unused balance of state days is transferable to other schools. In addition, administrators get two weeks paid vacation, but they are not paid for this time if they do not use it.

I. *Functional Allocation of Expenses*

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

J. *New Accounting Pronouncements/Accounting Changes*

In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. The ASU generally should be applied retrospectively to all prior periods presented. In prior reports, the organization presented the classification of net assets as unrestricted, temporarily restricted, and permanently restricted. The new guidance requires two categories of net assets: with donor restrictions and without donor restrictions. In addition, the new guidance requires the organization to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements.

2. CASH DEPOSITS

The charter schools' (Fort Worth Academy of Fine Arts and Texas School of the Arts) funds are deposited and invested with depository banks. The depository bank should deposit for safekeeping and trust with the charter schools' agent banks approved pledged securities in an amount sufficient to protect charter school funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

At August 31, 2019, the combined carrying amount of the charter schools' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,079,927, and the bank balance was \$1,191,054. The charter schools' cash deposits during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name.

At August 31, 2018, the combined carrying amount of the charter schools' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$810,949, and the bank balance was \$937,600. The charter schools' cash deposits during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit during the year ended August 31, 2019:

- a. The market value of securities pledged on behalf of the Fort Worth Academy of Fine Arts at Frost Bank as of the date of the highest combined balance on deposit was \$1,654,466. The market value of securities pledged on behalf of Texas School of the Arts at Frost Bank as of the date of highest combined balance on deposit was \$1,665,711.
- b. The highest combined balance of cash, savings, and time deposit accounts for Fort Worth Academy of Fine Arts at Frost Bank amounted to \$615,084 and occurred during the month of July 2019. The highest combined balances of cash, savings, and time deposit accounts for Texas School of the Arts at Frost Bank amounted to \$911,765 and occurred during the month of April 2019.
- c. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000 and \$250,000, respectively, for Fort Worth Academy of Fine Arts at Frost Bank and Texas School of the Arts at Frost Bank.

Texas Center for Arts + Academics' operations other than the charter schools reflected above do not receive federal and state grant and formula funding. As such, they are not required to comply with depository contract and pledged security requirements on their cash accounts, and their daily cash balances were never above the \$250,000 covered by FDIC.

3. INVESTMENTS

The corporation invests in marketable equity securities. The investments at August 31, 2019, were comprised of the following:

	<u>Cost</u>	<u>Market</u>
Plains Capital Investments	\$ 1,594,141	\$ 1,601,442
Total	<u>\$ 1,594,141</u>	<u>\$ 1,601,442</u>
Unrealized gains, beginning of year		\$ 104,092
Unrealized losses year, net change		<u>(96,791)</u>
Unrealized gains, end of year		<u>\$ 7,301</u>

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

The investments at August 31, 2018, were comprised of the following:

	<u>Cost</u>	<u>Market</u>
Plains Capital Investments	\$ 1,779,934	\$ 1,884,026
Total	<u>\$ 1,779,934</u>	<u>\$ 1,884,026</u>
Unrealized gains, beginning of year		\$ 97,358
Unrealized gain year, net change		<u>6,734</u>
Unrealized gains, end of year		<u>\$ 104,092</u>

4. DEFINED BENEFIT PENSION PLAN

A. *Plan Description*

The charter schools participate in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 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.

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

B. *Pension Plan Fiduciary Net Position*

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

The information provided in the Notes to the Financial Statements in the 2018 Comprehensive Annual Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2018.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$209,611,328,793
Less: Plan Fiduciary Net Position	<u>(154,568,901,833)</u>
Net Pension Liability	<u>\$ 55,042,426,960</u>
Net Position as percentage of Total Pension Liability	73.74%

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

C. *Benefits Provided*

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

D. *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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. Contribution rates can be found in the TRS 2018 CAFR, Note 11 on page 76.

Contribution Rates		
	2019	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FWAFA's Employer Contributions	\$ 56,592	\$ 60,557
FWAFA's Member Contributions	\$222,566	\$229,135
TeSA's Employer Contributions	\$ 26,562	\$ 27,399
TeSA's Member Contributions	\$118,394	\$105,954

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

Measurement Year	2018	2017
FWAFA's NECE On-Behalf Contributions	\$182,903	\$180,648
TeSA's NECE On-Behalf Contributions	\$ 85,168	\$ 82,252

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). As the non-employer contributing entity for public education, 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 including public 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.

In addition to the employer contributions listed above, there are two additional surcharges 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 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.

E. *Actuarial Assumptions*

The total pension liability in the August 31, 2017, actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2018 TRS CAFR, Note 11, page 77.

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-Term Expected Rate	7.25%
Municipal Bond Rate	3.69%*
Inflation	2.30%
Salary Increases	3.50% to 9.50% including inflation
Ad hoc Post Employment Benefit Changes	None

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

**Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.*

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2017, and adopted in July 2018.

F. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The discount rate can be found in the 2018 TRS CAFR on page 78. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018, are summarized below:

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	-	-
Hedge Funds (Stable Value)	4%	3.1%	0.1%
Cash	1%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.7%	0.0%
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

Commodities	0%	-	-
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag***			-0.8%
Total	100%		7.2%

* Target allocations are based on the FY2016 policy model.

** Capital market assumptions come from Aon Hewitt (2017 Q4)

*** The volatility drag results from the conversion between arithmetic and geometric mean returns.

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability. The discount rate can be found in the 2018 TRS CAFR, Note 11, page 78.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Fort Worth Academy of Fine Arts' proportionate share of the net pension liability	\$1,671,236	\$1,107,336	\$650,826
Texas School of Arts' proportionate share of the net pension liability	\$834,262	\$ 552,769	\$324,885

H. Pension Liabilities

At August 31, 2019, Fort Worth Academy of Fine Arts and Texas School of Arts reported a liability of \$1,107,336 and \$552,769, respectively, for their proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Fort Worth Academy of Fine Arts and Texas School of Arts. The amount recognized by Fort Worth Academy of Fine Arts and Texas School of Arts as their proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Fort Worth Academy of Fine Arts and Texas School of Arts was as follows:

Fort Worth Academy of Fine Arts' proportionate share of collective net pension liability	\$ 1,107,336
State's proportionate share that is associated with Fort Worth Academy of Fine Arts	<u>\$ 2,990,338</u>
Total	<u>\$ 4,097,674</u>

Texas School of Arts' proportionate share of the collective net pension liability	\$ 552,769
State's proportionate share that is associated with Texas School of Arts	<u>\$ 1,392,432</u>
Total	<u>\$ 1,945,201</u>

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, Fort Worth Academy of Fine Arts' proportion of the collective net pension liability was .0020117866% which was an increase from its proportion of .0019899211% measured as of August 31, 2017. At August 31, 2018, Texas School of Arts' proportion of the collective net pension liability was .0010042606% which was an increase from its proportion of .0008615323% measured as of August 31, 2017.

I. *Changes Since the Prior Actuarial Valuation*

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

J. *Additional Plans*

Certain employees of the charter holder are also provided with Social Security and Medicare coverage. Under provisions of federal law, covered employees contribute 6.2% (Social Security) and 1.45% (Medicare) of their annual covered salary, and the charter holder contributes 6.2% (Social Security) and 1.45% (Medicare) of the covered payroll.

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

5. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

A. *Plan Description*

The charter schools participate in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

B. *OPEB Plan Fiduciary Net Position*

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

Components of the Net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 50,729,490,103
Less: Plan Fiduciary Net Position	<u>(798,574,633)</u>
Net OPEB Liability	<u>\$ 49,930,915,470</u>
Net Position as a Percentage of Total OPEB Liability	1.57%

C. *Benefits Provided*

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

TRS-Care Monthly for Retirees		
	<u>Medicare</u>	<u>Non-Medicare</u>
January 1, 2018 thru December 31, 2018		
Retiree*	\$ 135	\$200
Retiree and Spouse	\$ 529	\$689
Retiree* and Children	\$ 468	\$408
Retiree and Family	\$1,020	\$999

* or surviving spouse

D. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and schools based upon public school payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, Sections 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Fort Worth Academy of Fine Arts Contribution Rates			
	<u>2018</u>	<u>2019</u>	
Active Employee	0.65%	0.65%	
State	1.25%	1.25%	
Employers	0.75%	0.75%	
Federal/Private Funding	1.25%	1.25%	
2019 Employer Contributions			\$ 21,679
2019 Member Contributions			\$ 18,788
2018 NECE On-Behalf Contributions	\$ 35,273		

Texas School of the Arts Contribution Rates			
	<u>2018</u>	<u>2019</u>	
Active Employee	0.65%	0.65%	
State	1.25%	1.25%	
Employers	0.75%	0.75%	
Federal/Private Funding	1.25%	1.25%	
2019 Employer Contributions			\$ 11,532
2019 Member Contributions			\$ 9,994
2018 NECE On-Behalf Contributions	\$ 16,618		

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS-Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY 2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

E. *Actuarial Assumptions*

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2018 TRS CAFR, Note 9, page 71.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69%*
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% - 9.05%, including inflation
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

**Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.*

F. *Discount Rate*

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 71. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2018.

G. *Sensitivity of the Net OPEB Liability*

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
Fort Worth Academy of Fine Art's proportionate share of the Net OPEB Liability:	\$2,597,156	\$2,181,854	\$1,853,324
Texas School of the Art's proportionate share of the Net OPEB Liability:	\$1,400,974	\$1,176,949	\$999,731

H. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the Net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
Fort Worth Academy of Fine Art's proportionate share of the Net OPEB Liability:	\$1,812,065	\$2,181,854	\$2,668,874
Texas School of the Art's proportionate share of the NET OPEB Liability:	\$977,475	\$1,176,949	\$1,439,660

I. *OPEB Liabilities and OPEB Expense*

At August 31, 2019, Fort Worth Academy of Fine Arts reported a liability of \$2,181,854 and Texas School of the Arts reported a liability of \$1,176,949 for their proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the schools. The amount recognized by the schools as their proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Fort Worth Academy of Fine Arts and Texas School of the Arts were as follows:

Fort Worth Academy's Proportionate share of the collective net OPEB liability	\$ 2,181,854
State's proportionate share that is associated with Fort Worth Academy	<u>2,556,661</u>
Total	<u>\$ 4,738,515</u>
 Texas School of the Art's Proportionate share of the collective net OPEB liability	 \$ 1,176,949
State's proportionate share that is associated with Texas School of the Arts	<u>1,204,520</u>
Total	<u>\$ 2,381,469</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, Fort Worth Academy of Fine Art's proportion of the collective Net OPEB Liability was 0.0043697458% compared to 0.0044566167% at August 31, 2017, and Texas School of the Art's proportion of the collective Net OPEB Liability was 0.0023571549% compared to 0.0024752784% at August 31, 2017.

J. *Changes Since the Prior Actuarial Valuation*

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period: *These can be found in the TRS CAFR on page 71.*

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. The change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The change increased the Total OPEB Liability.
- The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date – Please see the 2018 TRS CAFR, page 68, section B for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

6. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2019 and 2018, the charter holder had no material liability for accrued sick leave or vacation leave.

7. COMMITMENTS AND CONTINGENCIES

The charter schools receive 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 agencies. The programs administered by the charter schools have complex compliance requirements and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agencies. In the opinion of the charter schools, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

8. CAPITAL ASSETS

Capital assets at August 31, 2019, were as follows:

	Balance <u>9/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>8/31/2019</u>
Land	\$ 308,507	\$ -	\$ -	\$ 308,507
Buildings and Improvements	14,186,918	28,747	-	14,215,665
Furniture and Equipment	595,655	17,876	-	613,531
Vehicles	276,650	-	-	276,650
Accumulated Depreciation	<u>(4,054,731)</u>	<u>(579,133)</u>	<u>-</u>	<u>(4,633,864)</u>
	<u>\$11,312,999</u>	<u>\$ (532,510)</u>	<u>\$ -</u>	<u>\$10,780,489</u>

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

Capital assets at August 31, 2018, were as follows:

	<u>Balance</u> <u>9/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2018</u>
Land	\$ 308,507	\$ -	\$ -	\$ 308,507
Buildings and Improvements	14,148,521	38,397	-	14,186,918
Furniture and Equipment	595,655	-	-	595,655
Vehicles	276,650	-	-	276,650
Accumulated Depreciation	<u>(3,477,120)</u>	<u>(577,611)</u>	<u>-</u>	<u>(4,054,731)</u>
	<u>\$11,852,213</u>	<u>\$ (539,214)</u>	<u>\$ -</u>	<u>\$11,312,999</u>

Capital assets acquired with public funds received by the corporation for the operation of Fort Worth Academy of Fine Arts and Texas School of the Arts constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets for each individual charter school.

9. ECONOMIC DEPENDENCY

During the years ended August 31, 2019 and 2018, the charter schools earned revenue of \$7,537,383 and \$7,089,371, respectively, from the Texas Education Agency (TEA). These amounts constitute approximately 88.18% and 85.68%, respectively, 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 charter school to continue to provide the current level of services to its students.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets With Donor Restrictions for the years ending August 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
William Foundation Donation	\$ 20,000	\$ 20,000
Foundation School Program	<u>3,043,769</u>	<u>3,112,087</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,063,769</u>	<u>\$ 3,132,087</u>

11. HEALTH CARE COVERAGE

During the years ended August 31, 2019 and 2018, full-time employees of the charter schools were covered by a health insurance plan (the Plan). The charter schools contributed \$325 per month per employee to the Plan for each full-time employee who chose to participate. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

12. DEFERRED REVENUE

Deferred revenue at August 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Deferred Activity Fee Revenue	\$ 18,376	\$ 15,855
Deferred Performance Revenue	2,616	10,375
Deferred Contributions	<u>88,205</u>	<u>13,212</u>
Total	<u>\$ 109,197</u>	<u>\$ 39,442</u>

Deferred activity fee revenue results from billings for activity fees in August each year in advance for the upcoming school year. Deferred performance and contribution revenues result from payments received from third parties in advance of year end to be earned and/or realized in the next fiscal year.

13. LONG-TERM DEBT

Long-term debt at August 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Note payable to Splendor Cultural Education Facilities Finance Corp. through Frost Bank for Fort Worth Academy of Fine Arts bldg., 5.01% interest, 180 monthly payments of \$38,958 commencing September 30, 2009. Final payment is due August 31, 2024. Note is secured by real property owned by the corporation.	\$ 2,088,859	\$ 2,440,493
Note payable to Plains Capital Bank for working capital to help cover payroll and other operating expenses. 5.75% interest (5.50% interest in prior year) minimum payment is monthly interest expense, commencing August 24, 2018. Renewed August 24, 2019. Final payment is due August 23, 2020.	206,966	100,000
Note payable to Orchard Cultural Education Facilities Finance Corp. through Frost Bank for Texas School of the Arts new school building. 3.41% effective interest rate, quarterly payments of approximately \$117,483. Final payment is due March 1, 2027. Note is secured by real property owned by the corporation.	<u>3,000,463</u>	<u>3,328,953</u>
Total Debt	\$ 5,296,288	\$ 5,869,446
Less Current Portion of Long-Term Debt	<u>(914,853)</u>	<u>(778,265)</u>
Total Long-Term Debt	<u>\$ 4,381,435</u>	<u>\$ 5,091,181</u>

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

Future maturities of long-term debt at August 31, 2019, are as follows:

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 914,853	\$ 204,264	\$ 1,119,117
2021	747,475	152,776	900,251
2022	779,851	120,400	900,251
2023	813,703	86,548	900,251
2024	844,905	55,346	900,251
2025-2027	<u>1,195,501</u>	<u>61,004</u>	<u>1,256,505</u>
Total	<u>\$ 5,296,288</u>	<u>\$ 680,338</u>	<u>\$ 5,976,626</u>

14. INTERCOMPANY ELIMINATIONS

During the years ended August 31, 2019 and 2018, the Fort Worth Academy of Fine Arts Charter School recorded \$576,000 and \$576,000, respectively in lease expense paid to the charter holder. During the years ended August 31, 2019 and 2018, Texas School of the Arts recorded \$504,000 and \$480,000, respectively in lease expense paid to the charter holder. These expenses (income) are included in the Special Purpose Statements of Activities (Exhibits B-2.1, B-2.2, and B-2.3) and are eliminated on the combined General Purpose Statement of Activities (Exhibit A-2).

15. INCOME TAX

On December 30, 2008, FASB issued FASB Staff Position (FSP) FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises. There was no apparent unrelated business income for the years ended August 31, 2019 and 2018, and as a result, there was no income tax liability.

16. LEASES

A copier lease agreement was entered into with ImageTek for \$5,060 a month for 60 months beginning March 30, 2017. A lease agreement was entered into with De Lage Landen for \$19 a month for 58 months beginning June 4, 2014, for a three hole punch and \$116 a month for 60 months beginning March 18, 2014 for a copier. Another copier lease agreement was entered into with De Lage Landen for \$233 a month for 60 months beginning March 18, 2014. A storage unit lease agreement was entered into with Storage Choice for \$150 a month. This is a month to month lease. A refrigerated machine lease agreement was entered into with Inland Finance Company on June 26, 2015, for \$435 a month for 60 months.

Future minimum payments under noncancelable operating leases as of August 31, 2019, are as follows:

2020	\$ 64,635
2021	60,720
2022	<u>35,420</u>
	<u>\$160,775</u>

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

17. RENTAL EXPENSE

During the years ended August 31, 2019 and 2018, the corporation reported the following rental expenses after intercompany eliminations:

	<u>2019</u>	<u>2018</u>
Imagetex Office Systems	\$ 102,564	\$ 75,530
Well Fargo Financial Leasing	-	1,125
Pitney Bowes	790	-
XBS Southwest	250	-
De Lage Landen	3,800	4,933
Renaissance Worthington	-	63,671
Omni Hotel	57,216	-
Broadway Baptist	200	200
Commerce Bank	1,800	-
Inland Leasing	5,220	5,220
Storage Choice	-	1,584
Total Rent Expense	<u>\$ 171,840</u>	<u>\$152,263</u>

18. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the corporation through financial statement issuance and has determined that there were no additional subsequent events requiring recognition or disclosure in the financial statements.

19. RELATED PARTY TRANSACTIONS

One board member is employed by Plains Capital Bank. Texas Center for Arts + Academics has \$1,601,442 of investments with Plains Capital Bank. This board member joined the board in September 2015. The investments with Plains Capital Bank were purchased before she became a board member. All appropriate disclosures have been made.

20. FAIR VALUE MEASUREMENTS

Effective July 1, 2008, the corporation adopted Statement of Financial Accounting Standard No. 157, "Fair Value Measurements", which provides a framework for measuring fair value under generally accepted accounting principles. Statement No. 157 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in Statement No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the organization uses various methods including market, income, and cost approaches. Based on these approaches, the organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The organization utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

the observability of the inputs used in the valuation techniques, the organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. The tables below present the balances of assets measured at fair value on a recurring basis:

August 31, 2019		Fair Value Measurements at Reporting Date Using		
Description	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities	\$ 1,601,442	\$ 1,601,442	\$ -	\$ -
Total	\$ 1,601,442	\$ 1,601,442	\$ -	\$ -
August 31, 2018		Fair Value Measurements at Reporting Date Using		
Description	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities	\$ 1,884,026	\$ 1,884,026	\$ -	\$ -
Total	\$ 1,884,026	\$ 1,884,026	\$ -	\$ -

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

21. RESTRICTED ASSETS

\$20,000 was contributed to Texas Center for Arts + Academics from the William E. Scott Foundation on December 6, 2017 that was restricted for the purchase of a box truck to be used in outreach programs, maintenance, and choral riser transport. This box truck has not been purchased yet; therefore, at August 31, 2019, \$20,000 of cash is still restricted for the purchase of a box truck.

22. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 146,122
Accounts receivable	108
Prepaid expenses	39,498
Loan origination costs	133,165
Fixed assets	10,423,799
Long-term investments	<u>99,009</u>
	<u>\$10,841,701</u>

Except for the financial assets listed above, Texas Center for Arts + Academics' cash, due from TEA, fixed assets, and long-term investments' use are restricted by the Texas Education Agency, federal agencies, and donors for charter school operations. As part of the corporation's liquidity management plan, \$1,601,442 of cash is invested in Plains Capital Bank investments.

**Specific-Purpose
Financial Statements**

FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 305,081	\$ 90,550
Deferred Expenses	6,654	8,972
Due from TEA	<u>292,374</u>	<u>254,524</u>
Total Current Assets	<u>604,109</u>	<u>354,046</u>
Property and Equipment		
Buildings and improvements	273,071	273,071
Furniture and equipment	303,685	303,685
Vehicles	187,356	187,356
Less accumulated depreciation	<u>(418,779)</u>	<u>(356,809)</u>
Total Property and Equipment	<u>345,333</u>	<u>407,303</u>
Long-Term Investments	<u>808,385</u>	<u>1,099,552</u>
Total Assets	<u>\$ 1,757,827</u>	<u>\$ 1,860,901</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 29,177	\$ -
Accrued wages payable	209,067	206,020
Payroll deductions and withholdings	<u>4,663</u>	<u>4,625</u>
Total Current Liabilities	<u>242,907</u>	<u>210,645</u>
Total Liabilities	<u>\$ 242,907</u>	<u>\$ 210,645</u>
Net Assets		
Without donor restrictions	2,699	4,032
With donor restrictions	<u>1,512,221</u>	<u>1,646,224</u>
Total Net Assets	<u>\$ 1,514,920</u>	<u>\$ 1,650,256</u>
Total Liabilities and Net Assets	<u>\$ 1,757,827</u>	<u>\$ 1,860,901</u>

The accompanying notes are an integral part of these financial statements.

TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 774,846	\$ 720,399
Due from TEA	179,851	155,262
Deferred expenses	5,561	4,400
Total Current Assets	<u>960,258</u>	<u>880,061</u>
Property and Equipment		
Furniture and equipment	72,016	65,886
Vehicles	4,500	4,500
Less accumulated depreciation	(65,159)	(57,432)
Total Property and Equipment	<u>11,357</u>	<u>12,954</u>
Long-Term Investments	<u>694,048</u>	<u>686,498</u>
Total Assets	<u>\$ 1,665,663</u>	<u>\$ 1,579,513</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 2,329	\$ -
Accrued wages payable	128,730	111,000
Payroll deductions and withholdings	3,056	2,650
Total Current Liabilities	<u>134,115</u>	<u>113,650</u>
Total Liabilities	<u>\$ 134,115</u>	<u>\$ 113,650</u>
Net Assets		
Without donor restrictions	-	-
With donor restrictions	1,531,548	1,465,863
Total Net Assets	<u>\$ 1,531,548</u>	<u>\$ 1,465,863</u>
Total Liabilities and Net Assets	<u>\$ 1,665,663</u>	<u>\$ 1,579,513</u>

The accompanying notes are an integral part of these financial statements.

TEXAS CENTER FOR ARTS + ACADEMICS PROGRAMS
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 163,423	\$ 129,996
Accounts receivable	108	-
Prepaid expenses	39,498	24,575
Total Current Assets	<u>203,029</u>	<u>154,571</u>
Property and Equipment		
Land	308,507	308,507
Buildings and improvements	13,942,594	13,913,847
Furniture and equipment	237,830	226,084
Vehicles	84,794	84,794
Less accumulated depreciation	(4,149,926)	(3,640,490)
Total Property and Equipment	<u>10,423,799</u>	<u>10,892,742</u>
Other Assets		
Long-term investments	99,009	97,976
Capitalized debt issuance costs	133,165	153,651
Total Other Assets	<u>232,174</u>	<u>251,627</u>
Total Assets	<u>\$ 10,859,002</u>	<u>\$ 11,298,940</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,343	\$ 431
Due to student groups	63,545	64,952
Deferred revenue	109,197	39,442
Accrued interest	42,326	48,026
Current portion of long-term debt	914,853	778,265
Total Current Liabilities	<u>1,131,264</u>	<u>931,116</u>
Long-Term Liabilities		
Notes payable	4,381,435	5,091,181
Total Long-Term Liabilities	<u>4,381,435</u>	<u>5,091,181</u>
Total Liabilities	<u>\$ 5,512,699</u>	<u>\$ 6,022,297</u>
Net Assets		
Without donor restrictions	5,326,303	5,256,643
With donor restrictions	20,000	20,000
Total Net Assets	<u>\$ 5,346,303</u>	<u>\$ 5,276,643</u>
Total Liabilities and Net Assets	<u>\$ 10,859,002</u>	<u>\$ 11,298,940</u>

The accompanying notes are an integral part of these financial statements.

FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 10,205	\$ -	\$ 10,205
5750 Cocurricular and Enterprising Activities	116,214	-	116,214
Total Local Support	<u>126,419</u>	<u>-</u>	<u>126,419</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	4,673,409	4,673,409
5820 State Program Revenues Distributed by TEA	-	114,102	114,102
Total State Program Revenues	<u>-</u>	<u>4,787,511</u>	<u>4,787,511</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	67,796	67,796
Total Federal Program Revenues	<u>-</u>	<u>67,796</u>	<u>67,796</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	4,989,310	(4,989,310)	-
Total Revenues	<u>\$ 5,115,729</u>	<u>\$ (134,003)</u>	<u>\$ 4,981,726</u>
Expenses			
11 Instruction	\$ 2,998,884	\$ -	\$ 2,998,884
13 Curriculum & Instructional Staff Development	12,888	-	12,888
21 Instructional Leadership	33,274	-	33,274
23 School Leadership	318,649	-	318,649
31 Guidance, Counseling, & Evaluation Services	111,764	-	111,764
33 Health Services	49,650	-	49,650
35 Food Services	142,065	-	142,065
36 Cocurricular/Extracurricular Activities	37,782	-	37,782
41 General Administration	305,392	-	305,392
51 Plant Maintenance & Operations	982,109	-	982,109
53 Data Processing Services	68,906	-	68,906
81 Fundraising	55,699	-	55,699
Total Expenses	<u>\$ 5,117,062</u>	<u>\$ -</u>	<u>\$ 5,117,062</u>
Change in Net Assets	<u>(1,333)</u>	<u>(134,003)</u>	<u>(135,336)</u>
Net Assets, Beginning of Year	<u>4,032</u>	<u>1,646,224</u>	<u>1,650,256</u>
Net Assets, End of Year	<u>\$ 2,699</u>	<u>\$ 1,512,221</u>	<u>\$ 1,514,920</u>

The accompanying notes are an integral part of these financial statements.

FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 49,954	\$ -	\$ 49,954
5750 Cocurricular and Enterprising Activities	101,113	-	101,113
Total Local Support	<u>151,067</u>	<u>-</u>	<u>151,067</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	4,410,062	4,410,062
5820 State Program Revenues Distributed by TEA	-	44,385	44,385
Total State Program Revenues	<u>-</u>	<u>4,454,447</u>	<u>4,454,447</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	148,927	148,927
Total Federal Program Revenues	<u>-</u>	<u>148,927</u>	<u>148,927</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	4,805,578	(4,805,578)	-
Total Revenues	<u>\$ 4,956,645</u>	<u>\$ (202,204)</u>	<u>\$ 4,754,441</u>
Expenses			
11 Instruction	\$ 2,786,237	\$ -	\$ 2,786,237
13 Curriculum & Instructional Staff Development	19,105	-	19,105
21 Instructional Leadership	48,267	-	48,267
23 School Leadership	319,259	-	319,259
31 Guidance, Counseling, & Evaluation Services	166,980	-	166,980
33 Health Services	49,075	-	49,075
35 Food Services	163,374	-	163,374
36 Cocurricular/Extracurricular Activities	51,965	-	51,965
41 General Administration	309,246	-	309,246
51 Plant Maintenance & Operations	924,472	-	924,472
53 Data Processing Services	71,725	-	71,725
81 Fundraising	48,939	-	48,939
Total Expenses	<u>\$ 4,958,644</u>	<u>\$ -</u>	<u>\$ 4,958,644</u>
Change in Net Assets	<u>(1,999)</u>	<u>(202,204)</u>	<u>(204,203)</u>
Net Assets, Beginning of Year	<u>6,031</u>	<u>1,848,428</u>	<u>1,854,459</u>
Net Assets, End of Year	<u>\$ 4,032</u>	<u>\$ 1,646,224</u>	<u>\$ 1,650,256</u>

The accompanying notes are an integral part of these financial statements.

**TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 27,883	\$ -	\$ 27,883
5750 Cocurricular and Enterprising Activities	77,742	-	77,742
Total Local Support	<u>105,625</u>	<u>-</u>	<u>105,625</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	2,665,513	2,665,513
5820 State Program Revenues Distributed by TEA	-	84,359	84,359
Total State Program Revenues	<u>-</u>	<u>2,749,872</u>	<u>2,749,872</u>
Federal Program Revenues:			
5910 Federal Revenues Distributed by Other Government Entities	-	2,000	2,000
5920 Federal Revenues Distributed by TEA	-	44,135	44,135
Total Federal Program Revenues	<u>-</u>	<u>46,135</u>	<u>46,135</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>2,730,322</u>	<u>(2,730,322)</u>	<u>-</u>
Total Revenues	<u>\$ 2,835,947</u>	<u>\$ 65,685</u>	<u>\$ 2,901,632</u>
Expenses			
11 Instruction	1,529,315	-	1,529,315
13 Curriculum & Instructional Staff Development	2,382	-	2,382
21 Instructional Leadership	30,842	-	30,842
23 School Leadership	141,853	-	141,853
31 Guidance, Counseling, & Evaluation Services	54,576	-	54,576
33 Health Services	29,022	-	29,022
35 Food Services	80,212	-	80,212
41 General Administration	168,595	-	168,595
51 Plant Maintenance & Operations	727,651	-	727,651
52 Security & Monitoring Services	6,256	-	6,256
53 Data Processing Services	33,536	-	33,536
81 Fundraising	31,707	-	31,707
Total Expenses	<u>\$ 2,835,947</u>	<u>\$ -</u>	<u>\$ 2,835,947</u>
Change in Net Assets	<u>-</u>	<u>65,685</u>	<u>65,685</u>
Net Assets, Beginning of Year	<u>-</u>	<u>1,465,863</u>	<u>1,465,863</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,531,548</u>	<u>\$ 1,531,548</u>

The accompanying notes are an integral part of these financial statements.

**TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 31,742	\$ -	\$ 31,742
5750 Cocurricular and Enterprising Activities	79,474	-	79,474
Total Local Support	<u>111,216</u>	<u>-</u>	<u>111,216</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	2,620,871	2,620,871
5820 State Program Revenues Distributed by TEA	-	14,053	14,053
Total State Program Revenues	<u>-</u>	<u>2,634,924</u>	<u>2,634,924</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	68,645	68,645
Total Federal Program Revenues	<u>-</u>	<u>68,645</u>	<u>68,645</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>2,494,615</u>	<u>(2,494,615)</u>	<u>-</u>
Total Revenues	<u>\$ 2,605,831</u>	<u>\$ 208,954</u>	<u>\$ 2,814,785</u>
Expenses			
11 Instruction	1,404,652	-	1,404,652
13 Curriculum & Instructional Staff Development	7,814	-	7,814
23 School Leadership	145,383	-	145,383
31 Guidance, Counseling, & Evaluation Services	14,622	-	14,622
33 Health Services	27,762	-	27,762
35 Food Services	86,893	-	86,893
36 Cocurricular/Extracurricular Activities	2,098	-	2,098
41 General Administration	147,733	-	147,733
51 Plant Maintenance & Operations	704,964	-	704,964
52 Security & Monitoring Services	6,256	-	6,256
53 Data Processing Services	31,705	-	31,705
81 Fundraising	25,949	-	25,949
Total Expenses	<u>\$ 2,605,831</u>	<u>\$ -</u>	<u>\$ 2,605,831</u>
Change in Net Assets	<u>-</u>	<u>208,954</u>	<u>208,954</u>
Net Assets, Beginning of Year	<u>-</u>	<u>1,256,909</u>	<u>1,256,909</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,465,863</u>	<u>\$ 1,465,863</u>

The accompanying notes are an integral part of these financial statements.

TEXAS CENTER FOR ARTS + ACADEMICS PROGRAMS
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Totals</u>
Revenues, Gains, & Other Support			
Local Support:			
Contributions	\$ 111,254	\$ 35,000	\$ 146,254
Special Events	133,582	-	133,582
Total Local Support	<u>244,836</u>	<u>35,000</u>	<u>279,836</u>
Program Service Revenue:			
Performances	87,442	-	87,442
Building Rentals	1,083,950	-	1,083,950
Activity Fees	219,857	-	219,857
Total Program Service Revenue	<u>1,391,249</u>	<u>-</u>	<u>1,391,249</u>
Interest & Other Income:			
Investment Income	4,190	-	4,190
Unrealized Gain (Loss)	(6,308)	-	(6,308)
Realized Gain (Loss)	3,159	-	3,159
Royalty Income	4,810	-	4,810
Other	67,671	-	67,671
Total Interest & Other Income	<u>73,522</u>	<u>-</u>	<u>73,522</u>
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>
Total Revenues, Gains, & Other Support	<u>\$ 1,744,607</u>	<u>\$ -</u>	<u>\$ 1,744,607</u>
Expenses			
11 Instruction	988,381	-	988,381
35 Food Services	12,043	-	12,043
41 General Administration	221,027	-	221,027
51 Plant Maintenance and Operations	22,903	-	22,903
71 Debt Service	273,452	-	273,452
81 Fundraising	157,141	-	157,141
Total Expenses	<u>\$ 1,674,947</u>	<u>\$ -</u>	<u>\$ 1,674,947</u>
Change in Net Assets	<u>69,660</u>	<u>-</u>	<u>69,660</u>
Net Assets, Beginning of Year	<u>5,256,643</u>	<u>20,000</u>	<u>5,276,643</u>
Net Assets, End of Year	<u>\$ 5,326,303</u>	<u>\$ 20,000</u>	<u>\$ 5,346,303</u>

The accompanying notes are an integral part of these financial statements.

TEXAS CENTER FOR ARTS + ACADEMICS PROGRAMS
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Totals</u>
Revenues, Gains, & Other Support			
Local Support:			
Contributions	\$ 159,903	\$ 60,000	\$ 219,903
Special Events	198,326	-	198,326
Total Local Support	<u>358,229</u>	<u>60,000</u>	<u>418,229</u>
Program Service Revenue:			
Performances	86,803	-	86,803
Building Rentals	1,058,085	-	1,058,085
Activity Fees	157,740	-	157,740
Total Program Service Revenue	<u>1,302,628</u>	<u>-</u>	<u>1,302,628</u>
Interest & Other Income:			
Investment Income	2,950	-	2,950
Unrealized Gain (Loss)	379	-	379
Realized Gain (Loss)	620	-	620
Royalty Income	5,354	-	5,354
Other	30,513	-	30,513
Total Interest & Other Income	<u>39,816</u>	<u>-</u>	<u>39,816</u>
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	<u>40,000</u>	<u>(40,000)</u>	<u>-</u>
Total Revenues, Gains, & Other Support	<u>\$ 1,740,673</u>	<u>\$ 20,000</u>	<u>\$ 1,760,673</u>
Expenses			
11 Instruction	1,008,164	-	1,008,164
35 Food Services	12,043	-	12,043
41 General Administration	215,025	-	215,025
51 Plant Maintenance and Operations	20,703	-	20,703
71 Debt Service	279,987	-	279,987
81 Fundraising	176,674	-	176,674
Total Expenses	<u>\$ 1,712,596</u>	<u>\$ -</u>	<u>\$ 1,712,596</u>
Change in Net Assets	<u>28,077</u>	<u>20,000</u>	<u>48,077</u>
Net Assets, Beginning of Year	<u>5,228,566</u>	<u>-</u>	<u>5,228,566</u>
Net Assets, End of Year	<u>\$ 5,256,643</u>	<u>\$ 20,000</u>	<u>\$ 5,276,643</u>

The accompanying notes are an integral part of these financial statements.

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (135,336)	\$ (204,203)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	61,970	63,315
(Increase) Decrease in Deferred Expenses	2,318	(2,519)
(Increase) Decrease in Due from TEA	(37,850)	(12,767)
Increase (Decrease) in Accounts Payable	29,177	-
Increase (Decrease) in Payroll Deductions	38	(487)
Increase (Decrease) in Wages Payable	3,047	4,856
Net Cash Provided (Used) by Operating Activities	<u>(76,636)</u>	<u>(151,805)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	-	-
Purchase of Investment Securities	-	-
Withdrawal of Investment Securities	300,000	125,000
Dividends Reinvested in Securities	(23,888)	(23,477)
Capital Gains Reinvested in Securities	(10,780)	(10,040)
Fees Paid on Investments	3,316	4,522
Realized (Gain) Loss on Sale of Investment Securities	(37,741)	(12,321)
Unrealized (Gain) Loss on Investment Securities	60,260	(5,710)
Net Cash Provided (Used) by Investing Activities	<u>291,167</u>	<u>77,974</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Debt	-	-
Net Cash Provided (Used) by Financing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	214,531	(73,831)
Cash and Cash Equivalents, Beginning of Year	90,550	164,381
Cash and Cash Equivalents, End of Year	<u>\$ 305,081</u>	<u>\$ 90,550</u>
 Interest Paid During the Period Ended August 31, 2019 and 2018	 \$ -	 \$ -
Income Taxes Paid During the Period Ended August 31, 2019 and 2018	-	-

The accompanying notes are an integral part of these financial statements.

**TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 65,685	\$ 208,954
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	7,727	7,654
(Increase) Decrease in Deferred Expenses	(1,161)	1,260
(Increase) Decrease in Due from TEA	(24,589)	(33,195)
Increase (Decrease) in Accounts Payable	2,329	-
Increase (Decrease) in Wages Payable	17,730	17,937
Increase (Decrease) in Payroll Deductions and Withholdings	406	662
Net Cash Provided (Used) by Operating Activities	<u>68,127</u>	<u>203,272</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(6,130)	-
Purchase of Investment Securities	-	-
Dividends Reinvested in Securities	(19,663)	(14,287)
Capital Gains Reinvested in Securities	(9,255)	(6,367)
Fees Paid on Investments	2,704	2,709
Realized (Gain) Loss on Sale of Investment Securities	(11,559)	(8,298)
Unrealized (Gain) Loss on Investment Securities	30,223	(645)
Net Cash Provided (Used) by Investing Activities	<u>(13,680)</u>	<u>(26,888)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	54,447	176,384
Cash and Cash Equivalents, Beginning of Year	<u>720,399</u>	<u>544,015</u>
Cash and Cash Equivalents, End of Year	<u>\$ 774,846</u>	<u>\$ 720,399</u>
Interest Paid During the Period Ended August 31, 2019 and 2018	\$ -	\$ -
Income Taxes Paid During the Period Ended August 31, 2019 and 2018	-	-

The accompanying notes are an integral part of these financial statements.

TEXAS CENTER FOR ARTS + ACADEMICS PROGRAMS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 69,660	\$ 48,077
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	509,436	506,642
(Increase) Decrease in Account Receivable	(108)	-
(Increase) Decrease in Prepaid Expenses	(14,923)	(3,829)
Increase (Decrease) in Accounts Payable	912	431
Increase (Decrease) in Due to Student Groups	(1,407)	(14,068)
Increase (Decrease) in Deferred Revenue	69,755	(371)
Increase (Decrease) in Accrued Interest	(5,700)	4,286
Net Cash Provided (Used) by Operating Activities	<u>627,625</u>	<u>541,168</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(40,493)	(38,397)
Purchase of Investment Securities	-	-
Withdrawal of Investment Securities	-	-
Dividends Reinvested in Securities	(2,822)	(2,051)
Capital Gains Reinvested in Securities	(1,360)	(892)
Fees Paid on Investments	386	386
Realized (Gain) Loss on Sale of Investment Securities	(3,545)	(1,007)
Unrealized (Gain) Loss on Investment Securities	6,308	(379)
Net Cash Provided (Used) by Investing Activities	<u>(41,526)</u>	<u>(42,340)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of Debt Issuance Costs	20,486	20,486
Issuance of Short-Term Debt	150,000	100,000
Principal Payments on Debt	(723,158)	(650,863)
Net Cash Provided (Used) by Financing Activities	<u>(552,672)</u>	<u>(530,377)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	33,427	(31,549)
Cash and Cash Equivalents, Beginning of Year	<u>129,996</u>	<u>161,545</u>
Cash and Cash Equivalents, End of Year	<u>\$ 163,423</u>	<u>\$ 129,996</u>
 Interest Paid During the Period Ended August 31, 2019 and 2018	 \$ 258,665	 \$ 255,215
Income Taxes Paid During the Period Ended August 31, 2019 and 2018	-	-

The accompanying notes are an integral part of these financial statements.

**Required
Supplementary
Information**

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

		<u>2019</u>	<u>2018</u>
Expenses			
6100	Payroll Costs	\$ 3,453,073	\$ 3,477,466
6200	Professional and Contracted Services	1,139,557	1,125,800
6300	Supplies and Materials	335,398	223,832
6400	Other Operating Costs	189,034	131,546
6500	Debt	<u>-</u>	<u>-</u>
	Total Expenses	<u>\$ 5,117,062</u>	<u>\$ 4,958,644</u>

The accompanying notes are an integral part of these statements.

**TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

		<u>2019</u>	<u>2018</u>
Expenses			
6100	Payroll Costs	\$ 1,752,831	\$ 1,630,075
6200	Professional and Contracted Services	821,789	792,963
6300	Supplies and Materials	211,695	146,771
6400	Other Operating Costs	49,632	36,022
6500	Debt	<u>-</u>	<u>-</u>
	Total Expenses	<u><u>\$ 2,835,947</u></u>	<u><u>\$ 2,605,831</u></u>

The accompanying notes are an integral part of these statements.

TEXAS CENTER FOR ARTS + ACADEMICS PROGRAMS
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

		<u>2019</u>	<u>2018</u>
Expenses			
6100	Payroll Costs	\$ 374,641	\$ 429,228
6200	Professional and Contracted Services	331,545	342,043
6300	Supplies and Materials	39,837	46,288
6400	Other Operating Costs	655,203	614,713
6500	Debt	<u>273,721</u>	<u>280,324</u>
	Total Expenses	<u>\$ 1,674,947</u>	<u>\$ 1,712,596</u>

The accompanying notes are an integral part of these statements.

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
SCHEDULE OF CAPITAL ASSETS
AS OF AUGUST 31, 2019**

	Ownership Interest		
	Local	State	Federal
1520 Buildings and Improvements	\$ -	\$ 273,071	\$ -
1539 Furniture and Equipment	13,995	280,571	9,119
1541 Vehicles	-	187,356	-
1570 Less Accumulated Depreciation	(13,995)	(395,665)	(9,119)
Total Property and Equipment	<u>\$ -</u>	<u>\$ 345,333</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL
SCHEDULE OF CAPITAL ASSETS
AS OF AUGUST 31, 2019**

	Ownership Interest		
	Local	State	Federal
1539 Furniture and Equipment	\$ -	\$ 59,708	\$ 12,308
1541 Vehicles	-	4,500	-
1570 Less Accumulated Depreciation	-	(52,851)	(12,308)
Total Property and Equipment	<u>\$ -</u>	<u>\$ 11,357</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

TEXAS CENTER FOR ARTS + ACADEMICS PROGRAMS
SCHEDULE OF CAPITAL ASSETS
AS OF AUGUST 31, 2019

		Ownership Interest		
		Local	State	Federal
1510	Land	\$ 308,507	\$ -	\$ -
1520	Buildings and Improvements	13,942,594	-	-
1530	Furniture and Equipment	237,830	-	-
1540	Vehicles	84,794	-	-
1570	Less Accumulated Depreciation	(4,149,926)	-	-
	Total Property and Equipment	<u>\$ 10,423,799</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 78,532	\$ 1,300	\$ 10,205	\$ 8,905
5750 Cocurricular and Enterprising Activities	95,000	115,000	116,214	1,214
Total Local Support	173,532	116,300	126,419	10,119
State Program Revenues:				
5810 Foundation School Program Act Revenues	4,436,680	4,682,576	4,673,409	(9,167)
5820 State Program Revenues Distributed by TEA	26,000	202,318	114,102	(88,216)
Total State Program Revenues	4,462,680	4,884,894	4,787,511	(97,383)
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	93,686	72,000	67,796	(4,204)
Total Federal Program Revenues	93,686	72,000	67,796	(4,204)
Total Revenues	\$ 4,729,898	\$ 5,073,194	\$ 4,981,726	\$ (91,468)
Expenses				
11 Instruction	\$ 2,775,663	\$ 3,020,934	\$ 2,998,884	\$ 22,050
13 Curriculum & Instructional Staff Development	15,000	13,000	12,888	112
21 Instructional Leadership	43,161	35,000	33,274	1,726
23 School Leadership	324,427	324,427	318,649	5,778
31 Guidance, Counseling, & Evaluation Services	113,126	113,126	111,764	1,362
33 Health Services	49,672	49,672	49,650	22
35 Food Services	122,585	143,000	142,065	935
36 Cocurricular/Extracurricular Activities	35,500	38,380	37,782	598
41 General Administration	276,459	307,000	305,392	1,608
51 Plant Maintenance & Operations	920,377	985,000	982,109	2,891
53 Data Processing Services	68,780	68,780	68,906	(126)
81 Fundraising	48,463	56,000	55,699	301
Total Expenses	\$ 4,793,213	\$ 5,154,319	\$ 5,117,062	\$ 37,257
Change in Net Assets	(63,315)	(81,125)	(135,336)	(54,211)
Net Assets, Beginning of Year	1,650,256	1,650,256	1,650,256	-
Net Assets, End of Year	\$ 1,586,941	\$ 1,569,131	\$ 1,514,920	\$ (54,211)

The accompanying notes are an integral part of these financial statements.

**TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	from Final Budget
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 1,000	\$ 18,500	\$ 27,883	\$ 9,383
5750 Cocurricular and Enterprising Activities	75,000	75,000	77,742	2,742
Total Local Support	76,000	93,500	105,625	12,125
State Program Revenues:				
5810 Foundation School Program Act Revenues	2,715,929	2,638,320	2,665,513	27,193
5820 State Program Revenues Distributed by TEA	2,700	153,500	84,359	(69,141)
Total State Program Revenues	2,718,629	2,791,820	2,749,872	(41,948)
Federal Program Revenues:				
5910 Federal Revenues Distributed by Other Government Entities	-	2,000	2,000	-
5920 Federal Revenues Distributed by TEA	50,606	52,735	44,135	(8,600)
Total Federal Program Revenues	50,606	54,735	46,135	(8,600)
Total Revenues	\$ 2,845,235	\$ 2,940,055	\$ 2,901,632	\$ (38,423)
Expenses				
11 Instruction	\$ 1,405,164	\$ 1,546,398	\$ 1,529,315	\$ 17,083
13 Curriculum & Instructional Staff Development	10,000	2,450	2,382	68
21 Instructional Leadership	-	32,000	30,842	1,158
23 School Leadership	169,615	143,000	141,853	1,147
31 Guidance, Counseling, & Evaluation Services	62,579	56,000	54,576	1,424
33 Health Services	27,871	30,000	29,022	978
35 Food Services	92,714	82,000	80,212	1,788
36 Cocurricular/Extracurricular Activities	2,000	-	-	-
41 General Administration	169,614	169,614	168,595	1,019
51 Plant Maintenance & Operations	789,922	749,585	727,651	21,934
52 Security and Monitoring Services	6,256	6,256	6,256	-
53 Data Processing Services	31,635	34,000	33,536	464
81 Fundraising	28,686	33,000	31,707	1,293
Total Expenses	\$ 2,796,056	\$ 2,884,303	\$ 2,835,947	\$ 48,356
Change in Net Assets	49,179	55,752	65,685	9,933
Net Assets, Beginning of Year	1,465,863	1,465,863	1,465,863	-
Net Assets, End of Year	\$ 1,515,042	\$ 1,521,615	\$ 1,531,548	\$ 9,933

The accompanying notes are an integral part of these financial statements.

TEXAS CENTER FOR ARTS + ACADEMICS PROGRAMS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	from Final Budget
Revenues				
Local Support:				
5640 Other Revenues from Local Sources	\$ 1,661,200	\$ 1,519,635	\$ 1,490,214	\$ (29,421)
5650 Cocurricular and Enterprising Activities	164,000	124,500	164,458	39,958
5660 Revenues from Intermediate Sources	82,500	83,880	75,353	(8,527)
5670 Apprentice Revenue	3,000	12,300	12,965	665
5690 Transportation Services Income	11,000	5,000	1,617	(3,383)
Total Local Support	1,921,700	1,745,315	1,744,607	(708)
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	-	-	-
5820 State Program Revenues Distributed by TEA	-	-	-	-
Total State Program Revenues	-	-	-	-
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	-	-	-	-
Total Federal Program Revenues	-	-	-	-
Total Revenues	\$ 1,921,700	\$ 1,745,315	\$ 1,744,607	\$ (708)
Expenses				
11 Instruction	\$ 1,037,283	\$ 1,037,283	\$ 988,381	\$ 48,902
35 Food Services	12,043	12,043	12,043	-
41 General Administration	198,753	226,908	221,027	5,881
51 Plant Maintenance & Operations	18,000	25,000	22,903	2,097
71 Debt Service	242,471	293,000	273,452	19,548
81 Fundraising	230,274	160,000	157,141	2,859
Total Expenses	\$ 1,738,824	\$ 1,754,234	\$ 1,674,947	\$ 79,287
Change in Net Assets	182,876	(8,919)	69,660	78,579
Net Assets, Beginning of Year	5,276,643	5,276,643	5,276,643	-
Net Assets, End of Year	\$ 5,459,519	\$ 5,267,724	\$ 5,346,303	\$ 78,579

The accompanying notes are an integral part of these financial statements.

**Compliance
and
Internal Control**

FREEMON, SHAPARD & STORY

Certified Public Accountants

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
Texas Center for Arts + Academics
3901 S. Hulen Street
Fort Worth, TX 76109

Members of the Board of Directors:

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 Texas Center for Arts + Academics (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Texas Center for Arts + Academics' 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 Texas Center for Arts + Academics' internal control. Accordingly, we do not express an opinion on the effectiveness of Texas Center for Arts + Academics' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Texas Center for Arts + Academics' 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

This 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.

Respectfully submitted,



Freemon, Shapard, & Story
Windthorst, TX
December 15, 2019

**TEXAS CENTER FOR ARTS + ACADEMICS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Under the guidelines of OMB Circular A-133, a Single Audit was not required for the year ended August 31, 2019.

II. Financial Statement Findings

None identified.

III. Findings and Questioned Costs for State and Federal Awards

None identified.

**TEXAS CENTER FOR ARTS + ACADEMICS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019**

Finding 2018-1

Criteria

Charter schools are required to spend 52% of the special education allotment on special education services.

Condition

Texas School of the Arts was allotted \$137,101 for special education. 52% of this allotment was \$71,293. The school only spent \$46,650 on special education student programs.

Effect

Special education students could have received more services than were provided.

Recommendation

52% of the special education allotment needs to be spent directly for special education students and services as required by the Texas Education Agency.

Management Response

Management misunderstood the priority of spending for the allotment of special education funding, based on source. Personnel believed federal revenue was to be spent before state revenue. The auditors explained that state special education funds have to be spent before the organization spends federal special education funds. This will be monitored and expensed appropriately in the future.

Status

Corrected

Management's Explanation for not implementing the Recommendation

N/A