
TEXAS CENTER FOR ARTS + ACADEMICS
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED
AUGUST 31, 2021

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TEXAS CENTER FOR ARTS + ACADEMICS

CERTIFICATE OF BOARD

AUGUST 31, 2021

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) _____ approved _____ disapproved for the year ended August 31, 2021, at a meeting of the governing body of the charter holder on the 11th day of January, 2022.

Signature of Board Secretary

Signature of Board Chairman

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

FREEMON, SHAPARD & STORY

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Members of the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Texas Center for Arts + Academics (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021 and 2020, 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.

Auditors' 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 auditors' 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, 2021 and 2020, 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, Budgetary Comparison Schedules, and State Compensatory Education and Bilingual Education Program Expenditures 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 November 30, 2021, 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
November 30, 2021

**General-Purpose
Financial Statements**

TEXAS CENTER FOR ARTS + ACADEMICS
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,612,821	\$ 1,761,040
Restricted cash and cash equivalents	84,771	10,000
Accounts receivable	414	-
Due from TEA	729,234	615,321
Deferred expenses	74,065	16,056
Prepaid expenses	29,550	5,454
Total Current Assets	<u>2,530,855</u>	<u>2,407,871</u>
Property and Equipment		
Land	308,507	308,507
Buildings and improvements	14,226,042	14,226,042
Furniture and equipment	676,823	676,823
Vehicles	294,839	294,839
Less accumulated depreciation	(5,689,446)	(5,163,741)
Total Property and Equipment	<u>9,816,765</u>	<u>10,342,470</u>
Other Assets		
Long-term investments	1,678,325	1,424,530
Total Other Assets	<u>1,678,325</u>	<u>1,424,530</u>
Total Assets	<u>\$ 14,025,945</u>	<u>\$ 14,174,871</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 32,376	\$ -
Accrued expenses	10,081	8,618
Due to student groups	104,569	91,206
Deferred revenue	48,622	24,543
Accrued wages payable	469,844	378,322
Payroll deductions and withholdings	-	1,133
Accrued interest	28,509	33,881
Current portion of long-term debt	918,103	919,496
Total Current Liabilities	<u>1,612,104</u>	<u>1,457,199</u>
Long-Term Debt		
Long-term debt, net of unamortized debt issuance costs	<u>2,758,090</u>	<u>3,513,941</u>
Total Long-Term Liabilities	<u>2,758,090</u>	<u>3,513,941</u>
Total Liabilities	<u>\$ 4,370,194</u>	<u>\$ 4,971,140</u>
Net Assets		
Without donor restrictions	5,989,060	5,624,289
With donor restrictions	<u>3,666,691</u>	<u>3,579,442</u>
Total Net Assets	<u>\$ 9,655,751</u>	<u>\$ 9,203,731</u>
Total Liabilities and Net Assets	<u>\$ 14,025,945</u>	<u>\$ 14,174,871</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, 2021 AND 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Totals
Revenues			
Local Support:			
Contributions	\$ 73,022	\$ 125,000	\$ 198,022
Fundraising	50,071	-	50,071
Interest, Dividends, Gains, and Losses	253,937	-	253,937
Royalty Income	2,336	-	2,336
Other Revenues from Local Sources	18,662	-	18,662
Program Services Revenue	163,837	-	163,837
Cocurricular and Enterprising Activities	106,470	-	106,470
Total Local Support	<u>668,335</u>	<u>125,000</u>	<u>793,335</u>
State Program Revenues:			
Foundation School Program Act Revenues	-	8,409,378	8,409,378
State Program Revenue Distributed by TEA	-	37,710	37,710
Total State Program Revenues	<u>-</u>	<u>8,447,088</u>	<u>8,447,088</u>
Federal Program Revenues:			
ESEA Title I, Part A Improving Basic Programs	-	17,665	17,665
IDEA Part B, Formula	-	65,810	65,810
ESSER II	-	32,088	32,088
ESEA Title II, Part A Teacher and Principal Training	-	923	923
Title IV Part A, Subpart 1	-	9,494	9,494
Total Federal Program Revenues	<u>-</u>	<u>125,980</u>	<u>125,980</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>8,610,819</u>	<u>(8,610,819)</u>	<u>-</u>
Total Revenues	<u>\$ 9,279,154</u>	<u>\$ 87,249</u>	<u>\$ 9,366,403</u>
Expenses			
Program Services:			
Instruction and Instructional-Related Services	5,895,501	-	5,895,501
Instructional and School Leadership	548,152	-	548,152
Support Services			
Student Support Services	432,141	-	432,141
Administrative Support Services	843,852	-	843,852
Support Services-Non-Student Based	869,669	-	869,669
Debt Service	201,421	-	201,421
Fundraising	123,647	-	123,647
Total Expenses	<u>\$ 8,914,383</u>	<u>\$ -</u>	<u>\$ 8,914,383</u>
Change in Net Assets	<u>364,771</u>	<u>87,249</u>	<u>452,020</u>
Net Assets, Beginning of Year	<u>5,624,289</u>	<u>3,579,442</u>	<u>9,203,731</u>
Net Assets, End of Year	<u>\$ 5,989,060</u>	<u>\$ 3,666,691</u>	<u>\$ 9,655,751</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, 2021 AND 2020

	<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 FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>2021 Total</u>
Expenses			
Salaries and Wages	\$ 5,075,288	\$ 548,995	\$ 5,624,283
Benefits	457,755	44,495	502,250
Payroll Taxes	121,945	13,418	135,363
Total Payroll Expenses	5,654,988	606,908	6,261,896
Professional Services	355,605	47,598	403,203
Legal	-	64,860	64,860
Accounting	-	45,500	45,500
Education Service Center Services	76,863	-	76,863
Repairs and Maintenance	374,697	-	374,697
Utilities	169,276	8,909	178,185
Rentals	90,712	-	90,712
Maintenance Supplies	327	31,611	31,938
Instructional Materials	39,162	-	39,162
Testing Materials	2,940	-	2,940
Food Service	53,029	-	53,029
General Supplies	364,837	32,571	397,408
Travel	35,077	-	35,077
Insurance	62,242	6,916	69,158
Interest	-	180,935	180,935
Miscellaneous	30,604	32,025	62,629
Total Non-Payroll Expenses	1,655,371	450,925	2,106,296
Total Before Depreciation and Amortization	7,310,359	1,057,833	8,368,192
Amortization	-	20,486	20,486
Depreciation	511,317	14,388	525,705
Total Expenses	\$ 7,821,676	\$ 1,092,707	\$ 8,914,383

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, 2021 AND 2020

	Program Services	Management and General	2020 Total
Expenses			
Salaries and Wages	\$ 4,848,580	\$ 392,789	\$ 5,241,369
Benefits	435,902	38,298	474,200
Payroll Taxes	116,744	9,481	126,225
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	45,977	34,769	80,746
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	515,316	14,562	529,878
Total Expenses	\$ 7,542,399	\$ 1,156,670	\$ 8,699,069

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 452,020	\$ 810,960
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	525,705	529,877
(Increase) Decrease in Due from TEA	(113,913)	(143,096)
(Increase) Decrease in Accounts Receivable	(414)	108
(Increase) Decrease in Deferred Expenses	(58,009)	(3,841)
(Increase) Decrease in Prepaid Expenses	(24,096)	34,044
Increase (Decrease) in Accounts Payable	32,376	(32,849)
Increase (Decrease) in Accrued Expenses	1,463	8,618
Increase (Decrease) in Due to Student Groups	13,363	27,661
Increase (Decrease) in Deferred Revenue	24,079	(84,654)
Increase (Decrease) in Wages Payable	91,522	40,525
Increase (Decrease) in Payroll Deductions	(1,133)	(6,586)
Increase (Decrease) in Accrued Interest	(5,372)	(8,445)
Net Cash Provided (Used) by Operating Activities	<u>937,591</u>	<u>1,172,322</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	-	(91,858)
Purchase of Investment Securities	-	-
Withdrawal of Investment Securities	-	300,000
Dividends Reinvested in Securities	(20,179)	(32,315)
Capital Gains Reinvested in Securities	(11,984)	(20,424)
Fees Paid on Investments	6,131	5,983
Realized (Gain) Loss on Sale of Investment Securities	(83,125)	30,863
Unrealized (Gain) Loss on Investment Securities	(144,638)	(107,195)
Net Cash Provided (Used) by Investing Activities	<u>(253,795)</u>	<u>85,054</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of Debt Issuance Costs	20,486	20,486
Issuance of Short-Term Debt	-	55,700
Principal Payments on Debt	(777,730)	(805,872)
Net Cash Provided (Used) by Financing Activities	<u>(757,244)</u>	<u>(729,686)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(73,448)	527,690
Cash and Cash Equivalents, Beginning of Year	<u>1,771,040</u>	<u>1,243,350</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,697,592</u>	<u>\$ 1,771,040</u>
 Interest Paid During the Period Ended August 31, 2021 and 2020	 \$ 186,307	 \$ 230,404
Income Taxes Paid During the Period Ended August 31, 2021 and 2020	-	-

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, 2021 AND 2020**

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 seven 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 6th grade students. Starting August 2021, Texas Schools of the Arts provides education to Kindergarten through 5th 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

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

and received a charter renewal on August 6, 2012, extending the charter to July 31, 2021. Texas School of the Arts was issued an additional charter renewal extending the charter from August 1, 2021, to July 31, 2031.

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.

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

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.

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.

2. **CASH DEPOSITS**

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

At August 31, 2021, the combined carrying amount of the charter schools' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,406,033, and the bank balance was \$1,552,163. The charter schools' cash deposits during the year ended August 31, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name.

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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.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit during the year ended August 31, 2021:

- 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 \$2,125,587. 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 \$2,402,880.
- b. The highest combined balance of cash, savings, and time deposit accounts for Fort Worth Academy of Fine Arts at Frost Bank amounted to \$1,077,630 and occurred during the month of June 2021. The highest combined balances of cash, savings, and time deposit accounts for Texas School of the Arts at Frost Bank amounted to \$1,212,536 and occurred during the month of September 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, 2021 and 2020, the charter holder had no material liability for accrued sick leave or vacation leave.

4. INVESTMENTS

The corporation invests in marketable equity securities. The investments at August 31, 2021, were comprised of the following:

	<u>Cost</u>	<u>Market</u>
Plains Capital Investments	\$ 1,419,190	\$ 1,678,325
Total	<u>\$ 1,419,190</u>	<u>\$ 1,678,325</u>

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Unrealized gains, beginning of year	\$ 114,495
Unrealized gains year, net change	<u>144,640</u>
Unrealized gains, end of year	<u>\$ 259,135</u>

The investments at August 31, 2020, were comprised of the following:

	<u>Cost</u>	<u>Market</u>
Plains Capital Investments	\$ 1,310,035	\$ 1,424,530
Total	<u>\$ 1,310,035</u>	<u>\$ 1,424,530</u>

Unrealized gains, beginning of year	\$ 7,301
Unrealized gains year, net change	<u>107,194</u>
Unrealized gains, end of year	<u>\$ 114,495</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 Annual Comprehensive Annual Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/about/publications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698, or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2020 Comprehensive Annual Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2020.

<u>Components of Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$218,974,205,084
Less: Plan Fiduciary Net Position	<u>(165,416,245,243)</u>
Net Pension Liability	<u>\$ 53,557,959,841</u>

Net Position as Percentage of Total Pension Liability	75.54%
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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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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.

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 2020 ACFR, Note 11, on page 82.

Contribution Rates		
	2021	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%

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Employers	7.5%	7.5%
FWAFA's Employer Contributions	\$112,796	\$117,386
FWAFA's Member Contributions	\$254,352	\$219,427
TeSA's Employer Contributions	\$ 45,069	\$ 61,479
TeSA's Member Contributions	\$127,796	\$132,912
Measurement Year	2020	2019
FWAFA's NECE On-Behalf Contributions	\$157,326	\$177,890
TeSA's NECE On-Behalf Contributions	\$ 95,790	\$ 98,065

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- 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.

E. *Actuarial Assumptions*

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2020 TRS CAFR, Note 11, page 82 and 83.

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%

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Long-Term Expected Rate	7.25%
Municipal Bond Rate	2.33%*
Last Year Ending August 31 in Projection	
Period (100 Years)	2119
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, 2020.*

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, 2019. For a full description of these assumptions, please see the actuarial valuation report dated November 14, 2019.

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.

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 System's target asset allocation as of August 31, 2020 (see page 53 of the TRS ACFR), are summarized below:

Asset Class	Target Allocation %*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	3.9%	0.99%

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Non-U.S. Developed	13%	5.1%	0.92%
Emerging Markets	9%	5.6%	0.83%
Private Equity	14%	6.7%	1.41%
Stable Value			
Government Bonds	16%	-0.7%	-0.05%
Stable Value Hedge	5%	1.9%	0.11%
Real Return			
Real Estate	15%	4.6%	1.01%
Energy, Natural Resources, and Infrastructure	6%	6.0%	0.42%
Risk Parity			
Risk Parity	8%	3.0%	0.30%
Leverage			
Cash	2%	-1.5%	-0.03%
Asset Allocation Leverage	-6%	-1.3%	0.08%
Inflation Expectation			2.00%
Volatility Drag***			-0.67%
Total	100%		7.33%

* Target allocations are based on the FY2020 policy model.

** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020)

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

G. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is 1% less (6.25%) than and 1% greater (8.25%) than the current rate. The discount rate can be found in the 2020 TRS ACFR, Note 11, page 84.

	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	\$2,468,179	\$1,600,653	\$895,808
Texas School of Arts' proportionate share of the net pension liability	\$1,271,439	\$ 824,548	\$461,460

H. Pension Liabilities

At August 31, 2020, Fort Worth Academy of Fine Arts and Texas School of Arts disclosed a liability of \$1,600,653 and \$824,548, 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

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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	\$ 1,600,653
State's proportionate share that is associated with Fort Worth Academy of Fine Arts	<u>\$ 2,042,181</u>
Total	<u>\$ 3,642,834</u>

Texas School of Arts' proportionate share of the collective net pension liability	\$ 824,548
State's proportionate share that is associated with Texas School of Arts	<u>\$ 1,243,408</u>
Total	<u>\$ 2,067,956</u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020, 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, 2019 through August 31, 2020.

At August 31, 2020, Fort Worth Academy of Fine Arts' proportion of the collective net pension liability was .0029886375% which was an increase from its proportion of .0020476438% measured as of August 31, 2019. At August 31, 2020, Texas School of Arts' proportion of the collective net pension liability was .0015395439% which was an increase from its proportion of .0007588882% measured as of August 31, 2019.

I. *Changes Since the Prior Actuarial Valuation*

There were no changes in assumptions since the prior measurement date.

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 with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

B. *OPEB Plan Fiduciary Net Position*

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_publications.aspx; 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, 2020 are as follows:

<u>Components of Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 40,010,833,815
Less: Plan Fiduciary Net Position	<u>(1,996,317,932)</u>
Net OPEB Liability	<u>\$ 38,014,515,883</u>
Net Position as a Percentage of Total OPEB Liability	4.99%

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. 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

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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 or charter school. 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				
	2021		2020	
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	2021	\$ 24,775	2020	\$ 21,523
Member Contributions	2021	\$ 21,472	2020	\$ 18,653
NECE On-Behalf Contributions	2020	\$ 59,520	2019	\$ 47,631

Texas School of the Arts Contribution Rates				
	2021		2020	
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	2021	\$ 12,448	2020	\$ 13,007
Member Contributions	2021	\$ 10,788	2020	\$ 11,273
NECE On-Behalf Contributions	2020	\$ 23,788	2019	\$ 15,519

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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-21 biennium.

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E. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2020 TRS ACFR, Note 9, page 75.

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 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 based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
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
Ad-hoc Post Employment Benefit Changes	None

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F. *Discount Rate*

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30 percent in the discount rate since the previous year. The Discount Rate can be found in the 2020 TRS ACFR on page 76. 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2020, using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
Fort Worth Academy of Fine Art's proportionate share of the Net OPEB Liability:	\$2,658,406	\$2,215,342	\$1,865,386
Texas School of the Art's proportionate share of the Net OPEB Liability:	\$1,062,486	\$ 885,407	\$ 745,539

H. *OPEB Liabilities and OPEB Expense*

At August 31, 2020, Fort Worth Academy of Fine Arts disclosed a liability of \$2,215,342, and Texas School of the Arts disclosed a liability of \$885,407 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	\$ 2,215,342
State's proportionate share that is associated with Fort Worth Academy	<u>2,976,889</u>
Total	<u>\$ 5,192,231</u>

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Texas School of the Art's Proportionate share of the collective net OPEB liability	\$ 885,407
State's proportionate share that is associated with Texas School of the Arts	1,189,774
Total	<u>\$ 2,075,181</u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020, 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, 2019 through August 31, 2020.

At August 31, 2021, Fort Worth Academy of Fine Art's proportion of the collective Net OPEB Liability was 0.0058276221% compared to 0.0050509833% at August 31, 2020, and Texas School of the Art's proportion of the collective Net OPEB Liability was 0.002329128% compared to 0.001645712% at August 31, 2020.

I. Healthcare Cost Trend Rates Sensitivity Analysis

The following schedule shows the impact of the Net OPEB liability if a healthcare trend rate that is one-percentage point lower or one-percentage point higher than the health trend rates assumed.

	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:	\$1,809,651	\$2,215,342	\$2,755,666
Texas School of the Art's proportionate share of the NET OPEB Liability:	\$ 723,264	\$ 885,407	\$1,101,358

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 ACFR on page 76.*

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

TEXAS CENTER FOR ARTS + ACADEMICS
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FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

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, 2021, were as follows:

	<u>Balance</u> <u>9/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2021</u>
Land	\$ 308,507	\$ -	\$ -	\$ 308,507
Buildings and Improvements	14,226,042	-	-	14,226,042
Furniture and Equipment	676,823	-	-	676,823
Vehicles	294,839	-	-	294,839
Accumulated Depreciation	<u>(5,163,741)</u>	<u>(525,705)</u>	<u>-</u>	<u>(5,689,446)</u>
	<u>\$10,342,470</u>	<u>\$ (525,705)</u>	<u>\$ -</u>	<u>\$9,816,765</u>

Capital assets at August 31, 2020, were as follows:

	<u>Balance</u> <u>9/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <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
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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, 2021 and 2020, the charter schools earned revenue of \$8,447,088 and \$7,561,943, respectively, from the Texas Education Agency (TEA). These amounts constitute approximately 90.18% and 79.52%, 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, 2021 and 2020, consisted of the following:

	2021	2020
Advanced Placement Incentives	\$ 93	\$ 93
ESSER	(569)	-
School Safety and Security	35,037	40,845
Donor Restricted Grants	84,771	-
Foundation School Program	3,547,359	3,538,504
Total Net Assets With Donor Restrictions	<u>\$ 3,666,691</u>	<u>\$ 3,579,442</u>

11. HEALTH CARE COVERAGE

During the years ended August 31, 2021 and 2020, 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.

12. DEFERRED REVENUE

Deferred revenue at August 31, 2021 and 2020, consisted of the following:

	2021	2020
Deferred Activity Fee Revenue	\$ 11,678	\$ 14,543
Deferred Performance Revenue	36,944	-
Deferred Contributions	-	10,000
Total	<u>\$ 48,622</u>	<u>\$ 24,543</u>

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

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, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</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.	\$ 1,330,078	\$ 1,719,214
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, 2020, and 2021. Final payment is due August 23, 2021.	131,966	166,966
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>2,306,342</u>	<u>2,659,936</u>
Total Debt	\$ 3,768,386	\$ 4,546,116
Less Capitalized Debt Issuance Costs	(92,193)	(112,679)
Less Current Portion of Long-Term Debt	<u>(918,103)</u>	<u>(919,496)</u>
Total Long-Term Debt	<u>\$ 2,758,090</u>	<u>\$ 3,513,941</u>

Future maturities of long-term debt at August 31, 2021, are as follows:

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	\$ 918,103	\$ 147,160	\$ 1,065,263
2023	821,302	108,032	929,334
2024	864,901	74,232	939,133
2025	409,724	52,112	461,836
2026	425,098	36,738	461,836
2027-2028	<u>329,258</u>	<u>17,119</u>	<u>346,377</u>
Total	<u>\$ 3,768,386</u>	<u>\$ 435,393</u>	<u>\$ 4,203,779</u>

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

14. INTERCOMPANY ELIMINATIONS

During the years ended August 31, 2021 and 2020, the Fort Worth Academy of Fine Arts Charter School recorded \$804,000 and \$636,000, respectively in lease expense paid to the charter holder. During the years ended August 31, 2021 and 2020, Texas School of the Arts recorded \$564,000 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, 2021 and 2020, and as a result, there was no income tax liability.

16. LEASES

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 \$156 a month. This is a month to month lease.

Future minimum payments under noncancelable operating leases as of August 31, 2021, are as follows:

2022	\$ 78,064
2023	78,064
2024	78,064
2025	39,032
2026	-
	<u>\$273,224</u>

17. RENTAL EXPENSE

During the years ended August 31, 2021 and 2020, the corporation reported the following rental expenses after intercompany eliminations:

	<u>2021</u>	<u>2020</u>
Imagetex Office Systems	\$ 86,953	\$ 99,727
Well Fargo Financial Leasing	-	1,488
Pitney Bowes	676	641
Broadway Baptist	-	200
Commerce Bank	3,082	1,842
Inland Leasing	<u>5,220</u>	<u>5,220</u>
Total Rent Expense	<u>\$ 90,711</u>	<u>\$109,118</u>

**TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

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 subsequent events requiring recognition or disclosure in the financial statements other than the uncertainty of the coronavirus discussed below.

As a result of the continued COVID-19 pandemic, economic uncertainties have arisen which could have a negative effect on operations. There continues to be considerable uncertainty around the duration of this pandemic. Therefore, the potential impact is currently unknown.

19. RESTRICTED CASH

The Amon Carter Foundation donated \$120,000 for technology. \$58,543 was spent on technology leaving \$61,457 in restricted cash. The Sid Richardson Foundation donated \$75,000 for theater improvements. \$54,686 was spent on theater improvements leaving \$20,314 in restricted cash. FWAFA PTSO donated \$15,000. \$12,000 was spent this year leaving \$3,000 in restricted cash. Total restricted cash at August 31, 2021 was \$84,771.

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 held the \$10,000 donation in restricted cash until the event was held in the year ended August 31, 2021.

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:

TEXAS CENTER FOR ARTS + ACADEMICS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

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, 2021

Description	Fair Value	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)
Equity Securities	\$ 1,678,325	\$ 1,678,325	\$ -	\$ -
Total	\$ 1,678,325	\$ 1,678,325	\$ -	\$ -

August 31, 2020

Description	Fair Value	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)
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, 2021 AND 2020

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	\$ 224,814
Fixed assets	9,481,611
Long-term investments	<u>118,394</u>
	<u>\$ 9,824,819</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, \$1,678,325 of cash is invested in Plains Capital Bank investments.

22. LEGAL

The Dorothy Shaw Bell Choir is a non-profit corporation who has historically been housed at the property located at 3901 South Hulen Street, Fort Worth, Texas. This property is owned by Texas Center for Arts + Academics and is occupied by Fort Worth Academy of Fine Arts. The Dorothy Shaw Bell Choir sued Texas Center for Arts + Academics for breach of contract, declaratory judgment, and seeking temporary and permanent injunctive relief. The Dorothy Shaw Bell Choir is seeking damages in an unspecified amount. They are also seeking a mandatory injunction allowing them to occupy space at the Hulen Street location. Texas Center for Arts + Academics intends to vigorously defend this action. The likelihood of an unfavorable outcome and range of potential loss cannot be determined at this time as discovery is just beginning.

**Specific-Purpose
Financial Statements**

FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 660,308	\$ 685,199
Deferred Expenses	68,713	9,857
Due from TEA	376,620	343,260
Total Current Assets	<u>1,105,641</u>	<u>1,038,316</u>
Property and Equipment		
Buildings and improvements	283,448	283,448
Furniture and equipment	323,572	323,572
Vehicles	187,356	187,356
Less accumulated depreciation	<u>(484,457)</u>	<u>(450,861)</u>
Total Property and Equipment	<u>309,919</u>	<u>343,515</u>
Long-Term Investments	<u>668,714</u>	<u>564,803</u>
Total Assets	<u>\$ 2,084,274</u>	<u>\$ 1,946,634</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 19,413	\$ -
Accrued expenses	6,285	5,630
Accrued wages payable	294,480	251,352
Payroll deductions and withholdings	<u>-</u>	<u>316</u>
Total Current Liabilities	<u>320,178</u>	<u>257,298</u>
Total Liabilities	<u>\$ 320,178</u>	<u>\$ 257,298</u>
Net Assets		
Without donor restrictions	18,026	7,699
With donor restrictions	<u>1,746,070</u>	<u>1,681,637</u>
Total Net Assets	<u>\$ 1,764,096</u>	<u>\$ 1,689,336</u>
Total Liabilities and Net Assets	<u>\$ 2,084,274</u>	<u>\$ 1,946,634</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 745,725	\$ 966,963
Due from TEA	352,614	272,061
Deferred expenses	5,352	6,199
Total Current Assets	<u>1,103,691</u>	<u>1,245,223</u>
Property and Equipment		
Furniture and equipment	95,346	95,346
Vehicles	4,500	4,500
Less accumulated depreciation	(74,612)	(69,658)
Total Property and Equipment	<u>25,234</u>	<u>30,188</u>
Long-Term Investments	<u>891,217</u>	<u>752,688</u>
Total Assets	<u>\$ 2,020,142</u>	<u>\$ 2,028,099</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 4,132	\$ -
Accrued expenses	3,796	2,988
Accrued wages payable	175,364	126,970
Payroll deductions and withholdings	-	336
Total Current Liabilities	<u>183,292</u>	<u>130,294</u>
Total Liabilities	<u>\$ 183,292</u>	<u>\$ 130,294</u>
Net Assets		
Without donor restrictions	1,000	-
With donor restrictions	<u>1,835,850</u>	<u>1,897,805</u>
Total Net Assets	<u>\$ 1,836,850</u>	<u>\$ 1,897,805</u>
Total Liabilities and Net Assets	<u>\$ 2,020,142</u>	<u>\$ 2,028,099</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 206,788	\$ 108,878
Restricted cash and cash equivalents	84,771	10,000
Due from Fort Worth Academy of Fine Arts	414	-
Prepaid expenses	29,550	5,454
Total Current Assets	<u>321,523</u>	<u>124,332</u>
Property and Equipment		
Land	308,507	308,507
Buildings and improvements	13,942,594	13,942,594
Furniture and equipment	257,905	257,905
Vehicles	102,983	102,983
Less accumulated depreciation	(5,130,377)	(4,643,222)
Total Property and Equipment	<u>9,481,612</u>	<u>9,968,767</u>
Other Assets		
Long-term investments	118,394	107,039
Total Other Assets	<u>118,394</u>	<u>107,039</u>
Total Assets	<u>\$ 9,921,529</u>	<u>\$ 10,200,138</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 8,831	\$ -
Due to student groups	104,569	91,206
Deferred revenue	48,622	24,543
Accrued interest	28,509	33,881
Payroll deductions and withholdings	-	481
Current portion of long-term debt	918,103	919,496
Total Current Liabilities	<u>1,108,634</u>	<u>1,069,607</u>
Long-Term Liabilities		
Notes payable, net of unamortized debt issuance costs	2,758,090	3,513,941
Total Long-Term Liabilities	<u>2,758,090</u>	<u>3,513,941</u>
Total Liabilities	<u>\$ 3,866,724</u>	<u>\$ 4,583,548</u>
Net Assets		
Without donor restrictions	5,970,034	5,616,590
With donor restrictions	84,771	-
Total Net Assets	<u>\$ 6,054,805</u>	<u>\$ 5,616,590</u>
Total Liabilities and Net Assets	<u>\$ 9,921,529</u>	<u>\$ 10,200,138</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, 2021 AND 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 115,693	\$ -	\$ 115,693
5750 Cocurricular and Enterprising Activities	<u>71,347</u>	<u>-</u>	<u>71,347</u>
Total Local Support	187,040	-	187,040
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	5,654,924	5,654,924
5820 State Program Revenues Distributed by TEA	<u>-</u>	<u>32,454</u>	<u>32,454</u>
Total State Program Revenues	-	5,687,378	5,687,378
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	90,535	90,535
5940 Federal Revenues Distributed by Federal Govt.	<u>-</u>	<u>-</u>	<u>-</u>
Total Federal Program Revenues	-	90,535	90,535
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>5,713,480</u>	<u>(5,713,480)</u>	<u>-</u>
Total Revenues	<u>\$ 5,900,520</u>	<u>\$ 64,433</u>	<u>\$ 5,964,953</u>
Expenses			
11 Instruction	\$ 3,508,936	\$ -	\$ 3,508,936
13 Curriculum & Instructional Staff Development	11,585	-	11,585
21 Instructional Leadership	38,501	-	38,501
23 School Leadership	299,561	-	299,561
31 Guidance, Counseling, & Evaluation Services	99,940	-	99,940
33 Health Services	55,487	-	55,487
35 Food Services	97,412	-	97,412
36 Cocurricular/Extracurricular Activities	3,927	-	3,927
41 General Administration	371,700	-	371,700
51 Facilities Maintenance & Operations	1,279,044	-	1,279,044
52 Security & Monitoring Services	3,263	-	3,263
53 Data Processing Services	76,728	-	76,728
81 Fundraising	<u>44,109</u>	<u>-</u>	<u>44,109</u>
Total Expenses	<u>\$ 5,890,193</u>	<u>\$ -</u>	<u>\$ 5,890,193</u>
Change in Net Assets	<u>10,327</u>	<u>64,433</u>	<u>74,760</u>
Net Assets, Beginning of Year	<u>7,699</u>	<u>1,681,637</u>	<u>1,689,336</u>
Net Assets, End of Year	<u>\$ 18,026</u>	<u>\$ 1,746,070</u>	<u>\$ 1,764,096</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, 2021 AND 2020

	<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	-	32,272	32,272
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.	-	558,095	558,095
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	48,456	-	48,456
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.

**TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 140,111	\$ -	\$ 140,111
5750 Cocurricular and Enterprising Activities	35,123	-	35,123
Total Local Support	<u>175,234</u>	<u>-</u>	<u>175,234</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	2,754,454	2,754,454
5820 State Program Revenues Distributed by TEA	-	5,256	5,256
Total State Program Revenues	<u>-</u>	<u>2,759,710</u>	<u>2,759,710</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	35,445	35,445
5940 Federal Revenues Distributed by Fed. Govt.	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>35,445</u>	<u>35,445</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	2,857,110	(2,857,110)	-
Total Revenues	<u>\$ 3,032,344</u>	<u>\$ (61,955)</u>	<u>\$ 2,970,389</u>
Expenses			
11 Instruction	1,559,596	-	1,559,596
13 Curriculum & Instructional Staff Development	4,750	-	4,750
21 Instructional Leadership	42,624	-	42,624
23 School Leadership	167,466	-	167,466
31 Guidance, Counseling, & Evaluation Services	62,608	-	62,608
33 Health Services	50,127	-	50,127
35 Food Services	51,170	-	51,170
41 General Administration	218,542	-	218,542
51 Plant Maintenance & Operations	812,145	-	812,145
52 Security & Monitoring Services	12,107	-	12,107
53 Data Processing Services	27,054	-	27,054
81 Fundraising	23,155	-	23,155
Total Expenses	<u>\$ 3,031,344</u>	<u>\$ -</u>	<u>\$ 3,031,344</u>
Change in Net Assets	<u>1,000</u>	<u>(61,955)</u>	<u>(60,955)</u>
Net Assets, Beginning of Year	<u>-</u>	<u>1,897,805</u>	<u>1,897,805</u>
Net Assets, End of Year	<u>\$ 1,000</u>	<u>\$ 1,835,850</u>	<u>\$ 1,836,850</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, 2021 AND 2020**

	<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 CENTER FOR ARTS + ACADEMICS PROGRAMS
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Totals</u>
Revenues, Gains, & Other Support			
Local Support:			
Contributions	\$ 60,395	\$ 125,000	\$ 185,395
Special Events	50,071	-	50,071
Total Local Support	<u>110,466</u>	<u>125,000</u>	<u>235,466</u>
Program Service Revenue:			
Performances	1,170	-	1,170
Building Rentals	1,372,072	-	1,372,072
Activity Fees	158,595	-	158,595
Total Program Service Revenue	<u>1,531,837</u>	<u>-</u>	<u>1,531,837</u>
Interest & Other Income:			
Investment Income	1,424	-	1,424
Unrealized Gain (Loss)	(8,438)	-	(8,438)
Realized Gain (Loss)	18,377	-	18,377
Royalty Income	2,336	-	2,336
Other	18,059	-	18,059
Total Interest & Other Income	<u>31,758</u>	<u>-</u>	<u>31,758</u>
Federal Program Revenue:			
Federal Revenues Distributed by Fed. Govt.	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	<u>40,229</u>	<u>(40,229)</u>	<u>-</u>
Total Revenues, Gains, & Other Support	<u>\$ 1,714,290</u>	<u>\$ 84,771</u>	<u>\$ 1,799,061</u>
Expenses			
11 Instruction	810,634	-	810,634
35 Food Services	11,470	-	11,470
41 General Administration	253,610	-	253,610
51 Plant Maintenance and Operations	27,328	-	27,328
71 Debt Service	201,421	-	201,421
81 Fundraising	56,383	-	56,383
Total Expenses	<u>\$ 1,360,846</u>	<u>\$ -</u>	<u>\$ 1,360,846</u>
Change in Net Assets	<u>353,444</u>	<u>84,771</u>	<u>438,215</u>
Net Assets, Beginning of Year	<u>5,616,590</u>	<u>-</u>	<u>5,616,590</u>
Net Assets, End of Year	<u>\$ 5,970,034</u>	<u>\$ 84,771</u>	<u>\$ 6,054,805</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, 2021 AND 2020

	<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.

FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 74,760	\$ 174,416
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	33,596	32,082
(Increase) Decrease in Deferred Expenses	(58,856)	(3,203)
(Increase) Decrease in Due from TEA	(33,360)	(50,886)
Increase (Decrease) in Accounts Payable	19,413	(29,177)
Increase (Decrease) in Accrued Expenses	655	5,630
Increase (Decrease) in Payroll Deductions	(316)	(4,347)
Increase (Decrease) in Wages Payable	43,128	42,285
Net Cash Provided (Used) by Operating Activities	<u>79,020</u>	<u>166,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	-	(30,264)
Purchase of Investment Securities	-	-
Withdrawal of Investment Securities	-	300,000
Dividends Reinvested in Securities	(8,246)	(15,123)
Capital Gains Reinvested in Securities	(4,741)	(9,568)
Fees Paid on Investments	2,433	2,786
Realized (Gain) Loss on Sale of Investment Securities	(27,875)	7,773
Unrealized (Gain) Loss on Investment Securities	(65,482)	(42,286)
Net Cash Provided (Used) by Investing Activities	<u>(103,911)</u>	<u>213,318</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	(24,891)	380,118
Cash and Cash Equivalents, Beginning of Year	<u>685,199</u>	<u>305,081</u>
Cash and Cash Equivalents, End of Year	<u>\$ 660,308</u>	<u>\$ 685,199</u>
Interest Paid During the Period Ended August 31, 2021 and 2020	\$ -	\$ -
Income Taxes Paid During the Period Ended August 31, 2021 and 2020	-	-

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (60,955)	\$ 366,257
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	4,954	4,499
(Increase) Decrease in Deferred Expenses	847	(638)
(Increase) Decrease in Due from TEA	(80,553)	(92,210)
Increase (Decrease) in Accounts Payable	4,132	(2,329)
Increase (Decrease) in Accrued Expenses	808	2,988
Increase (Decrease) in Wages Payable	48,394	(1,760)
Increase (Decrease) in Payroll Deductions and Withholdings	(336)	(2,720)
Net Cash Provided (Used) by Operating Activities	<u>(82,709)</u>	<u>274,087</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	-	(23,330)
Purchase of Investment Securities	-	-
Dividends Reinvested in Securities	(10,988)	(15,003)
Capital Gains Reinvested in Securities	(6,316)	(9,479)
Fees Paid on Investments	3,242	2,798
Realized (Gain) Loss on Sale of Investment Securities	(36,873)	20,024
Unrealized (Gain) Loss on Investment Securities	(87,594)	(56,980)
Net Cash Provided (Used) by Investing Activities	<u>(138,529)</u>	<u>(81,970)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(221,238)	192,117
Cash and Cash Equivalents, Beginning of Year	<u>966,963</u>	<u>774,846</u>
Cash and Cash Equivalents, End of Year	<u>\$ 745,725</u>	<u>\$ 966,963</u>
Interest Paid During the Period Ended August 31, 2021 and 2020	\$ -	\$ -
Income Taxes Paid During the Period Ended August 31, 2021 and 2020	-	-

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 438,215	\$ 270,287
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	487,155	493,296
(Increase) Decrease in Account Receivable	(414)	108
(Increase) Decrease in Prepaid Expenses	(24,096)	34,044
Increase (Decrease) in Accounts Payable	8,831	(1,343)
Increase (Decrease) in Due to Student Groups	13,363	27,661
Increase (Decrease) in Deferred Revenue	24,079	(84,654)
Increase (Decrease) in Accrued Interest	(5,372)	(8,445)
Increase (Decrease) in Payroll Deductions and Withholdings	(481)	481
Net Cash Provided (Used) by Operating Activities	<u>941,280</u>	<u>731,435</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	-	(38,264)
Purchase of Investment Securities	-	-
Withdrawal of Investment Securities	-	-
Dividends Reinvested in Securities	(945)	(2,189)
Capital Gains Reinvested in Securities	(927)	(1,377)
Fees Paid on Investments	456	399
Realized (Gain) Loss on Sale of Investment Securities	(18,377)	3,066
Unrealized (Gain) Loss on Investment Securities	8,438	(7,929)
Net Cash Provided (Used) by Investing Activities	<u>(11,355)</u>	<u>(46,294)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of Debt Issuance Costs	20,486	20,486
Issuance of Short-Term Debt	-	55,700
Principal Payments on Debt	(777,730)	(805,872)
Net Cash Provided (Used) by Financing Activities	<u>(757,244)</u>	<u>(729,686)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	172,681	(44,545)
Cash and Cash Equivalents, Beginning of Year	<u>118,878</u>	<u>163,423</u>
Cash and Cash Equivalents, End of Year	<u>\$ 291,559</u>	<u>\$ 118,878</u>
 Interest Paid During the Period Ended August 31, 2021 and 2020	 \$ 186,307	 \$ 230,404
Income Taxes Paid During the Period Ended August 31, 2021 and 2020	-	-

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

**Required
Supplementary
Information Required by
Texas Education Agency**

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

		<u>2021</u>	<u>2020</u>
Expenses			
6100	Payroll Costs	\$ 4,033,646	\$ 3,571,841
6200	Professional and Contracted Services	1,449,762	1,198,801
6300	Supplies and Materials	293,528	192,655
6400	Other Operating Costs	113,257	271,920
6500	Debt	<u>-</u>	<u>-</u>
	Total Expenses	<u>\$ 5,890,193</u>	<u>\$ 5,235,217</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, 2021 AND 2020**

		<u>2021</u>	<u>2020</u>
Expenses			
6100	Payroll Costs	\$ 1,937,295	\$ 1,981,445
6200	Professional and Contracted Services	889,470	814,137
6300	Supplies and Materials	163,232	150,828
6400	Other Operating Costs	41,347	67,089
6500	Debt	<u>-</u>	<u>-</u>
	Total Expenses	<u>\$ 3,031,344</u>	<u>\$ 3,013,499</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, 2021 AND 2020

		<u>2021</u>	<u>2020</u>
Expenses			
6100	Payroll Costs	\$ 290,955	\$ 288,509
6200	Professional and Contracted Services	262,787	346,518
6300	Supplies and Materials	67,717	85,827
6400	Other Operating Costs	537,966	626,783
6500	Debt	<u>201,421</u>	<u>242,716</u>
	Total Expenses	<u>\$ 1,360,846</u>	<u>\$ 1,590,353</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, 2021**

	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)	(461,343)	(9,119)
Total Property and Equipment	<u>\$ -</u>	<u>\$ 309,919</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, 2021

	Ownership Interest		
	Local	State	Federal
1539 Furniture and Equipment	\$ -	\$ 83,038	\$ 12,308
1541 Vehicles	-	4,500	-
1570 Less Accumulated Depreciation	-	(62,304)	(12,308)
Total Property and Equipment	<u>\$ -</u>	<u>\$ 25,234</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, 2021

		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	(5,130,377)	-	-
	Total Property and Equipment	<u>\$ 9,481,612</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, 2021**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ -	\$ 11,804	\$ 115,693	\$ 103,889
5750 Cocurricular and Enterprising Activities	95,000	65,000	71,347	6,347
Total Local Support	95,000	76,804	187,040	110,236
State Program Revenues:				
5810 Foundation School Program Act Revenues	5,519,695	5,623,032	5,654,924	31,892
5820 State Program Revenues Distributed by TEA	15,000	35,000	32,454	(2,546)
Total State Program Revenues	5,534,695	5,658,032	5,687,378	29,346
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	107,893	94,000	90,535	(3,465)
5940 Federal Revenues Distributed by Federal Government	-	-	-	-
Total Federal Program Revenues	107,893	94,000	90,535	(3,465)
Total Revenues	\$ 5,737,588	\$ 5,828,836	\$ 5,964,953	\$ 136,117
Expenses				
11 Instruction	\$ 3,330,610	\$ 3,581,606	\$ 3,508,936	\$ 72,670
13 Curriculum & Instructional Staff Development	21,924	15,000	11,585	3,415
21 Instructional Leadership	41,964	37,000	38,501	(1,501)
23 School Leadership	322,277	322,277	299,561	22,716
31 Guidance, Counseling, & Evaluation Services	119,822	103,000	99,940	3,060
33 Health Services	47,118	61,000	55,487	5,513
35 Food Services	146,838	102,000	97,412	4,588
36 Cocurricular/Extracurricular Activities	9,250	4,000	3,927	73
41 General Administration	312,017	368,000	371,700	(3,700)
51 Plant Maintenance & Operations	1,080,330	1,300,000	1,279,044	20,956
52 Security & Monitoring Services	-	450	3,263	(2,813)
53 Data Processing Services	69,875	77,000	76,728	272
81 Fundraising	44,220	44,220	44,109	111
Total Expenses	\$ 5,546,245	\$ 6,015,553	\$ 5,890,193	\$ 125,360
Change in Net Assets	191,343	(186,717)	74,760	261,477
Net Assets, Beginning of Year	1,689,336	1,689,336	1,689,336	-
Net Assets, End of Year	\$ 1,880,679	\$ 1,502,619	\$ 1,764,096	\$ 261,477

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, 2021**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ -	\$ 500	\$ 140,111	\$ 139,611
5750 Cocurricular and Enterprising Activities	75,000	32,000	35,123	3,123
Total Local Support	75,000	32,500	175,234	142,734
State Program Revenues:				
5810 Foundation School Program Act Revenues	3,018,511	2,603,829	2,754,454	150,625
5820 State Program Revenues Distributed by TEA	5,248	5,248	5,256	8
Total State Program Revenues	3,023,759	2,609,077	2,759,710	150,633
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	41,688	41,688	35,445	(6,243)
5940 Federal Revenues Distributed by Federal Govt.	-	-	-	-
Total Federal Program Revenues	41,688	41,688	35,445	(6,243)
Total Revenues	\$ 3,140,447	\$ 2,683,265	\$ 2,970,389	\$ 287,124
Expenses				
11 Instruction	\$ 1,715,827	\$ 1,541,227	\$ 1,559,596	\$ (18,369)
13 Curriculum & Instructional Staff Development	3,000	20,000	4,750	15,250
21 Instructional Leadership	41,291	41,000	42,624	(1,624)
23 School Leadership	152,143	163,000	167,466	(4,466)
31 Guidance, Counseling, & Evaluation Services	58,296	63,000	62,608	392
33 Health Services	48,607	48,607	50,127	(1,520)
35 Food Services	81,586	55,000	51,170	3,830
36 Cocurricular/Extracurricular Activities	300	-	-	-
41 General Administration	195,954	218,000	218,542	(542)
51 Plant Maintenance & Operations	777,945	837,945	812,145	25,800
52 Security and Monitoring Services	3,041	11,041	12,107	(1,066)
53 Data Processing Services	34,630	29,500	27,054	2,446
81 Fundraising	25,806	25,806	23,155	2,651
Total Expenses	\$ 3,138,426	\$ 3,054,126	\$ 3,031,344	\$ 22,782
Change in Net Assets	2,021	(370,861)	(60,955)	309,906
Net Assets, Beginning of Year	1,897,805	1,897,805	1,897,805	-
Net Assets, End of Year	\$ 1,899,826	\$ 1,526,944	\$ 1,836,850	\$ 309,906

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, 2021

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local Support:				
5640 Other Revenues from Local Sources	\$ 1,768,500	\$ 1,629,400	\$ 1,640,466	\$ 11,066
5650 Cocurricular and Enterprising Activities	108,000	75,000	72,936	(2,064)
5660 Revenues from Intermediate Sources	101,050	45,000	43,755	(1,245)
5670 Apprentice Revenue	22,010	11,500	10,950	(550)
5680 Music Conservatory Tuition	42,750	31,500	30,954	(546)
5690 Transportation Services	1,000	-	-	-
Total Local Support	<u>2,043,310</u>	<u>1,792,400</u>	<u>1,799,061</u>	<u>6,661</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	-	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 2,043,310</u>	<u>\$ 1,792,400</u>	<u>\$ 1,799,061</u>	<u>\$ 6,661</u>
Expenses				
11 Instruction	\$ 1,068,471	\$ 836,909	\$ 810,634	\$ 26,275
35 Food Services	21,286	11,661	11,470	191
41 General Administration	234,558	234,558	253,610	(19,052)
51 Plant Maintenance & Operations	19,047	29,000	27,328	1,672
71 Debt Service	220,046	220,046	201,421	18,625
81 Fundraising	220,890	57,500	56,383	1,117
Total Expenses	<u>\$ 1,784,298</u>	<u>\$ 1,389,674</u>	<u>\$ 1,360,846</u>	<u>\$ 28,828</u>
Change in Net Assets	<u>259,012</u>	<u>402,726</u>	<u>438,215</u>	<u>35,489</u>
Net Assets, Beginning of Year	<u>5,616,590</u>	<u>5,616,590</u>	<u>5,616,590</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 5,875,602</u>	<u>\$ 6,019,316</u>	<u>\$ 6,054,805</u>	<u>\$ 35,489</u>

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

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION
PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2021**

Section A. Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the schools' fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the schools' fiscal year.	\$136,655
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$ 82,447

Section B. Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$10,626
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	\$ 7,630

**TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION
PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2021**

Section A. Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the schools' fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the schools' fiscal year.	\$97,698
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$84,505

Section B. Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$21,383
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	\$17,132

**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 statements of financial position as of August 31, 2021 and 2020, 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 November 30, 2021.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Texas Center for Arts + Academics' internal control. Accordingly, we do not express an opinion on the effectiveness of Texas Center for Arts + Academics' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Freemon, Shapard, & Story
Windthorst, TX
November 30, 2021

**TEXAS CENTER FOR ARTS + ACADEMICS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Under the guidelines of OMB Uniform Guidance, a Single Audit was not required for the year ended August 31, 2021.

II. Financial Statement Findings

None identified.

III. Findings and Questioned Costs for State and Federal Awards

None identified.

**TEXAS CENTER FOR ARTS + ACADEMICS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2021**

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.

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 schools' cash balances.

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.

Status

Pledged securities and FDIC coverage were adequate to cover the schools' cash balances on the highest daily cash balance of the year and at year-end during the year ended August 31, 2021.

Management's Explanation for not implementing the Recommendation

N/A

FREEMON, SHAPARD & STORY

Certified Public Accountants

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 30, 2021

Board of Directors
The Executive Director
Management
Texas Center for Arts + Academics
3901 S. Hulen Street
Fort Worth, Texas 76109

We have audited the financial statements of Texas Center for Arts + Academics for the year ended August 31, 2021, and we will issue our report thereon dated November 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 7, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Texas Center for Arts + Academics are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended August 31, 2021. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimates are based on historical experience for allowances and time of usefulness for depreciation and allowance for doubtful accounts. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements with our assistance.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 30, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year in the normal course of our professional relationship. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared

and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Texas Center for Arts + Academics and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Freeman, Shapard & Story".

Freemon, Shapard, & Story