

**TEXAS CENTER FOR ARTS + ACADEMICS**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
**FOR THE YEAR ENDED**  
**AUGUST 31, 2022**

**TEXAS CENTER FOR ARTS + ACADEMICS  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2022**

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FOR THE YEAR ENDED AUGUST 31, 2022**

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TEXAS CENTER FOR ARTS + ACADEMICS

CERTIFICATE OF BOARD

AUGUST 31, 2022

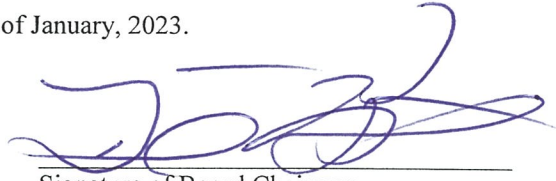
Texas Center for Arts + Academics  
Name of Charter Holder  
Federal EIN: 75-0942885

Tarrant  
County

220809 & 220814  
Co.-Dist. Numbers

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one) X approved \_\_\_\_\_ disapproved for the year ended August 31, 2022, at a meeting of the governing body of the charter holder on the 26th day of January, 2023.

  
\_\_\_\_\_  
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 Audit of the Financial Statements

#### *Opinion*

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Texas Center for Arts + Academics as of August 31, 2022 and 2021, 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.

#### *Basis for Opinion*

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Texas Center for Arts + Academics and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Texas Center for Arts + Academic's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

## ***Supplementary 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, State Compensatory Education and Bilingual Education Program Expenditures, and Schedules of Real Property Ownership Interest 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 January 24, 2023, on our consideration of Texas Center for Arts + Academics' 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 + Academics' 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 + Academics' internal control over financial reporting and compliance.

Respectfully submitted,



Freemon, Shapard, & Story  
Windthorst, TX  
January 24, 2023

**General-Purpose  
Financial Statements**

TEXAS CENTER FOR ARTS + ACADEMICS  
STATEMENT OF FINANCIAL POSITION  
AS OF AUGUST 31, 2022 AND 2021

	2022	2021
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,047,415	\$ 1,612,821
Restricted cash and cash equivalents	134,850	84,771
Investments	1,460,284	1,678,325
Accounts receivable	-	414
Due from TEA	1,032,947	729,234
Deferred expenses	86,205	74,065
Prepaid expenses	5,586	29,550
Total Current Assets	<u>3,767,287</u>	<u>4,209,180</u>
Property and Equipment		
Land	308,507	308,507
Buildings and improvements	14,478,602	14,226,042
Furniture and equipment	676,823	676,823
Vehicles	294,839	294,839
Right to use leased assets	251,174	-
Less accumulated depreciation	<u>(6,280,983)</u>	<u>(5,689,446)</u>
Total Property and Equipment	<u>9,728,962</u>	<u>9,816,765</u>
Total Assets	<u>\$ 13,496,249</u>	<u>\$ 14,025,945</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ -	\$ 32,376
Accrued expenses	11,893	10,081
Due to student groups	125,279	104,569
Deferred revenue	30,519	48,622
Accrued wages payable	557,597	469,844
Payroll deductions and withholdings	92,228	-
Accrued interest	24,147	28,509
Current portion of lease liabilities	70,495	-
Current portion of long-term debt	<u>838,128</u>	<u>918,103</u>
Total Current Liabilities	<u>1,750,286</u>	<u>1,612,104</u>
Long-Term Debt		
Lease liabilities	112,578	-
Long-term debt, net of unamortized debt		
issuance costs	<u>1,972,320</u>	<u>2,758,090</u>
Total Long-Term Liabilities	<u>2,084,898</u>	<u>2,758,090</u>
Total Liabilities	<u>\$ 3,835,184</u>	<u>\$ 4,370,194</u>
Net Assets		
Without donor restrictions	6,707,611	5,989,060
With donor restrictions	<u>2,953,454</u>	<u>3,666,691</u>
Total Net Assets	<u>\$ 9,661,065</u>	<u>\$ 9,655,751</u>
Total Liabilities and Net Assets	<u>\$ 13,496,249</u>	<u>\$ 14,025,945</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, 2022 AND 2021**

	Without Donor Restrictions	With Donor Restrictions	2022 Totals
<b>Revenues</b>			
<b>Local Support:</b>			
Contributions	\$ 136,181	\$ 95,500	\$ 231,681
Fundraising	84,590	-	84,590
Interest, Dividends, Gains, and Losses	(217,880)	-	(217,880)
Royalty Income	8,271	-	8,271
Other Revenues from Local Sources	287,911	-	287,911
Program Services Revenue	513,616	-	513,616
Cocurricular and Enterprising Activities	259,151	-	259,151
<b>Total Local Support</b>	<u>1,071,840</u>	<u>95,500</u>	<u>1,167,340</u>
<b>State Program Revenues:</b>			
Foundation School Program Act Revenues	-	8,450,994	8,450,994
State Program Revenue Distributed by TEA	-	42,713	42,713
<b>Total State Program Revenues</b>	<u>-</u>	<u>8,493,707</u>	<u>8,493,707</u>
<b>Federal Program Revenues:</b>			
ESEA Title I, Part A Improving Basic Programs	-	19,272	19,272
IDEA Part B, Formula	-	160,659	160,659
ESSER III TCLAS	-	76,249	76,249
ESSER I	-	7,778	7,778
ESSER II	-	64,530	64,530
ESSER III	-	117,492	117,492
ESSER Supplemental	-	215,485	215,485
ELC Reopening Schools	-	35,562	35,562
ESEA Title II, Part A Teacher and Principal Training	-	15,082	15,082
Title IV Part A, Subpart 1	-	20,505	20,505
<b>Total Federal Program Revenues</b>	<u>-</u>	<u>732,614</u>	<u>732,614</u>
<b>Net Assets Released from Restrictions:</b>			
Restrictions Satisfied by Payments	<u>10,035,058</u>	<u>(10,035,058)</u>	<u>-</u>
<b>Total Revenues</b>	<u>\$ 11,106,898</u>	<u>\$ (713,237)</u>	<u>\$ 10,393,661</u>
<b>Expenses</b>			
<b>Program Services:</b>			
Instruction and Instructional-Related Services	7,020,595	-	7,020,595
Instructional and School Leadership	579,366	-	579,366
<b>Support Services</b>			
Student Support Services	551,979	-	551,979
Administrative Support Services	863,122	-	863,122
Support Services-Non-Student Based	1,021,034	-	1,021,034
Debt Service	173,826	-	173,826
Fundraising	178,425	-	178,425
<b>Total Expenses</b>	<u>\$ 10,388,347</u>	<u>\$ -</u>	<u>\$ 10,388,347</u>
<b>Change in Net Assets</b>	<u>718,551</u>	<u>(713,237)</u>	<u>5,314</u>
<b>Net Assets, Beginning of Year</b>	<u>5,989,060</u>	<u>3,666,691</u>	<u>9,655,751</u>
<b>Net Assets, End of Year</b>	<u>\$ 6,707,611</u>	<u>\$ 2,953,454</u>	<u>\$ 9,661,065</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, 2022 AND 2021**

	Without Donor Restrictions	With Donor Restrictions	2021 Totals
<b>Revenues</b>			
<b>Local Support:</b>			
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
<b>Total Local Support</b>	<u>668,335</u>	<u>125,000</u>	<u>793,335</u>
<b>State Program Revenues:</b>			
Foundation School Program Act Revenues	-	8,409,378	8,409,378
State Program Revenue Distributed by TEA	-	37,710	37,710
<b>Total State Program Revenues</b>	<u>-</u>	<u>8,447,088</u>	<u>8,447,088</u>
<b>Federal Program Revenues:</b>			
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
<b>Total Federal Program Revenues</b>	<u>-</u>	<u>125,980</u>	<u>125,980</u>
<b>Net Assets Released from Restrictions:</b>			
Restrictions Satisfied by Payments	<u>8,610,819</u>	<u>(8,610,819)</u>	<u>-</u>
<b>Total Revenues</b>	<u>\$ 9,279,154</u>	<u>\$ 87,249</u>	<u>\$ 9,366,403</u>
<b>Expenses</b>			
<b>Program Services:</b>			
Instruction and Instructional-Related Services	5,895,501	-	5,895,501
Instructional and School Leadership	548,152	-	548,152
<b>Support Services</b>			
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
<b>Total Expenses</b>	<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 FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	Program Services	Management and General	2022 Total
Expenses			
Salaries and Wages	\$ 5,436,865	\$ 600,912	\$ 6,037,777
Benefits	489,576	38,020	527,596
Payroll Taxes	136,419	19,501	155,920
Total Payroll Expenses	6,062,860	658,433	6,721,293
Professional Services	614,506	40,639	655,145
Legal	-	53,765	53,765
Accounting	-	55,000	55,000
Education Service Center Services	76,172	-	76,172
Repairs and Maintenance	355,182	-	355,182
Utilities	206,492	10,868	217,360
Rentals	8,666	-	8,666
Contracted Services	3,395	-	3,395
Maintenance Supplies	883	108,840	109,723
Instructional Materials	44,033	-	44,033
Testing Materials	726	-	726
Food Service	113,467	-	113,467
General Supplies	684,310	3,448	687,758
Travel	313,738	2,236	315,974
Insurance	83,789	9,310	93,099
Interest	-	153,549	153,549
Miscellaneous	77,015	35,003	112,018
Total Non-Payroll Expenses	2,582,374	472,658	3,055,032
Total Before Depreciation and Amortization	8,645,234	1,131,091	9,776,325
Amortization	-	20,486	20,486
Depreciation	577,148	14,388	591,536
Total Expenses	<u>\$ 9,222,382</u>	<u>\$ 1,165,965</u>	<u>\$ 10,388,347</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, 2022 AND 2021**

	Program Services	Management and General	2021 Total
<b>Expenses</b>			
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 CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 5,314	\$ 452,020
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	591,537	525,705
(Increase) Decrease in Due from TEA	(303,713)	(113,913)
(Increase) Decrease in Accounts Receivable	414	(414)
(Increase) Decrease in Deferred Expenses	(12,140)	(58,009)
(Increase) Decrease in Prepaid Expenses	23,964	(24,096)
Increase (Decrease) in Accounts Payable	(32,376)	32,376
Increase (Decrease) in Accrued Expenses	1,812	1,463
Increase (Decrease) in Due to Student Groups	20,710	13,363
Increase (Decrease) in Deferred Revenue	(18,103)	24,079
Increase (Decrease) in Wages Payable	87,753	91,522
Increase (Decrease) in Payroll Deductions	92,228	(1,133)
Increase (Decrease) in Accrued Interest	(4,362)	(5,372)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>453,038</b>	<b>937,591</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Land, Buildings, and Equipment	(252,560)	-
Purchase of Right to Use Lease Assets	(251,174)	-
Dividends Reinvested in Securities	(34,961)	(20,179)
Capital Gains Reinvested in Securities	(9,031)	(11,984)
Fees Paid on Investments	6,393	6,131
Realized (Gain) Loss on Sale of Investment Securities	(19,174)	(83,125)
Unrealized (Gain) Loss on Investment Securities	274,814	(144,638)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(285,693)</b>	<b>(253,795)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Right to Use Assets Lease Purchase	251,174	-
Principal Payments on Right to Use Lease Liability	(68,101)	-
Amortization of Debt Issuance Costs	20,486	20,486
Principal Payments on Debt	(886,231)	(777,730)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>(682,672)</b>	<b>(757,244)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(515,327)</b>	<b>(73,448)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,697,592</b>	<b>1,771,040</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,182,265</b>	<b>\$ 1,697,592</b>
 Interest Paid During the Period Ended August 31, 2022 and 2021	 \$ 157,701	 \$ 186,307
Income Taxes Paid During the Period Ended August 31, 2022 and 2021	-	-

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, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Reporting Entity*

The corporation is a not-for-profit organization incorporated in the State of Texas in 1946 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporation is governed by a Board of Directors comprised of six members. The Board of Directors is selected pursuant to the bylaws of the corporation and has the authority to make decisions, appoint the chief executive officer of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the corporation. Since the corporation received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

B. *Corporate Operations*

Texas Center for Arts + Academics establishes, supports, and grows our charter schools, the Texas Boys Choir, and our other artistic programs, which are designed to foster a lifelong passion for artistic and academic excellence. Texas Center for Arts + Academics Programs conducts and manages performing groups of young people and provides education and training in the arts of music, theatre, dance, and the visual arts.

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

In 2006, the State Board of Education of the State of Texas granted the corporation another open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Texas School of the Arts was opened. Originally, Texas School of the Arts provided education to Kindergarten through 6<sup>th</sup> grade students. Starting August 2021, it changed to Kindergarten through 5<sup>th</sup> grade students. The Texas State Board of Education issued the initial charter to the charter holder for a period of five years from September 15, 2006, to July 31, 2011. Subsequent to the awarding of the initial charter, the corporation applied for and received a charter renewal on August 6, 2012, extending the charter to July 31, 2021. Texas School of the Arts was issued an additional charter renewal extending the charter from August 1, 2021, to July 31, 2031.



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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. *Revenue Recognition and Receivables*

The corporation recognizes revenue from government grants and state aid as revenue when eligible costs are incurred or services are provided. A receivable is recognized to the extent revenue earned exceeds cash advances. Conversely, deferred revenue and refundable advances are recorded when cash advances exceed support and revenue earned. Performance obligations for all the corporation's services are provided and consumed at a point in time, not over time, and therefore, these types of fees allocated to performance obligations are not left unsatisfied or partially unsatisfied at the end of the reporting period.

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.

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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.

J. *New Accounting Pronouncements/Accounting Changes*

SAS 134-140 were implemented for the year ended August 31, 2022. SAS 134-140 are effective for audits of financial statements for years ending after December 15, 2021. It is intended to provide more transparency into the audit to emphasize and clarify what is and what is not a responsibility of the auditor and the management of the entity under audit. SAS 134 supersedes and replaces guidance in generally accepted auditing standards Section AU-C 700, *Forming an Opinion and Reporting on Financial Statements*. The key provisions of SAS 134 include formatting changes, including presenting the opinion and basis for the opinion section at the beginning of the report, expanding descriptions of management's responsibilities for the financial statements, expanding descriptions of auditor responsibilities for the audit, adding a separate section for when an auditor concludes there is substantial doubt about the entity's ability to continue as a going concern, and adding an option for an auditor to report on key audit matters.



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**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, 2022, the combined carrying amount of the charter schools' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$733,002, and the bank balance was \$1,222,715. The charter schools' cash deposits during the year ended August 31, 2022, were entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name.

At August 31, 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.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit during the year ended August 31, 2022:

- 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 \$2,098,531. 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 \$2,086,368.
- b. The highest combined balance of cash, savings, and time deposit accounts for Fort Worth Academy of Fine Arts at Frost Bank amounted to \$1,000,559 and occurred during the month of September 2021. The highest combined balances of cash, savings, and time deposit accounts for Texas School of the Arts at Frost Bank amounted to \$1,058,844 and occurred during the month of September 2021.
- 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.

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3. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2022 and 2021, 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, 2022, were comprised of the following:

	<u>Cost</u>	<u>Market</u>
Plains Capital Investments	\$ 1,475,964	\$ 1,460,284
Total	<u>\$ 1,475,964</u>	<u>\$ 1,460,284</u>
Unrealized gains, beginning of year		\$ 259,135
Unrealized loss year, net change		<u>(274,815)</u>
Unrealized loss, end of year		<u>\$ (15,680)</u>

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>
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>

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.



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**B. *Pension Plan Fiduciary Net Position***

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive 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 2021 Annual Comprehensive Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2021.

<u>Components of Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$227,273,463,630
Less: Plan Fiduciary Net Position	<u>(201,807,002,496)</u>
Net Pension Liability	<u>\$ 25,466,461,134</u>
 Net Position as Percentage of Total Pension Liability	 88.79%

**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.

**D. *Contributions***

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86<sup>th</sup> 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 2021 ACFR, Note 11, on pages 85 and 86.

Contribution Rates		
	2022	2021
Member	8.00%	7.7%
Non-Employer Contributing Entity (State)	7.75%	7.5%
Employers	7.75%	7.5%
FWAFA's Employer Contributions	\$132,244	\$119,586
FWAFA's Member Contributions	\$275,083	\$254,352
TeSA's Employer Contributions	\$ 57,545	\$ 48,976
TeSA's Member Contributions	\$146,571	\$127,796
Measurement Year	2021	2020
FWAFA's NECE On-Behalf Contributions	\$205,658	\$157,326
TeSA's NECE On-Behalf Contributions	\$107,661	\$ 95,790

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 1.6 percent of the member's salary beginning in fiscal year 2021, 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.



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**E. Actuarial Assumptions**

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2021 TRS ACFR, Note 11, page 87.

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate	1.95%*
Last Year Ending August 31 in Projection Period (100 Years)	2120
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, 2020. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2020.

**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

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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, 2021 (see page 53 of the TRS ACFR), are summarized below:

<b>Asset Class*</b>	<b>Target Allocation %**</b>	<b>Long-Term Expected Geometric Real Rate of Return***</b>	<b>Expected Contribution to Long-Term Portfolio Returns</b>
<b>Global Equity</b>			
U.S.	18%	3.6%	0.94%
Non-U.S. Developed	13%	4.4%	0.83%
Emerging Markets	9%	4.6%	0.74%
Private Equity	14%	6.3%	1.36%
<b>Stable Value</b>			
Government Bonds	16%	-0.2%	0.01%
Absolute Return	0%	1.1%	0.00%
Stable Value Hedge	5%	2.2%	0.12%
<b>Real Return</b>			
Real Estate	15%	4.5%	1.00%
Energy, Natural Resources, and Infrastructure	6%	4.7%	0.35%
Commodities	0%	1.7%	0.00%
<b>Risk Parity</b>			
Risk Parity	8%	2.8%	0.28%
<b>Asset Allocation Leverage</b>			
Cash	2%	-0.7%	-0.01%
Asset Allocation Leverage	-6%	-0.5%	0.03%
Inflation Expectation			2.20%
Volatility Drag****			-0.95%
<b>Total</b>	<b>100%</b>		<b>6.90%</b>

\* *Absolute Return includes Credit Sensitive Investments.*

\*\* *Target allocations are based on the FY2021 policy model.*

\*\*\* *Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021)*

\*\*\*\* *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 2021 TRS ACFR, Note 11, page 87.



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	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Fort Worth Academy of Fine Arts' proportionate share of the net pension liability	\$1,559,412	\$713,638	\$274,583
Texas School of Arts' proportionate share of the net pension liability	\$ 638,652	\$292,268	\$112,455

H. *Pension Liabilities*

At August 31, 2021, Fort Worth Academy of Fine Arts and Texas School of Arts disclosed a liability of \$713,638 and \$292,268, respectively, for their proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Fort Worth Academy of Fine Arts and Texas School of Arts. The amount recognized by Fort Worth Academy of Fine Arts and Texas School of Arts as their proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Fort Worth Academy of Fine Arts and Texas School of Arts was as follows:

Fort Worth Academy of Fine Arts' proportionate share of collective net pension liability	\$ 713,638
State's proportionate share that is associated with Fort Worth Academy of Fine Arts	<u>\$ 1,227,279</u>
Total	<u>\$ 1,940,917</u>
 Texas School of Arts' proportionate share of the collective net pension liability	 \$ 292,268
State's proportionate share that is associated with Texas School of Arts	<u>\$ 642,472</u>
Total	<u>\$ 934,740</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021, 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, 2020 through August 31, 2021.

At August 31, 2021, Fort Worth Academy of Fine Arts' proportion of the collective net pension liability was .0028022652% which was a decrease from its proportion of .0029886375% measured as of August 31, 2020. At August 31, 2021, Texas School of Arts' proportion of the collective net pension liability was .0011476594% which was a decrease from its proportion of .0015395439% measured as of August 31, 2020.

I. *Changes Since the Prior Actuarial Valuation*

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

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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.

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](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, 2021 are as follows:

<u>Components of Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 41,113,711,083
Less: Plan Fiduciary Net Position	<u>(2,539,242,470)</u>
Net OPEB Liability	<u>\$ 38,574,468,613</u>
Net Position as a Percentage of Total OPEB Liability	6.18%

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.



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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.

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

**D. Contributions**

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and schools based upon public school payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates. Texas Insurance Code, Sections 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public 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.

<b>Fort Worth Academy of Fine Arts Contribution Rates</b>				
	<u>2022</u>		<u>2021</u>	
Active Employee	0.65%		0.65%	
State	1.25%		1.25%	
Employers	0.75%		0.75%	
Federal/Private Funding	1.25%		1.25%	
Employer Contributions	2022	\$ 41,229	2021	\$ 43,032
Member Contributions	2022	\$ 22,351	2021	\$ 21,472
NECE On-Behalf Contributions	2021	\$ 57,652	2020	\$ 59,520

<b>Texas School of the Arts Contribution Rates</b>		
	<u>2022</u>	<u>2021</u>
Active Employee	0.65%	0.65%
State	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding	1.25%	1.25%

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Employer Contributions	2022	\$ 14,185	2021	\$ 14,387
Member Contributions	2022	\$ 11,910	2021	\$ 10,788
NECE On-Behalf Contributions	2021	\$ 19,634	2020	\$ 23,788

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 \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

**E. Actuarial Assumptions**

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2021 TRS ACFR, Note 9, page 76.

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. 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, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. 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 mortality projection scale MP-2018.

**Additional Actuarial Methods and Assumptions:**

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% - 9.05%, including inflation
Ad-hoc Post Employment Benefit Changes	None



**TEXAS CENTER FOR ARTS + ACADEMICS**  
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**F. Discount Rate**

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of .38 percent in the discount rate since the previous year. The Discount Rate can be found in the 2021 TRS ACFR on page 77. 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, 2021, using the Fixed Income Market Data/Yield Curve/Data 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 (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
Fort Worth Academy of Fine Art's proportionate share of the Net OPEB Liability:	\$2,562,916	\$2,124,732	\$1,779,866
Texas School of the Art's proportionate share of the Net OPEB Liability:	\$ 872,848	\$ 723,617	\$ 606,166

**H. OPEB Liabilities and OPEB Expense**

At August 31, 2021, Fort Worth Academy of Fine Arts disclosed a liability of \$2,124,732, and Texas School of the Arts disclosed a liability of \$723,617 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	\$ 2,124,732
State's proportionate share that is associated with Fort Worth Academy	<u>2,846,667</u>
Total	<u>\$ 4,971,399</u>

**TEXAS CENTER FOR ARTS + ACADEMICS  
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Texas School of the Art's Proportionate share of the collective net OPEB liability	\$ 723,617
State's proportionate share that is associated with Texas School of the Arts	969,485
Total	<u>\$ 1,693,102</u>

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021, 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, 2020 through August 31, 2021.

At August 31, 2021, Fort Worth Academy of Fine Art's proportion of the collective Net OPEB Liability was 0.0055081294% compared to 0.0058276221% at August 31, 2020, and Texas School of the Art's proportion of the collective Net OPEB Liability was 0.001875895% compared to 0.002329128% 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:	\$1,720,962	\$2,124,732	\$2,666,490
Texas School of the Art's proportionate share of the NET OPEB Liability:	\$ 586,105	\$ 723,617	\$ 908,122

**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 2021 TRS ACFR on page 77.*

- The discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.

Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.



**TEXAS CENTER FOR ARTS + ACADEMICS**  
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**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, 2022, were as follows:

	Balance <u>9/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>8/31/2022</u>
Land	\$ 308,507	\$ -	\$ -	\$ 308,507
Buildings and Improvements	14,226,042	252,560	-	14,478,602
Furniture and Equipment	676,823	-	-	676,823
Vehicles	294,839	-	-	294,839
Right to Use Leased Assets	-	251,174	-	251,174
Accumulated Depreciation	<u>(5,689,446)</u>	<u>(591,537)</u>	<u>-</u>	<u>(6,280,983)</u>
	<u>\$ 9,816,765</u>	<u>\$ (87,803)</u>	<u>\$ -</u>	<u>\$ 9,728,962</u>

Capital assets at August 31, 2021, were as follows:

	Balance <u>9/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <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 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.

**TEXAS CENTER FOR ARTS + ACADEMICS**  
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9. ECONOMIC DEPENDENCY

During the years ended August 31, 2022 and 2021, the charter schools earned revenue of \$8,493,707 and \$8,447,088, respectively, from the Texas Education Agency (TEA). These amounts constitute approximately 81.72% and 90.18%, respectively, of total revenues earned. Any unforeseen loss of the charter agreements with TEA or changes in legislative funding could have a material effect on the ability of the charter schools to continue to provide the current level of services to its students.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets With Donor Restrictions for the years ending August 31, 2022 and 2021, consisted of the following:

	2022	2021
Advanced Placement Incentives	\$ 135	\$ 93
ESSER I	-	(569)
Title IV, Part A	5,208	-
School Safety and Security	30,475	35,037
Donor Restricted Grants	134,850	84,771
Foundation School Program	<u>2,782,786</u>	<u>3,547,359</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,953,454</u>	<u>\$ 3,666,691</u>

11. HEALTH CARE COVERAGE

During the years ended August 31, 2022 and 2021, 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, 2022 and 2021, consisted of the following:

	2022	2021
Deferred Activity Fee Revenue	\$ 25,187	\$ 11,678
Deferred Performance Revenue	5,332	36,944
Deferred Contributions	<u>-</u>	<u>-</u>
Total	<u>\$ 30,519</u>	<u>\$ 48,622</u>

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

**TEXAS CENTER FOR ARTS + ACADEMICS**  
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13. LONG-TERM DEBT

Long-term debt at August 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</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.	\$ 920,709	\$ 1,330,078
Note payable to Plains Capital Bank for working capital to help cover payroll and other operating expenses. 5.50% interest, minimum payment is monthly interest expense, commencing August 24, 2018. Renewed August 24, 2019, 2020, 2021, and 2022. Final payment is due August 23, 2023.	21,966	131,966
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>1,939,480</u>	<u>2,306,342</u>
Total Debt	\$ 2,882,155	\$ 3,768,386
Less Capitalized Debt Issuance Costs	(71,707)	(92,193)
Less Current Portion of Long-Term Debt	<u>(838,128)</u>	<u>(918,103)</u>
Total Long-Term Debt	<u>\$ 1,972,320</u>	<u>\$ 2,758,090</u>

Future maturities of long-term debt at August 31, 2022, are as follows:

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2023	\$ 838,128	\$ 107,269	\$ 945,397
2024	877,215	82,027	959,242
2025	406,664	48,839	455,503
2026	426,571	28,932	455,503
2027	<u>333,577</u>	<u>8,051</u>	<u>341,628</u>
Total	<u>\$ 2,882,155</u>	<u>\$ 275,118</u>	<u>\$ 3,157,273</u>



**TEXAS CENTER FOR ARTS + ACADEMICS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. INTERCOMPANY ELIMINATIONS**

During the years ended August 31, 2022 and 2021, the Fort Worth Academy of Fine Arts Charter School recorded \$804,000 and \$804,000, respectively in lease expense paid to the charter holder. During the years ended August 31, 2022 and 2021, Texas School of the Arts recorded \$564,000 and \$564,000, 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, 2022 and 2021, 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. Under the adoption of the ASU No. 2016-02, Leases (Topic 842), the school therefore recognized a lease liability of \$251,174 effective September 1, 2021. This represents the present value of the remaining operating lease payments of \$273,224 discounted using the school's incremental borrowing rate of 5%. In conjunction with the lease liability, the school recognized a right-of-use assets of \$251,174 which represents the lease liability of \$251,174 which is reflected as a reduction to the ROU assets at the date of adoption of ASC 842.

**17. RENTAL EXPENSE**

During the years ended August 31, 2022 and 2021, the corporation reported the following rental expenses after intercompany eliminations:

	<u>2022</u>	<u>2021</u>
Imagetex Office Systems	\$ -	\$ 86,953
Pitney Bowes	722	676
Commerce Bank	6,695	3,082
Xerox	<u>1,249</u>	<u>-</u>
Total Rent Expense	<u>\$ 8,666</u>	<u>\$ 90,711</u>

**18. SUBSEQUENT EVENTS**

Management has evaluated the impact of all subsequent events on the corporation through financial statement issuance and has determined that there were no 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.



**TEXAS CENTER FOR ARTS + ACADEMICS**  
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**19. RESTRICTED CASH**

Total restricted cash at August 31, 2022 was \$134,850. The Amon Carter Foundation donated \$120,000 for technology. \$80,317 was spent on technology leaving \$39,683 in restricted cash. The Sid Richardson Foundation donated \$100,000 for theater improvements. \$13,076 was spent on theater improvements leaving \$86,924 in restricted cash. FWAFA PTSO donated \$15,000. \$6,757 was spent leaving \$8,243 in restricted cash.

Total restricted cash at August 31, 2021 was \$84,771. 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 leaving \$3,000 in restricted cash.

**20. FAIR VALUE MEASUREMENTS**

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

As defined in Statement No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the organization uses various methods including market, income, and cost approaches. Based on these approaches, the organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The organization utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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

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

*Level 3* – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based

**TEXAS CENTER FOR ARTS + ACADEMICS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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, 2022		Fair Value Measurements at Reporting Date Using		
Description	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities	\$ 1,460,284	\$ 1,460,284	\$ -	\$ -
Total	\$ 1,460,284	\$ 1,460,284	\$ -	\$ -

August 31, 2021		Fair Value Measurements at Reporting Date Using		
Description	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities	\$ 1,678,325	\$ 1,678,325	\$ -	\$ -
Total	\$ 1,678,325	\$ 1,678,325	\$ -	\$ -

**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	\$ 332,546
Fixed assets	9,308,311
Investments	<u>118,134</u>
	<u>\$ 9,758,991</u>

Except for the financial assets listed above, Texas Center for Arts + Academics' cash, due from TEA, fixed assets, and 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, \$1,460,284 of cash is invested in Plains Capital Bank investments.

**TEXAS CENTER FOR ARTS + ACADEMICS  
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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. A settlement agreement was reached in this case.



**TEXAS CENTER FOR ARTS + ACADEMICS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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**Specific-Purpose  
Financial Statements**

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 380,010	\$ 660,308
Investments	575,458	668,714
Deferred expenses	21,542	68,713
Due from TEA	736,740	376,620
<b>Total Current Assets</b>	<u>1,713,750</u>	<u>1,774,355</u>
<b>Property and Equipment</b>		
Buildings and improvements	283,448	283,448
Furniture and equipment	323,572	323,572
Vehicles	187,356	187,356
Right to use leased assets	94,567	-
Less accumulated depreciation	(535,632)	(484,457)
<b>Total Property and Equipment</b>	<u>353,311</u>	<u>309,919</u>
<b>Total Assets</b>	<u>\$ 2,067,061</u>	<u>\$ 2,084,274</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 19,413
Accrued expenses	7,517	6,285
Accrued wages payable	351,650	294,480
Payroll deductions and withholdings	71,903	-
Current portion of lease liabilities	26,541	-
<b>Total Current Liabilities</b>	<u>457,611</u>	<u>320,178</u>
<b>Long-Term Debt</b>		
Lease liabilities	<u>42,386</u>	<u>-</u>
<b>Total Liabilities</b>	<u>\$ 499,997</u>	<u>\$ 320,178</u>
<b>Net Assets</b>		
Without donor restrictions	17,339	18,026
With donor restrictions	<u>1,549,725</u>	<u>1,746,070</u>
<b>Total Net Assets</b>	<u>\$ 1,567,064</u>	<u>\$ 1,764,096</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,067,061</u>	<u>\$ 2,084,274</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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 352,992	\$ 745,725
Investments	766,692	891,217
Due from TEA	296,207	352,614
Deferred expenses	64,663	5,352
<b>Total Current Assets</b>	<u>1,480,554</u>	<u>1,994,908</u>
<b>Property and Equipment</b>		
Furniture and equipment	95,346	95,346
Vehicles	4,500	4,500
Right to use leased assets	65,883	-
Less accumulated depreciation	<u>(98,389)</u>	<u>(74,612)</u>
<b>Total Property and Equipment</b>	<u>67,340</u>	<u>25,234</u>
<b>Total Assets</b>	<u>\$ 1,547,894</u>	<u>\$ 2,020,142</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 4,132
Accrued expenses	4,376	3,796
Accrued wages payable	205,947	175,364
Payroll deductions and withholdings	19,878	-
Current portion of lease liabilities	<u>18,491</u>	<u>-</u>
<b>Total Current Liabilities</b>	<u>248,692</u>	<u>183,292</u>
<b>Long-Term Debt</b>		
Lease liabilities	<u>29,529</u>	<u>-</u>
<b>Total Liabilities</b>	<u>\$ 278,221</u>	<u>\$ 183,292</u>
<b>Net Assets</b>		
Without donor restrictions	794	1,000
With donor restrictions	<u>1,268,879</u>	<u>1,835,850</u>
<b>Total Net Assets</b>	<u>\$ 1,269,673</u>	<u>\$ 1,836,850</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,547,894</u>	<u>\$ 2,020,142</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, 2022 AND 2021

	2022	2021
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 314,413	\$ 206,788
Restricted cash and cash equivalents	134,850	84,771
Investments	118,134	118,394
Due from Fort Worth Academy of Fine Arts	-	414
Prepaid expenses	5,586	29,550
Total Current Assets	<u>572,983</u>	<u>439,917</u>
Property and Equipment		
Land	308,507	308,507
Buildings and improvements	14,195,154	13,942,594
Furniture and equipment	257,905	257,905
Vehicles	102,983	102,983
Right to use leased assets	90,724	-
Less accumulated depreciation	<u>(5,646,962)</u>	<u>(5,130,377)</u>
Total Property and Equipment	<u>9,308,311</u>	<u>9,481,612</u>
Total Assets	<u>\$ 9,881,294</u>	<u>\$ 9,921,529</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ -	\$ 8,831
Due to student groups	125,279	104,569
Deferred revenue	30,519	48,622
Accrued interest	24,147	28,509
Payroll deductions and withholdings	447	-
Current portion of lease liabilities	25,463	-
Current portion of long-term debt	838,128	918,103
Total Current Liabilities	<u>1,043,983</u>	<u>1,108,634</u>
Long-Term Liabilities		
Lease liabilities	40,663	-
Notes payable, net of unamortized debt issuance costs	<u>1,972,320</u>	<u>2,758,090</u>
Total Long-Term Liabilities	<u>2,012,983</u>	<u>2,758,090</u>
Total Liabilities	<u>\$ 3,056,966</u>	<u>\$ 3,866,724</u>
Net Assets		
Without donor restrictions	6,689,478	5,970,034
With donor restrictions	<u>134,850</u>	<u>84,771</u>
Total Net Assets	<u>\$ 6,824,328</u>	<u>\$ 6,054,805</u>
Total Liabilities and Net Assets	<u>\$ 9,881,294</u>	<u>\$ 9,921,529</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, 2022 AND 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>
<b>Revenues</b>			
Local Support:			
5740 Other Revenues from Local Sources	\$ (51,605)	\$ -	\$ (51,605)
5750 Cocurricular and Enterprising Activities	<u>172,452</u>	<u>-</u>	<u>172,452</u>
Total Local Support	120,847	-	120,847
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	5,796,596	5,796,596
5820 State Program Revenues Distributed by TEA	<u>-</u>	<u>30,704</u>	<u>30,704</u>
Total State Program Revenues	-	5,827,300	5,827,300
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	479,030	479,030
5930 Federal Revenues Distributed by Other State Agencies	<u>-</u>	<u>24,492</u>	<u>24,492</u>
Total Federal Program Revenues	-	503,522	503,522
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>6,527,167</u>	<u>(6,527,167)</u>	<u>-</u>
Total Revenues	\$ <u>6,648,014</u>	\$ <u>(196,345)</u>	\$ <u>6,451,669</u>
<b>Expenses</b>			
11 Instruction	\$ 4,017,362	\$ -	\$ 4,017,362
13 Curriculum & Instructional Staff Development	19,348	-	19,348
21 Instructional Leadership	58,920	-	58,920
23 School Leadership	281,677	-	281,677
31 Guidance, Counseling, & Evaluation Services	115,822	-	115,822
33 Health Services	55,606	-	55,606
35 Food Services	145,825	-	145,825
36 Cocurricular/Extracurricular Activities	15,361	-	15,361
41 General Administration	419,517	-	419,517
51 Facilities Maintenance & Operations	1,378,839	-	1,378,839
52 Security & Monitoring Services	2,841	-	2,841
53 Data Processing Services	85,686	-	85,686
71 Debt Service	3,751	-	3,751
81 Fundraising	<u>48,146</u>	<u>-</u>	<u>48,146</u>
Total Expenses	\$ <u>6,648,701</u>	\$ <u>-</u>	\$ <u>6,648,701</u>
Change in Net Assets	<u>(687)</u>	<u>(196,345)</u>	<u>(197,032)</u>
Net Assets, Beginning of Year	<u>18,026</u>	<u>1,746,070</u>	<u>1,764,096</u>
Net Assets, End of Year	\$ <u>17,339</u>	\$ <u>1,549,725</u>	\$ <u>1,567,064</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, 2022 AND 2021**

	Without Donor Restrictions	With Donor Restrictions	2021 Totals
<b>Revenues</b>			
Local Support:			
5740 Other Revenues from Local Sources	\$ 115,693	\$ -	\$ 115,693
5750 Cocurricular and Enterprising Activities	71,347	-	71,347
Total Local Support	<u>187,040</u>	<u>-</u>	<u>187,040</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	5,654,924	5,654,924
5820 State Program Revenues Distributed by TEA	-	32,454	32,454
Total State Program Revenues	<u>-</u>	<u>5,687,378</u>	<u>5,687,378</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	90,535	90,535
5940 Federal Revenues Distributed by Federal Govt.	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>90,535</u>	<u>90,535</u>
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>
<b>Expenses</b>			
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	44,109	-	44,109
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.

**TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

	Without Donor Restrictions	With Donor Restrictions	2022 Totals
<b>Revenues</b>			
<b>Local Support:</b>			
5740 Other Revenues from Local Sources	\$ (116,856)	\$ -	\$ (116,856)
5750 Cocurricular and Enterprising Activities	86,699	-	86,699
Total Local Support	<u>(30,157)</u>	<u>-</u>	<u>(30,157)</u>
<b>State Program Revenues:</b>			
5810 Foundation School Program Act Revenues	-	2,654,398	2,654,398
5820 State Program Revenues Distributed by TEA	<u>-</u>	<u>12,009</u>	<u>12,009</u>
Total State Program Revenues	<u>-</u>	<u>2,666,407</u>	<u>2,666,407</u>
<b>Federal Program Revenues:</b>			
5920 Federal Revenues Distributed by TEA	-	218,022	218,022
5930 Federal Revenues Distributed by Other State Agencies	<u>-</u>	<u>11,070</u>	<u>11,070</u>
Total Federal Program Revenues	<u>-</u>	<u>229,092</u>	<u>229,092</u>
<b>Net Assets Released from Restrictions:</b>			
Restrictions Satisfied by Payments	<u>3,462,470</u>	<u>(3,462,470)</u>	<u>-</u>
<b>Total Revenues</b>	<u>\$ 3,432,313</u>	<u>\$ (566,971)</u>	<u>\$ 2,865,342</u>
<b>Expenses</b>			
11 Instruction	1,830,899	-	1,830,899
13 Curriculum & Instructional Staff Development	31,321	-	31,321
21 Instructional Leadership	73,447	-	73,447
23 School Leadership	165,322	-	165,322
31 Guidance, Counseling, & Evaluation Services	65,223	-	65,223
33 Health Services	48,977	-	48,977
35 Food Services	89,414	-	89,414
36 Extracurricular Activities	100	-	100
41 General Administration	214,445	-	214,445
51 Plant Maintenance & Operations	854,080	-	854,080
52 Security & Monitoring Services	4,176	-	4,176
53 Data Processing Services	25,227	-	25,227
71 Debt Service	2,613	-	2,613
81 Fundraising	<u>27,275</u>	<u>-</u>	<u>27,275</u>
<b>Total Expenses</b>	<u>\$ 3,432,519</u>	<u>\$ -</u>	<u>\$ 3,432,519</u>
<b>Change in Net Assets</b>	<u>(206)</u>	<u>(566,971)</u>	<u>(567,177)</u>
<b>Net Assets, Beginning of Year</b>	<u>1,000</u>	<u>1,835,850</u>	<u>1,836,850</u>
<b>Net Assets, End of Year</b>	<u>\$ 794</u>	<u>\$ 1,268,879</u>	<u>\$ 1,269,673</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, 2022 AND 2021**

	Without Donor Restrictions	With Donor Restrictions	2021 Totals
<b>Revenues</b>			
<b>Local Support:</b>			
5740 Other Revenues from Local Sources	\$ 140,111	\$ -	\$ 140,111
5750 Cocurricular and Enterprising Activities	35,123	-	35,123
Total Local Support	175,234	-	175,234
<b>State Program Revenues:</b>			
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	-	2,759,710	2,759,710
<b>Federal Program Revenues:</b>			
5920 Federal Revenues Distributed by TEA	-	35,445	35,445
5940 Federal Revenues Distributed by Fed. Govt.	-	-	-
Total Federal Program Revenues	-	35,445	35,445
<b>Net Assets Released from Restrictions:</b>			
Restrictions Satisfied by Payments	2,857,110	(2,857,110)	-
Total Revenues	\$ 3,032,344	\$ (61,955)	\$ 2,970,389
<b>Expenses</b>			
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	\$ 3,031,344	\$ -	\$ 3,031,344
Change in Net Assets	1,000	(61,955)	(60,955)
Net Assets, Beginning of Year	-	1,897,805	1,897,805
Net Assets, End of Year	\$ 1,000	\$ 1,835,850	\$ 1,836,850

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, 2022 AND 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>
<b>Revenues, Gains, &amp; Other Support</b>			
<b>Local Support:</b>			
Contributions	\$ 113,138	\$ 95,500	\$ 208,638
Special Events	84,590	-	84,590
Total Local Support	<u>197,728</u>	<u>95,500</u>	<u>293,228</u>
<b>Program Service Revenue:</b>			
Performances	99,605	-	99,605
Building Rentals	1,373,006	-	1,373,006
Activity Fees	409,005	-	409,005
Total Program Service Revenue	<u>1,881,616</u>	<u>-</u>	<u>1,881,616</u>
<b>Interest &amp; Other Income:</b>			
Investment Income	(249)	-	(249)
Unrealized Gain (Loss)	-	-	-
Realized Gain (Loss)	-	-	-
Royalty Income	8,271	-	8,271
Other	261,784	-	261,784
Total Interest & Other Income	<u>269,806</u>	<u>-</u>	<u>269,806</u>
<b>Federal Program Revenue:</b>			
Federal Revenues Distributed by Fed. Govt.	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets Released from Restrictions</b>			
Restrictions Satisfied by Payments	<u>45,421</u>	<u>(45,421)</u>	<u>-</u>
<b>Total Revenues, Gains, &amp; Other Support</b>	<u>\$ 2,394,571</u>	<u>\$ 50,079</u>	<u>\$ 2,444,650</u>
<b>Expenses</b>			
11 Instruction	1,121,665	-	1,121,665
35 Food Services	15,651	-	15,651
41 General Administration	229,160	-	229,160
51 Plant Maintenance and Operations	38,185	-	38,185
71 Debt Service	167,462	-	167,462
81 Fundraising	103,004	-	103,004
<b>Total Expenses</b>	<u>\$ 1,675,127</u>	<u>\$ -</u>	<u>\$ 1,675,127</u>
Change in Net Assets	<u>719,444</u>	<u>50,079</u>	<u>769,523</u>
Net Assets, Beginning of Year	<u>5,970,034</u>	<u>84,771</u>	<u>6,054,805</u>
Net Assets, End of Year	<u>\$ 6,689,478</u>	<u>\$ 134,850</u>	<u>\$ 6,824,328</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, 2022 AND 2021**

	Without Donor Restrictions	With Donor Restrictions	2021 Totals
<b>Revenues, Gains, &amp; Other Support</b>			
<b>Local Support:</b>			
Contributions	\$ 60,395	\$ 125,000	\$ 185,395
Special Events	50,071	-	50,071
<b>Total Local Support</b>	<u>110,466</u>	<u>125,000</u>	<u>235,466</u>
<b>Program Service Revenue:</b>			
Performances	1,170	-	1,170
Building Rentals	1,372,072	-	1,372,072
Activity Fees	158,595	-	158,595
<b>Total Program Service Revenue</b>	<u>1,531,837</u>	<u>-</u>	<u>1,531,837</u>
<b>Interest &amp; Other Income:</b>			
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
<b>Total Interest &amp; Other Income</b>	<u>31,758</u>	<u>-</u>	<u>31,758</u>
<b>Federal Program Revenue:</b>			
Federal Revenues Distributed by Fed. Govt.	-	-	-
<b>Net Assets Released from Restrictions</b>			
Restrictions Satisfied by Payments	40,229	(40,229)	-
<b>Total Revenues, Gains, &amp; Other Support</b>	<u>\$ 1,714,290</u>	<u>\$ 84,771</u>	<u>\$ 1,799,061</u>
<b>Expenses</b>			
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
<b>Total Expenses</b>	<u>\$ 1,360,846</u>	<u>\$ -</u>	<u>\$ 1,360,846</u>
<b>Change in Net Assets</b>	<u>353,444</u>	<u>84,771</u>	<u>438,215</u>
<b>Net Assets, Beginning of Year</b>	<u>5,616,590</u>	<u>-</u>	<u>5,616,590</u>
<b>Net Assets, End of Year</b>	<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.

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (197,032)	\$ 74,760
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	51,175	33,596
(Increase) Decrease in Deferred Expenses	47,171	(58,856)
(Increase) Decrease in Due from TEA	(360,120)	(33,360)
Increase (Decrease) in Accounts Payable	(19,413)	19,413
Increase (Decrease) in Accrued Expenses	1,232	655
Increase (Decrease) in Payroll Deductions	71,903	(316)
Increase (Decrease) in Wages Payable	57,170	43,128
Net Cash Provided (Used) by Operating Activities	<u>(347,914)</u>	<u>79,020</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Land, Buildings, and Equipment	-	-
Purchase of Right to Use Lease Assets	(94,567)	
Dividends Reinvested in Securities	(9,716)	(8,246)
Capital Gains Reinvested in Securities	(9,031)	(4,741)
Fees Paid on Investments	2,538	2,433
Realized (Gain) Loss on Sale of Investment Securities	(8,497)	(27,875)
Unrealized (Gain) Loss on Investment Securities	117,962	(65,482)
Net Cash Provided (Used) by Investing Activities	<u>(1,311)</u>	<u>(103,911)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Right to Use Assets Lease Purchase	94,567	-
Principal Payments on Right to Use Lease Liability	(25,640)	-
Net Cash Provided (Used) by Financing Activities	<u>68,927</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(280,298)	(24,891)
Cash and Cash Equivalents, Beginning of Year	<u>660,308</u>	<u>685,199</u>
Cash and Cash Equivalents, End of Year	<u>\$ 380,010</u>	<u>\$ 660,308</u>
 Interest Paid During the Period Ended August 31, 2022 and 2021	 \$ 3,751	 \$ -
Income Taxes Paid During the Period Ended August 31, 2022 and 2021	-	-

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, 2022 AND 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (567,177)	\$ (60,955)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	23,777	4,954
(Increase) Decrease in Deferred Expenses	(59,311)	847
(Increase) Decrease in Due from TEA	56,407	(80,553)
Increase (Decrease) in Accounts Payable	(4,132)	4,132
Increase (Decrease) in Accrued Expenses	580	808
Increase (Decrease) in Wages Payable	30,583	48,394
Increase (Decrease) in Payroll Deductions and Withholdings	19,878	(336)
Net Cash Provided (Used) by Operating Activities	(499,395)	(82,709)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Land, Buildings, and Equipment	-	-
Purchase of Right to Use Lease Assets	(65,883)	-
Dividends Reinvested in Securities	(25,032)	(10,988)
Capital Gains Reinvested in Securities	-	(6,316)
Fees Paid on Investments	3,382	3,242
Realized (Gain) Loss on Sale of Investment Securities	(10,677)	(36,873)
Unrealized (Gain) Loss on Investment Securities	156,852	(87,594)
Net Cash Provided (Used) by Investing Activities	58,642	(138,529)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Right to Use Assets Lease Purchase	65,883	-
Principal Payments on Right to Use Lease Liability	(17,863)	-
Net Cash Provided (Used) by Financing Activities	48,020	-
Net Increase (Decrease) in Cash and Cash Equivalents	(392,733)	(221,238)
Cash and Cash Equivalents, Beginning of Year	745,725	966,963
Cash and Cash Equivalents, End of Year	\$ 352,992	\$ 745,725
Interest Paid During the Period Ended August 31, 2022 and 2021	\$ 2,613	\$ -
Income Taxes Paid During the Period Ended August 31, 2022 and 2021	-	-

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, 2022 AND 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 769,523	\$ 438,215
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	516,585	487,155
(Increase) Decrease in Account Receivable	414	(414)
(Increase) Decrease in Prepaid Expenses	23,964	(24,096)
Increase (Decrease) in Accounts Payable	(8,831)	8,831
Increase (Decrease) in Due to Student Groups	20,710	13,363
Increase (Decrease) in Deferred Revenue	(18,103)	24,079
Increase (Decrease) in Accrued Interest	(4,362)	(5,372)
Increase (Decrease) in Payroll Deductions and Withholdings	447	(481)
Net Cash Provided (Used) by Operating Activities	<u>1,300,347</u>	<u>941,280</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Land, Buildings, and Equipment	(252,560)	-
Purchase of Right to Use Lease Assets	(90,724)	-
Dividends Reinvested in Securities	(213)	(945)
Capital Gains Reinvested in Securities	-	(927)
Fees Paid on Investments	473	456
Realized (Gain) Loss on Sale of Investment Securities	-	(18,377)
Unrealized (Gain) Loss on Investment Securities	-	8,438
Net Cash Provided (Used) by Investing Activities	<u>(343,024)</u>	<u>(11,355)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Right to Use Assets Lease Purchase	90,724	-
Principal Payments on Right to Use Lease Liability	(24,598)	-
Amortization of Debt Issuance Costs	20,486	20,486
Principal Payments on Debt	<u>(886,231)</u>	<u>(777,730)</u>
Net Cash Provided (Used) by Financing Activities	<u>(799,619)</u>	<u>(757,244)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	157,704	172,681
Cash and Cash Equivalents, Beginning of Year	<u>291,559</u>	<u>118,878</u>
Cash and Cash Equivalents, End of Year	<u>\$ 449,263</u>	<u>\$ 291,559</u>
Interest Paid During the Period Ended August 31, 2022 and 2021	\$ 151,337	\$ 186,307
Income Taxes Paid During the Period Ended August 31, 2022 and 2021	-	-

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, 2022 AND 2021**

		<u>2022</u>	<u>2021</u>
<b>Expenses</b>			
6100	Payroll Costs	\$ 4,316,489	\$ 4,033,646
6200	Professional and Contracted Services	1,563,640	1,449,762
6300	Supplies and Materials	597,234	293,528
6400	Other Operating Costs	167,587	113,257
6500	Debt	<u>3,751</u>	<u>-</u>
	Total Expenses	<u>\$ 6,648,701</u>	<u>\$ 5,890,193</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, 2022 AND 2021**

		<u>2022</u>	<u>2021</u>
<b>Expenses</b>			
6100	Payroll Costs	\$ 2,163,173	\$ 1,937,295
6200	Professional and Contracted Services	917,378	889,470
6300	Supplies and Materials	249,648	163,232
6400	Other Operating Costs	99,707	41,347
6500	Debt	<u>2,613</u>	<u>-</u>
	Total Expenses	<u>\$ 3,432,519</u>	<u>\$ 3,031,344</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, 2022 AND 2021**

		<u>2022</u>	<u>2021</u>
<b>Expenses</b>			
6100	Payroll Costs	\$ 241,631	\$ 290,955
6200	Professional and Contracted Services	311,666	262,787
6300	Supplies and Materials	108,827	67,717
6400	Other Operating Costs	845,332	537,966
6500	Debt	<u>167,671</u>	<u>201,421</u>
	Total Expenses	<u>\$ 1,675,127</u>	<u>\$ 1,360,846</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, 2022**

	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	-
1559 Right to Use Leased Assets	-	94,567	-
Total Property and Equipment	<u>\$ 13,995</u>	<u>\$ 865,829</u>	<u>\$ 9,119</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, 2022**

	Ownership Interest		
	Local	State	Federal
1539 Furniture and Equipment	\$ -	\$ 83,038	\$ 12,308
1541 Vehicles	-	4,500	-
1559 Right to Use Leased Assets	-	65,883	-
Total Property and Equipment	<u>\$ -</u>	<u>\$ 153,421</u>	<u>\$ 12,308</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, 2022**

		Ownership Interest		
		Local	State	Federal
1510	Land	\$ 308,507	\$ -	\$ -
1520	Buildings and Improvements	14,195,154	-	-
1530	Furniture and Equipment	257,905	-	-
1540	Vehicles	102,983	-	-
1559	Right to Use Leased Assets	90,724	-	-
	Total Property and Equipment	<u>\$ 14,955,273</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, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	from Final Budget
<b>Revenues</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ (51,605)	\$ (51,605)
5750 Cocurricular and Enterprising Activities	80,000	80,000	172,452	92,452
Total Local Support	80,000	80,000	120,847	40,847
State Program Revenues:				
5810 Foundation School Program Act Revenues	5,970,189	5,970,189	5,796,596	(173,593)
5820 State Program Revenues Distributed by TEA	30,000	30,000	30,704	704
Total State Program Revenues	6,000,189	6,000,189	5,827,300	(172,889)
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	158,195	158,195	479,030	320,835
5930 Federal Revenues Distributed by Other State Agencies	-	-	24,492	24,492
Total Federal Program Revenues	158,195	158,195	503,522	345,327
Total Revenues	\$ 6,238,384	\$ 6,238,384	\$ 6,451,669	\$ 213,285
<b>Expenses</b>				
11 Instruction	\$ 3,631,108	\$ 3,631,108	\$ 4,017,362	\$ (386,254)
13 Curriculum & Instructional Staff Development	15,600	15,600	19,348	(3,748)
21 Instructional Leadership	67,759	67,759	58,920	8,839
23 School Leadership	290,712	290,712	281,677	9,035
31 Guidance, Counseling, & Evaluation Services	115,974	115,974	115,822	152
33 Health Services	54,984	54,984	55,606	(622)
35 Food Services	126,327	126,327	145,825	(19,498)
36 Cocurricular/Extracurricular Activities	8,600	8,600	15,361	(6,761)
41 General Administration	408,155	408,155	419,517	(11,362)
51 Plant Maintenance & Operations	1,237,826	1,237,826	1,378,839	(141,013)
52 Security & Monitoring Services	-	-	2,841	(2,841)
53 Data Processing Services	78,716	78,716	85,686	(6,970)
71 Debt Service	-	-	3,751	(3,751)
81 Fundraising	48,632	48,632	48,146	486
Total Expenses	\$ 6,084,393	\$ 6,084,393	\$ 6,648,701	\$ (564,308)
Change in Net Assets	153,991	153,991	(197,032)	(351,023)
Net Assets, Beginning of Year	1,764,096	1,764,096	1,764,096	-
Net Assets, End of Year	\$ 1,918,087	\$ 1,918,087	\$ 1,567,064	\$ (351,023)

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, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	from Final Budget
<b>Revenues</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ (116,856)	\$ (116,856)
5750 Cocurricular and Enterprising Activities	40,000	40,000	86,699	46,699
Total Local Support	40,000	40,000	(30,157)	(70,157)
State Program Revenues:				
5810 Foundation School Program Act Revenues	2,759,427	2,759,427	2,654,398	(105,029)
5820 State Program Revenues Distributed by TEA	-	-	12,009	12,009
Total State Program Revenues	2,759,427	2,759,427	2,666,407	(93,020)
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	110,759	110,759	218,022	107,263
5930 Federal Revenues Distributed by Other State Agencies	-	-	11,070	11,070
Total Federal Program Revenues	110,759	110,759	229,092	118,333
Total Revenues	\$ 2,910,186	\$ 2,910,186	\$ 2,865,342	\$ (44,844)
<b>Expenses</b>				
11 Instruction	\$ 1,507,934	\$ 1,507,934	\$ 1,830,899	\$ (322,965)
13 Curriculum & Instructional Staff Development	1,000	1,000	31,321	(30,321)
21 Instructional Leadership	68,496	68,496	73,447	(4,951)
23 School Leadership	154,184	154,184	165,322	(11,138)
31 Guidance, Counseling, & Evaluation Services	61,526	61,526	65,223	(3,697)
33 Health Services	49,930	49,930	48,977	953
35 Food Services	64,703	64,703	89,414	(24,711)
36 Cocurricular/Extracurricular Activities	300	300	100	200
41 General Administration	184,950	184,950	214,445	(29,495)
51 Plant Maintenance & Operations	827,839	827,839	854,080	(26,241)
52 Security and Monitoring Services	-	-	4,176	(4,176)
53 Data Processing Services	27,165	27,165	25,227	1,938
71 Debt Service	-	-	2,613	(2,613)
81 Fundraising	24,767	24,767	27,275	(2,508)
Total Expenses	\$ 2,972,794	\$ 2,972,794	\$ 3,432,519	\$ (459,725)
Change in Net Assets	(62,608)	(62,608)	(567,177)	(504,569)
Net Assets, Beginning of Year	1,836,850	1,836,850	1,836,850	-
Net Assets, End of Year	\$ 1,774,242	\$ 1,774,242	\$ 1,269,673	\$ (504,569)

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, 2022**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues</b>				
Local Support:				
5640 Other Revenues from Local Sources	\$ 1,772,000	\$ 1,772,000	\$ 1,725,503	\$ (46,497)
5650 Performances Revenue	442,200	442,200	342,608	(99,592)
5660 Dance and Art Tuition	69,250	69,250	60,121	(9,129)
5670 Choir Tuition	13,350	13,350	27,178	13,828
5680 Music Conservatory Tuition	48,550	48,550	41,680	(6,870)
5740 Insurance Recovery	-	-	247,560	247,560
Total Local Support	<u>2,345,350</u>	<u>2,345,350</u>	<u>2,444,650</u>	<u>99,300</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>\$ 2,345,350</u>	<u>\$ 2,345,350</u>	<u>\$ 2,444,650</u>	<u>\$ 99,300</u>
<b>Expenses</b>				
11 Instruction	\$ 844,697	\$ 844,697	\$ 1,121,665	\$ (276,968)
35 Food Services	4,500	4,500	15,651	(11,151)
41 General Administration	180,241	180,241	229,160	(48,919)
51 Plant Maintenance & Operations	16,963	16,963	38,185	(21,222)
71 Debt Service	173,152	173,152	167,462	5,690
81 Fundraising	141,008	141,008	103,004	38,004
Total Expenses	<u>\$ 1,360,561</u>	<u>\$ 1,360,561</u>	<u>\$ 1,675,127</u>	<u>\$ (314,566)</u>
Change in Net Assets	<u>984,789</u>	<u>984,789</u>	<u>769,523</u>	<u>(215,266)</u>
Net Assets, Beginning of Year	<u>6,054,805</u>	<u>6,054,805</u>	<u>6,054,805</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 7,039,594</u>	<u>\$ 7,039,594</u>	<u>\$ 6,824,328</u>	<u>\$ (215,266)</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, 2022**

**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.	\$148,147
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$114,458

**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.	\$ 5,980
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	\$10,964

**TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL  
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION  
PROGRAM EXPENDITURES  
FOR THE YEAR ENDED AUGUST 31, 2022**

**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.	\$104,104
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$ 67,606

**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.	\$18,995
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	\$18,241

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL  
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST  
FOR THE YEAR ENDED AUGUST 31, 2022**

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
None			\$ -	\$ -	\$ -
			-	-	-
			-	-	-
			-	-	-
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.



TEXAS SCHOOL OF THE ARTS CHARTER SCHOOL  
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST  
FOR THE YEAR ENDED AUGUST 31, 2022

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
None			\$ -	\$ -	\$ -
			-	-	-
			-	-	-
			-	-	-
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**Compliance  
and  
Internal Control**

# FREEMON, SHAPARD & STORY

*Certified Public Accountants*

## **Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

Members of the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Texas Center for Arts + Academics (a nonprofit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, 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 January 24, 2023.

### **Report on 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 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 or significant deficiencies may exist that were not identified.

## Report on 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 are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

Respectfully submitted,



Freemon, Shapard, & Story  
Windthorst, TX  
January 24, 2023



**TEXAS CENTER FOR ARTS + ACADEMICS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2022**

**I. Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_ Yes X No

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

Noncompliance material to financial statements noted? \_\_\_ Yes X No

*Federal Awards*

Under the guidelines of OMB Uniform Guidance, a Single Audit was not required for the year ended August 31, 2022.

**II. Financial Statement Findings**

None identified.

**III. Findings and Questioned Costs for Federal Awards**

None identified.

**TEXAS CENTER FOR ARTS + ACADEMICS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2022**

N/A No prior audit findings.