

TEXAS CENTER FOR ARTS + ACADEMICS
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED
AUGUST 31, 2020

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TEXAS CENTER FOR ARTS + ACADEMICS

CERTIFICATE OF BOARD

AUGUST 31, 2020

Texas Center for Arts + Academics

Name of Charter Holder

Federal EIN: 75-0942885

Tarrant

County

220809 & 220814

Co.-Dist. Numbers

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, 2020, at a meeting of the governing body of the charter holder on the 12th day of January, 2021.

DocuSigned by:

Daniel Bates

Signature of Board Secretary

DocuSigned by:

Melissa Goodroe

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020, 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, 2020

General-Purpose Financial Statements

TEXAS CENTER FOR ARTS + ACADEMICS
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,761,040	\$ 1,243,350
Restricted cash and cash equivalents	10,000	-
Accounts receivable	-	108
Due from TEA	615,321	472,225
Deferred expenses	16,056	12,215
Prepaid expenses	5,454	39,498
Total Current Assets	<u>2,407,871</u>	<u>1,767,396</u>
Property and Equipment		
Land	308,507	308,507
Buildings and improvements	14,226,042	14,215,665
Furniture and equipment	676,823	613,531
Vehicles	294,839	276,650
Less accumulated depreciation	<u>(5,163,741)</u>	<u>(4,633,864)</u>
Total Property and Equipment	<u>10,342,470</u>	<u>10,780,489</u>
Other Assets		
Long-term investments	1,424,530	1,601,442
Capitalized debt issuance costs	112,679	133,165
Total Other Assets	<u>1,537,209</u>	<u>1,734,607</u>
Total Assets	<u>\$ 14,287,550</u>	<u>\$ 14,282,492</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ -	\$ 32,849
Accrued expenses	8,618	-
Due to student groups	91,206	63,545
Deferred revenue	24,543	109,197
Accrued wages payable	378,322	337,797
Payroll deductions and withholdings	1,133	7,719
Accrued interest	33,881	42,326
Current portion of long-term debt	919,496	914,853
Total Current Liabilities	<u>1,457,199</u>	<u>1,508,286</u>
Long-Term Debt		
Long-term debt	3,626,620	4,381,435
Total Long-Term Liabilities	<u>3,626,620</u>	<u>4,381,435</u>
Total Liabilities	<u>\$ 5,083,819</u>	<u>\$ 5,889,721</u>
Net Assets		
Without donor restrictions	5,624,289	5,329,002
With donor restrictions	<u>3,579,442</u>	<u>3,063,769</u>
Total Net Assets	<u>\$ 9,203,731</u>	<u>\$ 8,392,771</u>
Total Liabilities and Net Assets	<u>\$ 14,287,550</u>	<u>\$ 14,282,492</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, 2020 AND 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Totals</u>
Revenues			
Local Support:			
Contributions	\$ 160,695	\$ 115,000	\$ 275,695
Fundraising	9,770	-	9,770
Interest, Dividends, Gains, and Losses	123,274	-	123,274
Royalty Income	2,966	-	2,966
Other Revenues from Local Sources	57,479	-	57,479
Program Services Revenue	343,164	-	343,164
Cocurricular and Enterprising Activities	129,935	-	129,935
Total Local Support	<u>827,283</u>	<u>115,000</u>	<u>942,283</u>
State Program Revenues:			
Foundation School Program Act Revenues	-	7,495,022	7,495,022
State Program Revenue Distributed by TEA	-	66,921	66,921
Total State Program Revenues	<u>-</u>	<u>7,561,943</u>	<u>7,561,943</u>
Federal Program Revenues:			
ESEA Title I, Part A Improving Basic Programs	-	7,948	7,948
IDEA Part B, Formula	-	75,123	75,123
Payroll Protection Program	-	911,900	911,900
ESEA Title II, Part A Teacher and Principal Training	-	3,041	3,041
Title IV Part A, Subpart 1	-	7,791	7,791
Total Federal Program Revenues	<u>-</u>	<u>1,005,803</u>	<u>1,005,803</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>8,167,073</u>	<u>(8,167,073)</u>	<u>-</u>
Total Revenues	<u>\$ 8,994,356</u>	<u>\$ 515,673</u>	<u>\$ 9,510,029</u>
Expenses			
Program Services:			
Instruction and Instructional-Related Services	5,531,187	-	5,531,187
Instructional and School Leadership	556,851	-	556,851
Support Services			
Student Support Services	638,078	-	638,078
Administrative Support Services	853,521	-	853,521
Support Services-Non-Student Based	744,492	-	744,492
Debt Service	242,445	-	242,445
Fundraising	132,495	-	132,495
Total Expenses	<u>\$ 8,699,069</u>	<u>\$ -</u>	<u>\$ 8,699,069</u>
Change in Net Assets	<u>295,287</u>	<u>515,673</u>	<u>810,960</u>
Net Assets, Beginning of Year	<u>5,329,002</u>	<u>3,063,769</u>	<u>8,392,771</u>
Net Assets, End of Year	<u>\$ 5,624,289</u>	<u>\$ 3,579,442</u>	<u>\$ 9,203,731</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, 2020 AND 2019

	<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 FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>2020 Total</u>
Expenses			
Salaries and Wages	\$ 4,848,580	\$ 392,789	\$ 5,241,369
Benefits	435,902	38,298	474,200
Payroll Taxes	<u>116,744</u>	<u>9,481</u>	<u>126,225</u>
Total Payroll Expenses	5,401,226	440,568	5,841,794
Professional Services	295,842	355,585	651,427
Education Service Center Services	25,778	-	25,778
Repairs and Maintenance	259,689	-	259,689
Utilities	160,144	8,429	168,573
Rentals	109,117		109,117
Contracted Services	974	3,900	4,874
Maintenance Supplies	733	45,646	46,379
Instructional Materials	24,721	-	24,721
Testing Materials	2,571	-	2,571
Food Service	85,936	-	85,936
General Supplies	266,326	3,376	269,702
Travel	288,387	490	288,877
Insurance	59,662	6,629	66,291
Interest	-	222,230	222,230
Miscellaneous	<u>45,977</u>	<u>34,769</u>	<u>80,746</u>
Total Non-Payroll Expenses	1,625,857	681,054	2,306,911
Total Before Depreciation and Amortization	7,027,083	1,121,622	8,148,705
Amortization	-	20,486	20,486
Depreciation	<u>515,316</u>	<u>14,562</u>	<u>529,878</u>
Total Expenses	<u>\$ 7,542,399</u>	<u>\$ 1,156,670</u>	<u>\$ 8,699,069</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, 2020 AND 2019

	Program Services	Management and General	2019 Total
Expenses			
Salaries and Wages	\$ 4,579,543	\$ 471,692	\$ 5,051,235
Benefits	376,779	23,032	399,811
Payroll Taxes	114,511	14,987	129,498
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	98,292	43,049	141,341
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	564,225	14,908	579,133
Total Expenses	\$ 7,532,367	\$ 1,015,589	\$ 8,547,956

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 810,960	\$ 9
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	529,877	579,133
(Increase) Decrease in Due from TEA	(143,096)	(62,439)
(Increase) Decrease in Accounts Receivable	108	(108)
(Increase) Decrease in Deferred Expenses	(3,841)	1,157
(Increase) Decrease in Prepaid Expenses	34,044	(14,923)
Increase (Decrease) in Accounts Payable	(32,849)	32,418
Increase (Decrease) in Accrued Expenses	8,618	-
Increase (Decrease) in Due to Student Groups	27,661	(1,407)
Increase (Decrease) in Deferred Revenue	(84,654)	69,755
Increase (Decrease) in Wages Payable	40,525	20,777
Increase (Decrease) in Payroll Deductions	(6,586)	444
Increase (Decrease) in Accrued Interest	(8,445)	(5,700)
Net Cash Provided (Used) by Operating Activities	<u>1,172,322</u>	<u>619,116</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(91,858)	(46,623)
Purchase of Investment Securities	-	-
Withdrawal of Investment Securities	300,000	300,000
Dividends Reinvested in Securities	(32,315)	(46,373)
Capital Gains Reinvested in Securities	(20,424)	(21,394)
Fees Paid on Investments	5,983	6,406
Realized (Gain) Loss on Sale of Investment Securities	30,863	(52,845)
Unrealized (Gain) Loss on Investment Securities	(107,195)	96,790
Net Cash Provided (Used) by Investing Activities	<u>85,054</u>	<u>235,961</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of Debt Issuance Costs	20,486	20,486
Issuance of Short-Term Debt	55,700	150,000
Principal Payments on Debt	(805,872)	(723,158)
Net Cash Provided (Used) by Financing Activities	<u>(729,686)</u>	<u>(552,672)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	527,690	302,405
Cash and Cash Equivalents, Beginning of Year	<u>1,243,350</u>	<u>940,945</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,771,040</u>	<u>\$ 1,243,350</u>
Interest Paid During the Period Ended August 31, 2020 and 2019	\$ 230,404	\$ 258,665
Income Taxes Paid During the Period Ended August 31, 2020 and 2019	-	-

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, 2020 AND 2019**

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 six 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, 2020 AND 2019

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, 2020 AND 2019

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. ASU 2016-14 was followed for the prior year and current year 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

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approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2020, the combined carrying amount of the charter schools' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,652,162, and the bank balance was \$1,898,105. The charter schools' cash deposits during the year ended August 31, 2020, were not 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, 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.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit during the year ended August 31, 2020:

- 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 \$1,636,844. 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 \$1,636,844.
- b. The highest combined balance of cash, savings, and time deposit accounts for Fort Worth Academy of Fine Arts at Frost Bank amounted to \$1,079,560 and occurred during the month of May 2020. The highest combined balances of cash, savings, and time deposit accounts for Texas School of the Arts at Frost Bank amounted to \$1,264,680 and occurred during the month of May 2020.
- 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; however, they had enough pledged securities and FDIC to cover their deposits on the highest daily cash balance and at year-end.

3. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2020 and 2019, the charter holder had no material liability for accrued sick leave or vacation leave.

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4. INVESTMENTS

The corporation invests in marketable equity securities. The investments at August 31, 2020, were comprised of the following:

	<u>Cost</u>	<u>Market</u>
Plains Capital Investments	\$ <u>1,310,035</u>	\$ <u>1,424,530</u>
Total	\$ <u><u>1,310,035</u></u>	\$ <u><u>1,424,530</u></u>
Unrealized gains, beginning of year		\$ 7,301
Unrealized gains year, net change		<u>107,194</u>
Unrealized gains, end of year		\$ <u><u>114,495</u></u>

The investments at August 31, 2019, were comprised of the following:

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

5. 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). It is a defined benefit pension plan 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*

Detail 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 <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

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The information provided in the Notes to the Financial Statements in the 2019 Comprehensive Annual Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2019.

<u>Components of Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$209,961,325,288
Less: Plan Fiduciary Net Position	<u>(157,978,199,075)</u>
Net Pension Liability	<u>\$ 51,983,126,213</u>
Net Position as Percentage of Total Pension Liability	75.24%

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.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

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.

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Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025. Contribution rates can be found in the TRS 2019 CAFR, Note 12, on page 76.

Contribution Rates		
	2020	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	6.8%
Employers	7.7%	6.8%
FWAFA's Employer Contributions	\$ 79,944	\$ 56,592
FWAFA's Member Contributions	\$219,427	\$222,566
TeSA's Employer Contributions	\$ 49,598	\$ 26,562
TeSA's Member Contributions	\$132,912	\$118,394
Measurement Year	2019	2018
FWAFA's NECE On-Behalf Contributions	\$177,890	\$182,903
TeSA's NECE On-Behalf Contributions	\$ 98,065	\$ 85,168

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

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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- 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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

E. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2019 TRS CAFR, Note 11, page 77.

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate	2.63%*
Last Year Ending August 31 in Projection Period (100 Years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post Employment Benefit Changes	None

**Source: Fixed Income Market Data/Yield Curve/Data 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, 2019.*

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

F. Discount Rate

The single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 (see page 52 of the TRS CAFR), are summarized below:

Asset Class	Target Allocation %*	New Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***
Global Equity			
U.S.	18%	18%	6.4%
Non-U.S. Developed	13%	13%	6.3%
Emerging Markets	9%	9%	7.3%
Directional Hedge Funds	4%	-	-
Private Equity	13%	14%	8.4%
Stable Value			
U.S. Treasuries****	11%	16%	3.1%
Absolute Return	0%	0%	0.0%
Hedge Funds (Stable Value)	4%	5%	4.5%
Real Return			
Global Inflation Linked Bonds****	3%	-	-
Real Estate	14%	15%	8.5%
Energy, Natural Resources, and Infrastructure	5%	6%	7.3%
Commodities	0%	0%	0%
Risk Parity			
Risk Parity	5%	8%	5.8%/6.5%*****
Leverage			
Cash	1%	2%	2.5%
Asset Allocation Leverage	-	-6%	2.7%
Expected Return	100%	100%	7.23%

* Target allocations are based on the Strategic Asset Allocation as of FY2019.

** New allocations are based on the Strategic Asset Allocation to be implemented FY2020.

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

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

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

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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 (7.25%) in measuring the Net Pension Liability. The discount rate can be found in the 2019 TRS CAFR, Note 11, page 77.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Fort Worth Academy of Fine Arts' proportionate share of the net pension liability	\$1,636,182	\$1,064,429	\$601,199
Texas School of Arts' proportionate share of the net pension liability	\$606,394	\$ 394,494	\$222,814

H. *Pension Liabilities*

At August 31, 2019, Fort Worth Academy of Fine Arts and Texas School of Arts disclosed a liability of \$1,064,429 and \$394,494, 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	\$ 1,064,429
State's proportionate share that is associated with Fort Worth Academy of Fine Arts	<u>\$ 2,642,102</u>
Total	<u>\$ 3,706,531</u>

Texas School of Arts' proportionate share of the collective net pension liability	\$ 394,494
State's proportionate share that is associated with Texas School of Arts	<u>\$ 1,456,511</u>
Total	<u>\$ 1,851,005</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2018 through August 31, 2019.

At August 31, 2019, Fort Worth Academy of Fine Arts' proportion of the collective net pension liability was .0020476438% which was an increase from its proportion of .0020117866% measured as of August 31, 2018. At August 31, 2019, Texas School of Arts' proportion of the collective net pension liability was .0007588882% which was a decrease from its proportion of .0010042606% measured as of August 31, 2018.

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I. *Changes Since the Prior Actuarial Valuation*

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

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.

6. 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, 2019 are as follows:

<u>Components of Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 48,583,247,239
Less: Plan Fiduciary Net Position	<u>(1,292,022,349)</u>
Net OPEB Liability	<u>\$ 47,291,224,890</u>
Net Position as a Percentage of Total OPEB Liability	2.66%

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C. *Benefits Provided*

TRS-Care provides health insurance coverage to 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. 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 retirees are reflected in the following table.

TRS-Care Monthly Premium Rates		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$ 135	\$200
Retiree and Spouse	\$ 529	\$689
Retiree or Surviving Spouse and Children	\$ 468	\$408
Retiree and Family	\$1,020	\$999

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>2020</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%

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Employer Contributions	2020	\$ 21,523	2019	\$ 21,679
Member Contributions	2020	\$ 18,653	2019	\$ 18,788
NECE On-Behalf Contributions	2019	\$ 47,631	2018	\$ 35,273

Texas School of the Arts Contribution Rates				
	<u>2020</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%	
Employer Contributions	2020	\$ 13,007	2019	\$ 11,532
Member Contributions	2020	\$ 11,273	2019	\$ 9,994
NECE On-Behalf Contributions	2019	\$ 15,519	2018	\$ 16,618

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 hiring a TRS retiree, employers are required to pay 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 \$73.6 million in fiscal year 2019.

E. *Actuarial Assumptions*

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2019 TRS CAFR, Note 9, page 70.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation 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 and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
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.
Salary Increases	3.05% - 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Ad-hoc Post Employment Benefit Changes	None

F. *Discount Rate*

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06 percent in the discount rate since the previous year. The Discount Rate can be found in the 2019 TRS CAFR on page 70. 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.

G. *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 (2.63%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
Fort Worth Academy of Fine Art's proportionate share of the Net OPEB Liability:	\$2,883,893	\$2,388,672	\$2,001,260
Texas School of the Art's proportionate share of the Net OPEB Liability:	\$ 939,631	\$ 778,278	\$652,051

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H. *OPEB Liabilities and OPEB Expense*

At August 31, 2019, Fort Worth Academy of Fine Arts disclosed a liability of \$2,388,672, and Texas School of the Arts reported a liability of \$778,278 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	\$ 2,388,672
State's proportionate share that is associated with Fort Worth Academy	<u>3,174,011</u>
Total	<u>\$ 5,562,683</u>
Texas School of the Art's Proportionate share of the collective net OPEB liability	\$ 778,278
State's proportionate share that is associated with Texas School of the Arts	<u>1,034,157</u>
Total	<u>\$ 1,812,435</u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019, 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, 2018 through August 31, 2019.

At August 31, 2019, Fort Worth Academy of Fine Art's proportion of the collective Net OPEB Liability was 0.0050509833% compared to 0.0043697458% at August 31, 2018, and Texas School of the Art's proportion of the collective Net OPEB Liability was 0.001645712% compared to 0.0023571549% at August 31, 2018.

I. *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.

	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:	\$1,948,595	\$2,388,672	\$2,978,173
Texas School of the Art's proportionate share of the NET OPEB Liability:	\$ 634,891	\$ 778,278	\$ 970,349

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

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.*

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the Total OPEB Liability.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the Total OPEB Liability.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the Total OPEB Liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the Total OPEB Liability.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

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, 2020, were as follows:

	Balance <u>9/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>8/31/2020</u>
Land	\$ 308,507	\$ -	\$ -	\$ 308,507
Buildings and Improvements	14,215,665	10,377	-	14,226,042
Furniture and Equipment	613,531	63,292	-	676,823
Vehicles	276,650	18,189	-	294,839
Accumulated Depreciation	<u>(4,633,864)</u>	<u>(529,877)</u>	<u>-</u>	<u>(5,163,741)</u>
	<u>\$10,780,489</u>	<u>\$ (438,019)</u>	<u>\$ -</u>	<u>\$10,342,470</u>

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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

	<u>Balance</u> <u>9/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <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>

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, 2020 and 2019, the charter schools earned revenue of \$7,561,943 and \$7,537,383, respectively, from the Texas Education Agency (TEA). These amounts constitute approximately 79.52% and 88.18%, respectively, of total revenues earned. Any unforeseen loss of the charter agreements with TEA or changes in legislative funding could have a material effect on the ability of the charter schools 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, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
William Foundation Donation	\$ -	\$ 20,000
Advanced Placement Incentives	93	-
School Safety and Security	40,845	-
Foundation School Program	<u>3,538,504</u>	<u>3,043,769</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,579,442</u>	<u>\$ 3,063,769</u>

11. HEALTH CARE COVERAGE

During the years ended August 31, 2020 and 2019, 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, 2020 AND 2019

12. DEFERRED REVENUE

Deferred revenue at August 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Deferred Activity Fee Revenue	\$ 14,543	\$ 18,376
Deferred Performance Revenue	-	2,616
Deferred Contributions	<u>10,000</u>	<u>88,205</u>
Total	<u>\$ 24,543</u>	<u>\$ 109,197</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, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Note payable to Splendora 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.	\$ 1,719,214	\$ 2,088,859
Note payable to Plains Capital Bank for working capital to help cover payroll and other operating expenses. 5.50% interest (5.75% interest in prior year) minimum payment is monthly interest expense, commencing August 24, 2018. Renewed August 24, 2019 and 2020. Final payment is due August 23, 2021.	166,966	206,966
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>2,659,936</u>	<u>3,000,463</u>
Total Debt	\$ 4,546,116	\$ 5,296,288
Less Current Portion of Long-Term Debt	<u>(919,496)</u>	<u>(914,853)</u>
Total Long-Term Debt	<u>\$ 3,626,620</u>	<u>\$ 4,381,435</u>

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

Future maturities of long-term debt at August 31, 2020, are as follows:

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2021	\$ 919,496	\$ 186,274	\$ 1,105,770
2022	786,137	143,196	929,333
2023	821,302	108,032	929,334
2024	855,101	74,232	929,333
2025	409,724	52,112	461,836
2026-2027	<u>754,356</u>	<u>53,857</u>	<u>808,213</u>
Total	<u>\$ 4,546,116</u>	<u>\$ 617,703</u>	<u>\$ 5,163,819</u>

14. INTERCOMPANY ELIMINATIONS

During the years ended August 31, 2020 and 2019, the Fort Worth Academy of Fine Arts Charter School recorded \$636,000 and \$576,000, respectively in lease expense paid to the charter holder. During the years ended August 31, 2020 and 2019, Texas School of the Arts recorded \$504,000 and \$504,000, 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, 2020 and 2019, 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 copier lease agreement was entered into with Xerox for \$6,505 a month for 60 months beginning March 12, 2020. 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, 2020, are as follows:

2021	\$ 78,064
2022	78,064
2023	78,064
2024	78,064
2025	<u>39,032</u>
	<u>\$351,288</u>

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

17. RENTAL EXPENSE

During the years ended August 31, 2020 and 2019, the corporation reported the following rental expenses after intercompany eliminations:

	<u>2020</u>	<u>2019</u>
Imagetex Office Systems	\$ 99,727	\$102,564
Well Fargo Financial Leasing	1,488	-
Pitney Bowes	641	790
XBS Southwest	-	250
De Lage Landen	-	3,800
Omni Hotel	-	57,216
Broadway Baptist	200	200
Commerce Bank	1,842	1,800
Inland Leasing	<u>5,220</u>	<u>5,220</u>
Total Rent Expense	<u>\$ 109,118</u>	<u>\$171,840</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 other than the uncertainty of the coronavirus discussed below. As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, statement of activities, and cash flows for the schools. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

As a result of the public health emergency, the schools received loan proceeds in the amount of \$911,900 in April 2020 under the Payroll Protection Program (PPP). The PPP, established as part of the CARES act, provides for loans to qualifying entities for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying entity. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, and utilities and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24 week period. Texas Center for Arts + Academics has met all the conditions of the PPP loan. Therefore, all proceeds of the PPP loan have been recorded as income.

19. RESTRICTED CASH

At August 31, 2020, the corporation had \$10,000 in restricted cash from Frost Bank who gave \$10,000 as a spring event sponsor. The event had to be cancelled due to the COVID-19 coronavirus. The corporation is holding the \$10,000 donation in restricted cash until the event can be rescheduled at a future date. \$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. At August 31, 2019, the box truck has not been purchased yet; therefore, at August 31, 2019, \$20,000 of cash was still restricted for the purchase of a box truck. However, the box truck has now been purchased; therefore, the \$20,000 of cash is no longer restricted.

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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 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, 2020	Fair Value Measurements at Reporting Date Using			
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	Fair Value			
Equity Securities	\$ 1,424,530	\$ 1,424,530	\$ -	\$ -
Total	\$ 1,424,530	\$ 1,424,530	\$ -	\$ -

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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	\$ -	\$ -

21. 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	\$ 126,577
Prepaid expenses	5,454
Loan origination costs	112,679
Fixed assets	9,968,767
Long-term investments	<u>107,039</u>
	<u>\$10,320,516</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, \$1,424,530 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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 685,199	\$ 305,081
Deferred Expenses	9,857	6,654
Due from TEA	343,260	292,374
Total Current Assets	<u>1,038,316</u>	<u>604,109</u>
Property and Equipment		
Buildings and improvements	283,448	273,071
Furniture and equipment	323,572	303,685
Vehicles	187,356	187,356
Less accumulated depreciation	(450,861)	(418,779)
Total Property and Equipment	<u>343,515</u>	<u>345,333</u>
Long-Term Investments	<u>564,803</u>	<u>808,385</u>
Total Assets	<u>\$ 1,946,634</u>	<u>\$ 1,757,827</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ -	\$ 29,177
Accrued expenses	5,630	-
Accrued wages payable	251,352	209,067
Payroll deductions and withholdings	316	4,663
Total Current Liabilities	<u>257,298</u>	<u>242,907</u>
Total Liabilities	<u>\$ 257,298</u>	<u>\$ 242,907</u>
Net Assets		
Without donor restrictions	7,699	2,699
With donor restrictions	1,681,637	1,512,221
Total Net Assets	<u>\$ 1,689,336</u>	<u>\$ 1,514,920</u>
Total Liabilities and Net Assets	<u>\$ 1,946,634</u>	<u>\$ 1,757,827</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 966,963	\$ 774,846
Due from TEA	272,061	179,851
Deferred expenses	6,199	5,561
Total Current Assets	<u>1,245,223</u>	<u>960,258</u>
Property and Equipment		
Furniture and equipment	95,346	72,016
Vehicles	4,500	4,500
Less accumulated depreciation	(69,658)	(65,159)
Total Property and Equipment	<u>30,188</u>	<u>11,357</u>
Long-Term Investments	<u>752,688</u>	<u>694,048</u>
Total Assets	<u>\$ 2,028,099</u>	<u>\$ 1,665,663</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ -	\$ 2,329
Accrued expenses	2,988	-
Accrued wages payable	126,970	128,730
Payroll deductions and withholdings	336	3,056
Total Current Liabilities	<u>130,294</u>	<u>134,115</u>
Total Liabilities	<u>\$ 130,294</u>	<u>\$ 134,115</u>
Net Assets		
Without donor restrictions	-	-
With donor restrictions	1,897,805	1,531,548
Total Net Assets	<u>\$ 1,897,805</u>	<u>\$ 1,531,548</u>
Total Liabilities and Net Assets	<u>\$ 2,028,099</u>	<u>\$ 1,665,663</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 108,878	\$ 163,423
Restricted cash and cash equivalents	10,000	-
Accounts receivable	-	108
Prepaid expenses	5,454	39,498
Total Current Assets	<u>124,332</u>	<u>203,029</u>
Property and Equipment		
Land	308,507	308,507
Buildings and improvements	13,942,594	13,942,594
Furniture and equipment	257,905	237,830
Vehicles	102,983	84,794
Less accumulated depreciation	(4,643,222)	(4,149,926)
Total Property and Equipment	<u>9,968,767</u>	<u>10,423,799</u>
Other Assets		
Long-term investments	107,039	99,009
Capitalized debt issuance costs	112,679	133,165
Total Other Assets	<u>219,718</u>	<u>232,174</u>
Total Assets	<u>\$ 10,312,817</u>	<u>\$ 10,859,002</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ -	\$ 1,343
Due to student groups	91,206	63,545
Deferred revenue	24,543	109,197
Accrued interest	33,881	42,326
Payroll deductions and withholdings	481	-
Current portion of long-term debt	919,496	914,853
Total Current Liabilities	<u>1,069,607</u>	<u>1,131,264</u>
Long-Term Liabilities		
Notes payable	3,626,620	4,381,435
Total Long-Term Liabilities	<u>3,626,620</u>	<u>4,381,435</u>
Total Liabilities	<u>\$ 4,696,227</u>	<u>\$ 5,512,699</u>
Net Assets		
Without donor restrictions	5,616,590	5,326,303
With donor restrictions	-	20,000
Total Net Assets	<u>\$ 5,616,590</u>	<u>\$ 5,346,303</u>
Total Liabilities and Net Assets	<u>\$ 10,312,817</u>	<u>\$ 10,859,002</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, 2020 AND 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 79,530	\$ -	\$ 79,530
5750 Cocurricular and Enterprising Activities	88,173	-	88,173
Total Local Support	<u>167,703</u>	<u>-</u>	<u>167,703</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	4,587,095	4,587,095
5820 State Program Revenues Distributed by TEA	<u>-</u>	<u>32,272</u>	<u>32,272</u>
Total State Program Revenues	<u>-</u>	<u>4,619,367</u>	<u>4,619,367</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	64,468	64,468
5940 Federal Revenues Distributed by Federal Govt.	<u>-</u>	<u>558,095</u>	<u>558,095</u>
Total Federal Program Revenues	<u>-</u>	<u>622,563</u>	<u>622,563</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>5,072,514</u>	<u>(5,072,514)</u>	<u>-</u>
Total Revenues	<u>\$ 5,240,217</u>	<u>\$ 169,416</u>	<u>\$ 5,409,633</u>
Expenses			
11 Instruction	\$ 2,917,898	\$ -	\$ 2,917,898
13 Curriculum & Instructional Staff Development	14,635	-	14,635
21 Instructional Leadership	42,172	-	42,172
23 School Leadership	313,604	-	313,604
31 Guidance, Counseling, & Evaluation Services	115,786	-	115,786
33 Health Services	49,869	-	49,869
35 Food Services	109,744	-	109,744
36 Cocurricular/Extracurricular Activities	164,601	-	164,601
41 General Administration	378,344	-	378,344
51 Facilities Maintenance & Operations	1,001,255	-	1,001,255
52 Security & Monitoring Services	5,056	-	5,056
53 Data Processing Services	73,797	-	73,797
81 Fundraising	<u>48,456</u>	<u>-</u>	<u>48,456</u>
Total Expenses	<u>\$ 5,235,217</u>	<u>\$ -</u>	<u>\$ 5,235,217</u>
Change in Net Assets	<u>5,000</u>	<u>169,416</u>	<u>174,416</u>
Net Assets, Beginning of Year	<u>2,699</u>	<u>1,512,221</u>	<u>1,514,920</u>
Net Assets, End of Year	<u>\$ 7,699</u>	<u>\$ 1,681,637</u>	<u>\$ 1,689,336</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, 2020 AND 2019

	<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	<u>4,989,310</u>	<u>(4,989,310)</u>	<u>-</u>
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.

**TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 67,877	\$ -	\$ 67,877
5750 Cocurricular and Enterprising Activities	41,763	-	41,763
Total Local Support	<u>109,640</u>	<u>-</u>	<u>109,640</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	2,907,927	2,907,927
5820 State Program Revenues Distributed by TEA	-	34,649	34,649
Total State Program Revenues	<u>-</u>	<u>2,942,576</u>	<u>2,942,576</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	29,435	29,435
5940 Federal Revenues Distributed by Fed. Govt.	-	298,105	298,105
Total Federal Program Revenues	<u>-</u>	<u>327,540</u>	<u>327,540</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>2,903,859</u>	<u>(2,903,859)</u>	<u>-</u>
Total Revenues	<u>\$ 3,013,499</u>	<u>\$ 366,257</u>	<u>\$ 3,379,756</u>
Expenses			
11 Instruction	1,589,363	-	1,589,363
13 Curriculum & Instructional Staff Development	21,926	-	21,926
21 Instructional Leadership	43,952	-	43,952
23 School Leadership	157,123	-	157,123
31 Guidance, Counseling, & Evaluation Services	56,527	-	56,527
33 Health Services	54,731	-	54,731
35 Food Services	68,236	-	68,236
41 General Administration	230,955	-	230,955
51 Plant Maintenance & Operations	730,343	-	730,343
52 Security & Monitoring Services	3,041	-	3,041
53 Data Processing Services	33,229	-	33,229
81 Fundraising	24,073	-	24,073
Total Expenses	<u>\$ 3,013,499</u>	<u>\$ -</u>	<u>\$ 3,013,499</u>
Change in Net Assets	<u>-</u>	<u>366,257</u>	<u>366,257</u>
Net Assets, Beginning of Year	<u>-</u>	<u>1,531,548</u>	<u>1,531,548</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,897,805</u>	<u>\$ 1,897,805</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, 2020 AND 2019**

	<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 CENTER FOR ARTS + ACADEMICS PROGRAMS
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Totals</u>
Revenues, Gains, & Other Support			
Local Support:			
Contributions	\$ 155,695	\$ 115,000	\$ 270,695
Special Events	9,770	-	9,770
Total Local Support	<u>165,465</u>	<u>115,000</u>	<u>280,465</u>
Program Service Revenue:			
Performances	61,046	-	61,046
Building Rentals	1,144,324	-	1,144,324
Activity Fees	277,794	-	277,794
Total Program Service Revenue	<u>1,483,164</u>	<u>-</u>	<u>1,483,164</u>
Interest & Other Income:			
Investment Income	3,573	-	3,573
Unrealized Gain (Loss)	7,929	-	7,929
Realized Gain (Loss)	(3,465)	-	(3,465)
Royalty Income	2,966	-	2,966
Other	30,308	-	30,308
Total Interest & Other Income	<u>41,311</u>	<u>-</u>	<u>41,311</u>
Federal Program Revenue:			
Federal Revenues Distributed by Fed. Govt.	55,700	-	55,700
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	135,000	(135,000)	-
Total Revenues, Gains, & Other Support	<u>\$ 1,880,640</u>	<u>\$ (20,000)</u>	<u>\$ 1,860,640</u>
Expenses			
11 Instruction	987,365	-	987,365
35 Food Services	18,584	-	18,584
41 General Administration	244,222	-	244,222
51 Plant Maintenance and Operations	37,771	-	37,771
71 Debt Service	242,445	-	242,445
81 Fundraising	59,966	-	59,966
Total Expenses	<u>\$ 1,590,353</u>	<u>\$ -</u>	<u>\$ 1,590,353</u>
Change in Net Assets	<u>290,287</u>	<u>(20,000)</u>	<u>270,287</u>
Net Assets, Beginning of Year	<u>5,326,303</u>	<u>20,000</u>	<u>5,346,303</u>
Net Assets, End of Year	<u>\$ 5,616,590</u>	<u>\$ -</u>	<u>\$ 5,616,590</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, 2020 AND 2019

	<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	<u>133,582</u>	<u>-</u>	<u>133,582</u>
Total Local Support	244,836	35,000	279,836
Program Service Revenue:			
Performances	87,442	-	87,442
Building Rentals	1,083,950	-	1,083,950
Activity Fees	<u>219,857</u>	<u>-</u>	<u>219,857</u>
Total Program Service Revenue	1,391,249	-	1,391,249
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	<u>67,671</u>	<u>-</u>	<u>67,671</u>
Total Interest & Other Income	73,522	-	73,522
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>
Total Revenues, Gains, & Other Support	\$ 1,744,607	\$ -	\$ 1,744,607
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	<u>157,141</u>	<u>-</u>	<u>157,141</u>
Total Expenses	\$ 1,674,947	\$ -	\$ 1,674,947
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><u>\$ 5,326,303</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 5,346,303</u></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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 174,416	\$ (135,336)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	32,082	61,970
(Increase) Decrease in Deferred Expenses	(3,203)	2,318
(Increase) Decrease in Due from TEA	(50,886)	(37,850)
Increase (Decrease) in Accounts Payable	(29,177)	29,177
Increase (Decrease) in Accrued Expenses	5,630	-
Increase (Decrease) in Payroll Deductions	(4,347)	38
Increase (Decrease) in Wages Payable	42,285	3,047
Net Cash Provided (Used) by Operating Activities	<u>166,800</u>	<u>(76,636)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(30,264)	-
Purchase of Investment Securities	-	-
Withdrawal of Investment Securities	300,000	300,000
Dividends Reinvested in Securities	(15,123)	(23,888)
Capital Gains Reinvested in Securities	(9,568)	(10,780)
Fees Paid on Investments	2,786	3,316
Realized (Gain) Loss on Sale of Investment Securities	7,773	(37,741)
Unrealized (Gain) Loss on Investment Securities	(42,286)	60,260
Net Cash Provided (Used) by Investing Activities	<u>213,318</u>	<u>291,167</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Debt	-	-
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	380,118	214,531
Cash and Cash Equivalents, Beginning of Year	<u>305,081</u>	<u>90,550</u>
Cash and Cash Equivalents, End of Year	<u>\$ 685,199</u>	<u>\$ 305,081</u>
 Interest Paid During the Period Ended August 31, 2020 and 2019	 \$ -	 \$ -
Income Taxes Paid During the Period Ended August 31, 2020 and 2019	-	-

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 366,257	\$ 65,685
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	4,499	7,727
(Increase) Decrease in Deferred Expenses	(638)	(1,161)
(Increase) Decrease in Due from TEA	(92,210)	(24,589)
Increase (Decrease) in Accounts Payable	(2,329)	2,329
Increase (Decrease) in Accrued Expenses	2,988	-
Increase (Decrease) in Wages Payable	(1,760)	17,730
Increase (Decrease) in Payroll Deductions and Withholdings	(2,720)	406
Net Cash Provided (Used) by Operating Activities	<u>274,087</u>	<u>68,127</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(23,330)	(6,130)
Purchase of Investment Securities	-	-
Dividends Reinvested in Securities	(15,003)	(19,663)
Capital Gains Reinvested in Securities	(9,479)	(9,255)
Fees Paid on Investments	2,798	2,704
Realized (Gain) Loss on Sale of Investment Securities	20,024	(11,559)
Unrealized (Gain) Loss on Investment Securities	(56,980)	30,223
Net Cash Provided (Used) by Investing Activities	<u>(81,970)</u>	<u>(13,680)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	192,117	54,447
Cash and Cash Equivalents, Beginning of Year	<u>774,846</u>	<u>720,399</u>
Cash and Cash Equivalents, End of Year	<u>\$ 966,963</u>	<u>\$ 774,846</u>
 Interest Paid During the Period Ended August 31, 2020 and 2019	 \$ -	 \$ -
Income Taxes Paid During the Period Ended August 31, 2020 and 2019	-	-

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 270,287	\$ 69,660
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	493,296	509,436
(Increase) Decrease in Account Receivable	108	(108)
(Increase) Decrease in Prepaid Expenses	34,044	(14,923)
Increase (Decrease) in Accounts Payable	(1,343)	912
Increase (Decrease) in Due to Student Groups	27,661	(1,407)
Increase (Decrease) in Deferred Revenue	(84,654)	69,755
Increase (Decrease) in Accrued Interest	(8,445)	(5,700)
Increase (Decrease) in Payroll Deductions and Withholdings	481	-
Net Cash Provided (Used) by Operating Activities	<u>731,435</u>	<u>627,625</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(38,264)	(40,493)
Purchase of Investment Securities	-	-
Withdrawal of Investment Securities	-	-
Dividends Reinvested in Securities	(2,189)	(2,822)
Capital Gains Reinvested in Securities	(1,377)	(1,360)
Fees Paid on Investments	399	386
Realized (Gain) Loss on Sale of Investment Securities	3,066	(3,545)
Unrealized (Gain) Loss on Investment Securities	(7,929)	6,308
Net Cash Provided (Used) by Investing Activities	<u>(46,294)</u>	<u>(41,526)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of Debt Issuance Costs	20,486	20,486
Issuance of Short-Term Debt	55,700	150,000
Principal Payments on Debt	(805,872)	(723,158)
Net Cash Provided (Used) by Financing Activities	<u>(729,686)</u>	<u>(552,672)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(44,545)	33,427
Cash and Cash Equivalents, Beginning of Year	<u>163,423</u>	<u>129,996</u>
Cash and Cash Equivalents, End of Year	<u>\$ 118,878</u>	<u>\$ 163,423</u>
 Interest Paid During the Period Ended August 31, 2020 and 2019	 \$ 230,404	 \$ 258,665
Income Taxes Paid During the Period Ended August 31, 2020 and 2019	-	-

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, 2020 AND 2019

		<u>2020</u>	<u>2019</u>
Expenses			
6100	Payroll Costs	\$ 3,571,841	\$ 3,453,073
6200	Professional and Contracted Services	1,198,801	1,139,557
6300	Supplies and Materials	192,655	335,398
6400	Other Operating Costs	271,920	189,034
6500	Debt	<u>-</u>	<u>-</u>
	Total Expenses	<u>\$ 5,235,217</u>	<u>\$ 5,117,062</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, 2020 AND 2019**

		<u>2020</u>	<u>2019</u>
Expenses			
6100	Payroll Costs	\$ 1,981,445	\$ 1,752,831
6200	Professional and Contracted Services	814,137	821,789
6300	Supplies and Materials	150,828	211,695
6400	Other Operating Costs	67,089	49,632
6500	Debt	<u>-</u>	<u>-</u>
	Total Expenses	<u>\$ 3,013,499</u>	<u>\$ 2,835,947</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, 2020 AND 2019

		<u>2020</u>	<u>2019</u>
Expenses			
6100	Payroll Costs	\$ 288,509	\$ 374,641
6200	Professional and Contracted Services	346,518	331,545
6300	Supplies and Materials	85,827	39,837
6400	Other Operating Costs	626,783	655,203
6500	Debt	<u>242,716</u>	<u>273,721</u>
	Total Expenses	<u>\$ 1,590,353</u>	<u>\$ 1,674,947</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, 2020

	Ownership Interest		
	Local	State	Federal
1520 Buildings and Improvements	\$ -	\$ 283,448	\$ -
1539 Furniture and Equipment	13,995	300,458	9,119
1541 Vehicles	-	187,356	-
1570 Less Accumulated Depreciation	(13,995)	(427,747)	(9,119)
Total Property and Equipment	<u>\$ -</u>	<u>\$ 343,515</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, 2020**

	Ownership Interest		
	Local	State	Federal
1539 Furniture and Equipment	\$ -	\$ 83,038	\$ 12,308
1541 Vehicles	-	4,500	-
1570 Less Accumulated Depreciation	-	(57,350)	(12,308)
Total Property and Equipment	<u>\$ -</u>	<u>\$ 30,188</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, 2020

		Ownership Interest		
		Local	State	Federal
1510	Land	\$ 308,507	\$ -	\$ -
1520	Buildings and Improvements	13,942,594	-	-
1530	Furniture and Equipment	257,905	-	-
1540	Vehicles	102,983	-	-
1570	Less Accumulated Depreciation	(4,643,222)	-	-
	Total Property and Equipment	<u>\$ 9,968,767</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, 2020**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 159,760	\$ 18,500	\$ 79,530	\$ 61,030
5750 Cocurricular and Enterprising Activities	95,000	95,000	88,173	(6,827)
Total Local Support	254,760	113,500	167,703	54,203
State Program Revenues:				
5810 Foundation School Program Act Revenues	4,899,114	4,938,631	4,587,095	(351,536)
5820 State Program Revenues Distributed by TEA	35,000	65,000	32,272	(32,728)
Total State Program Revenues	4,934,114	5,003,631	4,619,367	(384,264)
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	92,537	119,364	64,468	(54,896)
5940 Federal Revenues Distributed by Federal Government	-	-	558,095	558,095
Total Federal Program Revenues	92,537	119,364	622,563	503,199
Total Revenues	\$ 5,281,411	\$ 5,236,495	\$ 5,409,633	\$ 173,138
Expenses				
11 Instruction	\$ 2,924,931	\$ 2,942,760	\$ 2,917,898	\$ 24,862
13 Curriculum & Instructional Staff Development	21,925	22,857	14,635	8,222
21 Instructional Leadership	41,488	44,000	42,172	1,828
23 School Leadership	340,387	340,387	313,604	26,783
31 Guidance, Counseling, & Evaluation Services	120,845	120,845	115,786	5,059
33 Health Services	52,022	52,022	49,869	2,153
35 Food Services	138,880	116,000	109,744	6,256
36 Cocurricular/Extracurricular Activities	193,390	193,390	164,601	28,789
41 General Administration	311,418	380,000	378,344	1,656
51 Plant Maintenance & Operations	1,032,950	1,032,950	1,001,255	31,695
52 Security & Monitoring Services	-	25,000	5,056	19,944
53 Data Processing Services	73,671	73,671	73,797	(126)
81 Fundraising	47,905	47,905	48,456	(551)
Total Expenses	\$ 5,299,812	\$ 5,391,787	\$ 5,235,217	\$ 156,570
Change in Net Assets	(18,401)	(155,292)	174,416	329,708
Net Assets, Beginning of Year	1,514,920	1,514,920	1,514,920	-
Net Assets, End of Year	\$ 1,496,519	\$ 1,359,628	\$ 1,689,336	\$ 329,708

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, 2020**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 1,000	\$ 9,200	\$ 67,877	\$ 58,677
5750 Cocurricular and Enterprising Activities	75,000	45,000	41,763	(3,237)
Total Local Support	76,000	54,200	109,640	55,440
State Program Revenues:				
5810 Foundation School Program Act Revenues	2,969,783	2,993,218	2,907,927	(85,291)
5820 State Program Revenues Distributed by TEA	20,000	63,000	34,649	(28,351)
Total State Program Revenues	2,989,783	3,056,218	2,942,576	(113,642)
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	39,559	44,654	29,435	(15,219)
5940 Federal Revenues Distributed by Federal Govt.	-	-	298,105	298,105
Total Federal Program Revenues	39,559	44,654	327,540	282,886
Total Revenues	\$ 3,105,342	\$ 3,155,072	\$ 3,379,756	\$ 224,684
Expenses				
11 Instruction	\$ 1,644,340	\$ 1,643,618	\$ 1,589,363	\$ 54,255
13 Curriculum & Instructional Staff Development	6,000	28,521	21,926	6,595
21 Instructional Leadership	-	43,000	43,952	(952)
23 School Leadership	196,908	158,000	157,123	877
31 Guidance, Counseling, & Evaluation Services	62,610	55,000	56,527	(1,527)
33 Health Services	44,718	51,000	54,731	(3,731)
35 Food Services	107,446	74,000	68,236	5,764
36 Cocurricular/Extracurricular Activities	400	-	-	-
41 General Administration	185,317	242,000	230,955	11,045
51 Plant Maintenance & Operations	758,713	758,713	730,343	28,370
52 Security and Monitoring Services	6,256	31,256	3,041	28,215
53 Data Processing Services	32,529	34,000	33,229	771
81 Fundraising	25,532	25,532	24,073	1,459
Total Expenses	\$ 3,070,769	\$ 3,144,640	\$ 3,013,499	\$ 131,141
Change in Net Assets	34,573	10,432	366,257	355,825
Net Assets, Beginning of Year	1,531,548	1,531,548	1,531,548	-
Net Assets, End of Year	\$ 1,566,121	\$ 1,541,980	\$ 1,897,805	\$ 355,825

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, 2020

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local Support:				
5640 Other Revenues from Local Sources	\$ 1,679,250	\$ 1,509,400	\$ 1,501,828	\$ (7,572)
5650 Cocurricular and Enterprising Activities	384,200	238,500	235,414	(3,086)
5660 Revenues from Intermediate Sources	96,220	63,700	63,130	(570)
5670 Apprentice Revenue	11,550	4,500	3,992	(508)
5690 Transportation Services Income	2,000	600	576	(24)
Total Local Support	<u>2,173,220</u>	<u>1,816,700</u>	<u>1,804,940</u>	<u>(11,760)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	-	-	-
5820 State Program Revenues Distributed by TEA	-	-	-	-
Total State Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Federal Program Revenues:				
5940 Federal Revenues Distributed by Federal Government	-	-	55,700	55,700
Total Federal Program Revenues	<u>-</u>	<u>-</u>	<u>55,700</u>	<u>55,700</u>
Total Revenues	<u>\$ 2,173,220</u>	<u>\$ 1,816,700</u>	<u>\$ 1,860,640</u>	<u>\$ 43,940</u>
Expenses				
11 Instruction	\$ 1,010,667	\$ 1,010,667	\$ 987,365	\$ 23,302
35 Food Services	12,043	19,243	18,584	659
41 General Administration	220,326	247,908	244,222	3,686
51 Plant Maintenance & Operations	18,913	43,000	37,771	5,229
71 Debt Service	272,237	272,237	242,445	29,792
81 Fundraising	178,068	60,000	59,966	34
Total Expenses	<u>\$ 1,712,254</u>	<u>\$ 1,653,055</u>	<u>\$ 1,590,353</u>	<u>\$ 62,702</u>
Change in Net Assets	<u>460,966</u>	<u>163,645</u>	<u>270,287</u>	<u>106,642</u>
Net Assets, Beginning of Year	<u>5,346,303</u>	<u>5,346,303</u>	<u>5,346,303</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 5,807,269</u>	<u>\$ 5,509,948</u>	<u>\$ 5,616,590</u>	<u>\$ 106,642</u>

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

**Compliance
and
Internal Control**

FREEMON, SHAPARD & STORY

Certified Public Accountants

Independent Auditors' 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, 2020 and 2019, 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, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-1.

Texas Center for Arts + Academics' Response to Findings

Texas Center for Arts + Academics' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Texas Center for Arts + Academics' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, 2020

**TEXAS CENTER FOR ARTS + ACADEMICS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Under the guidelines of OMB Uniform Guidance, a Single Audit was not required for the year ended August 31, 2020.

II. Financial Statement Findings

Finding 2020-1

Criteria

Depository banks are required to pledge securities to adequately cover cash deposits of public schools in excess of the FDIC insurance coverage.

Condition

Fort Worth Academy of Fine Arts' and Texas School of the Arts' highest daily balance of cash at Frost Bank for the year ended August 31, 2020, occurred on May 22, 2020. The cash balance was \$1,079,560 at Fort Worth Academy of Fine Arts and \$1,264,680 at Texas School of the Arts on May 22, 2020. Pledged securities were \$1,636,844, and FDIC coverage was \$250,000 which left \$457,396 unsecured.

Effect

Fort Worth Academy of Fine Arts' and Texas School of the Arts' cash balances are in danger of being lost if the depository bank were to fail.

Cause

Frost Bank did not have enough specific securities pledged to cover the schools' highest cash balance because the automated system cutoff for next day pledged securities occurred before Payroll Protection Plan funds were transferred to the accounts. Furthermore, it was unclear that the Payroll Protection Funds required securities pledged because it was unclear if those funds were considered public funds. Proper pledged securities by Frost Bank was made the next business day.

Recommendation

Fort Worth Academy of Fine Arts and Texas School of the Arts should monitor cash balances and make sure pledged securities and FDIC coverage are adequate to cover the school's cash balances. The Payroll Protection Program checking accounts are no longer being used; therefore, Frost Bank will not have to cover the cash in these two checking accounts in the future.

Management Response

In 2020, both schools received Payroll Protection funding. Those funds were transferred into the Frost Bank accounts as was recommended as best practice. That transfer occurred after Frost's automatic system's cutoff that pledges securities as of 3:00 p.m. Nevertheless, the funding was never in jeopardy of default because Frost Bank had an additional \$200,000,000 pledged to public funds. Although they were not specifically pledged to TCAA, Frost Bank assured TCAA that this would have been used in any bank failure to cover public funds. Additionally, Frost Bank's automated system properly secured the funds the next business day, and proper securities have been applied every other day of the year. At no time were any public funds at risk of default. Management's actions are appropriate and protect public funding.

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, 2020**

N/A No prior audit findings.