

WINFREE ACADEMY CHARTER SCHOOLS

Financial Statements

August 31, 2019

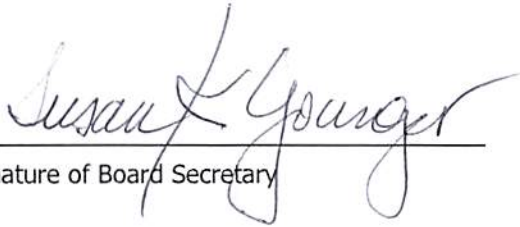
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WINFREE ACADEMY CHARTER SCHOOLS
County District Number 057-828

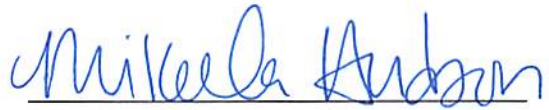
CERTIFICATE OF BOARD

We, the undersigned, certify that the attached annual financial reports of the above named school were reviewed and (X) approved () disapproved for the year ended August 31, 2019, at a meeting of the governing body of said charter school on the 21st day of January, 2020.



Susan Younger

Signature of Board Secretary



Mikela Anderson

Signature of Board Chairman

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

WINFREE ACADEMY CHARTER SCHOOLS

We have audited the accompanying statement of financial position and the related statements of activities and cash flows of Winfree Academy Charter Schools (a nonprofit School) as of and for the year ended August 31, 2019. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Winfree Academy Charter Schools as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is required by the Texas Education Agency. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

K. Evans & Associates

K. Evans & Associates, PLLC
Frisco, TX
January 20, 2020

FINANCIAL STATEMENTS

WINFREE ACADEMY CHARTER SCHOOLS

Statement of Financial Position

August 31, 2019

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 4,168,558
Due From State	1,044,709
Other Receivables	8,500
Prepays	17,251
Deposits	25,595
Total Current Assets	<u>5,264,613</u>

Capital Assets, Net	<u>5,390,611</u>
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Total Assets	<u>\$ 10,655,224</u>
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LIABILITIES & NET ASSETS

Current Liabilities:

Accounts Payable	\$ 133,573
Accrued Liabilities	478,406
Accrued Interest	30,760
Current Portion of Long-Term Debt	200,000
Total Current Liabilities	<u>842,739</u>

Long-Term Debt (net of issuance and discount)	<u>8,463,983</u>
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Total Liabilities	<u>9,306,722</u>
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Net Assets:

Without Donor Restrictions	186,083
With Donor Restrictions	<u>1,162,419</u>
Total Net Assets	<u>1,348,502</u>

Total Liabilities & Net Assets	<u>\$ 10,655,224</u>
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The notes to the financial statements are an integral part of this statement.

WINFREE ACADEMY CHARTER SCHOOLS

Statement of Activities

For the Year Ended August 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Local Support:			
5744 Contributions	\$ 24,940	\$ -	\$ 24,940
5749 Other Revenues from Local Sources	5,265	-	5,265
Total Local Support	<u>30,205</u>	<u>-</u>	<u>30,205</u>
State Program Revenues:			
5810 Foundation School Program	-	10,197,103	10,197,103
5829 Other State Aid	-	147,221	147,221
Total State Program Revenues	<u>-</u>	<u>10,344,324</u>	<u>10,344,324</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency	<u>-</u>	<u>838,410</u>	<u>838,410</u>
Total Federal Program Revenues	<u>-</u>	<u>838,410</u>	<u>838,410</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>10,888,780</u>	<u>(10,888,780)</u>	<u>-</u>
Total Revenues	<u>10,918,985</u>	<u>293,954</u>	<u>11,212,939</u>

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

WINFREE ACADEMY CHARTER SCHOOLSStatement of Activities
For the Year Ended August 31, 2019
Continued

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
EXPENSES			
Program Services:			
11 Instruction	5,105,634	-	5,105,634
13 Curriculum Development & Instructional Staff Development	511,238	-	511,238
21 Instructional Leadership	132,567	-	132,567
23 School Leadership	1,202,638	-	1,202,638
31 Guidance, Counseling & Evaluation Services	1,141,883	-	1,141,883
32 Social Work Services	189,252	-	189,252
33 Health Services	305	-	305
34 Student Transportation	50,178	-	50,178
36 Extra Curricular Activities	14,269	-	14,269
Total Program Services	<u>8,347,964</u>	<u>-</u>	<u>8,347,964</u>
Support Services:			
41 General Administration	696,942	-	696,942
51 Plant Maintenance & Operations	943,237	-	943,237
52 Security & Monitoring Services	5,672	-	5,672
53 Data Processing Services	200,722	-	200,722
61 Community Services	73	-	73
71 Debt Service	590,588	-	590,588
81 Fund Raising	77,809	-	77,809
Total Support Services	<u>2,515,043</u>	<u>-</u>	<u>2,515,043</u>
Total Expenses	<u>10,863,007</u>	<u>-</u>	<u>10,863,007</u>
Non-Operating Income/Expense			
Loss on Prepayment of Long Term Debt	<u>(25,773)</u>	<u>-</u>	<u>(25,773)</u>
Change in Net Assets	30,205	293,954	324,159
Net Assets, Beginning of Year	<u>155,878</u>	<u>868,465</u>	<u>1,024,343</u>
Net Assets, End of Year	<u>\$ 186,083</u>	<u>\$ 1,162,419</u>	<u>\$ 1,348,502</u>

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

WINFREE ACADEMY CHARTER SCHOOLS

Statement of Cash Flows
For the Year Ended August 31, 2019

Cash Flows from Operating Activities:	
State Program Revenues	\$ 10,225,001
Federal Program Revenues	695,535
Local Revenues	21,705
Payments to Vendors	(3,574,248)
Payments to Employees	<u>(7,025,008)</u>
Net Cash Provided by Operating Activities	<u>342,985</u>
Cash Flows from Financing Activities:	
Proceeds from Long-Term Debt	8,603,359
Principal Payments on Long-Term Debt	<u>(7,435,000)</u>
Net Cash Provided by Financing Activities	<u>1,168,359</u>
Net Increase/(Decrease) in Cash	1,511,344
Cash at Beginning of Year	<u>2,657,214</u>
Cash at End of Year	<u><u>\$ 4,168,558</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Increase/(Decrease) in Net Assets	\$ 324,159
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	172,899
Amortization Expense	60,624
(Increase)/Decrease in:	
Due From State	(262,198)
Other Receivable	(8,500)
Prepays	65,880
Increase/(Decrease) in:	
Accounts Payable	(48,036)
Accrued Liabilities	38,157
Net Cash Provided by Operating Activities	<u><u>\$ 342,985</u></u>

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

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2019

ORGANIZATION & NATURE OF ACTIVITIES

Winfree Academy Charter Schools, Inc. (Winfree Academy), is an open enrollment charter school serving at risk students at six campuses in North Texas. Winfree Academy is supported primarily through state foundation school program act entitlements, donor contributions, and Federal grants. Winfree Academy does not conduct any non-charter activities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The basic financial statements of the School were prepared in conformity with accounting principles generally accepted in the United States of America. Encumbrances representing outstanding purchase orders and other commitments for materials or services not yet received are not liabilities as of the reporting date.

Basis of Presentation

In order to comply with accounting principles generally accepted in the United States of America, the School must prepare its external financial statements in accordance with statements issued by the Financial Accounting Standard Board as described in the AICPA Audit and Accounting Guide for not for profit organizations.

The Financial Accounting Standards Board requires classification of the School's net assets and its revenues, expenses, gains, and losses based on the existence or absences of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets – with donor restrictions and without donor restrictions - be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

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

With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the School and/or the passage of time. When a restriction expires, with donor restriction net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

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

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the financial statements. Capital assets are defined by the School as assets with an individual cost of more than \$1,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to thirty years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributions

Contributions are recorded as without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restrictions.

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

Federal Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

Compensated Absences

Compensated absences cannot be reasonably estimated and are therefore recorded when paid.

Estimates

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

DUE FROM GRANTOR AGENCIES

As of August 31, 2019, Winfree Academy had earned the following revenues which were not received until after the end of the fiscal year:

Foundation entitlements	\$	794,523
State Grants		44,495
Federal grants		205,691
Total	\$	<u>1,044,709</u>

WITH DONOR RESTRICTIONS NET ASSETS

The School reports gifts of cash and other assets as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are classified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

The School reports gifts of land, buildings, and equipment as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2019

WITH DONOR RESTRICTIONS NET ASSETS *(continued)*

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

State Funded Educational Programs	\$ 10,050,370
Federally Funded Educational Programs	838,410
Total	<u>\$ 10,888,780</u>

With donor restrictions net assets, at August 31, 2019, are restricted for:

State Funded Educational Programs	\$ 1,162,419
Total	<u>\$ 1,162,419</u>

CAPITAL ASSETS

Changes in capital assets for the year ended August 31, 2019 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 409,733	\$ -	\$ -	\$ 409,733
Buildings and Improvements	7,985,624	-	-	7,985,624
Furniture and Equipment	332,810	-	-	332,810
Vehicles	128,338	-	-	128,338
	<u>8,856,505</u>	<u>-</u>	<u>-</u>	<u>8,856,505</u>
Accumulated Depreciation	<u>(3,292,995)</u>	<u>(172,899)</u>	<u>-</u>	<u>(3,465,894)</u>
Net Fixed Assets	<u>\$ 5,563,510</u>	<u>\$ (172,899)</u>	<u>\$ -</u>	<u>\$ 5,390,611</u>

Depreciation expense for the year ended August 31, 2019 was \$172,899.

LONG TERM DEBT

Long-term debt consists of Series 2019A Education Revenue and Refunding Bonds and Series 2019B Taxable Educational Revenue and Refunding Bonds. The bonds are secured by real and personal property. Series 2019A Education Revenue and Refunding Bonds bear interest rates of 5.50% from 2019 to 2029 and 5.75% from 2030 to 2043. Series 2019B Taxable Educational Revenue and Refunding Bonds bear 5.50% interest rate. Principal payments are due August 15th of each year and interest payments are due February 15th and August 15th of each year. The amount charged to interest expense for the year ended August 31, 2019 was \$589,338.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2019

LONG TERM DEBT *(continued)*

Changes in long-term debt for the year ended August 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Series 2009 Bonds	\$ 7,435,000	\$ -	\$ (7,435,000)	\$ -	\$ -
Series 2019A Bonds	-	8,775,000		8,775,000	65,000
Series 2019B Bonds	-	575,000		575,000	135,000
	<u>7,435,000</u>	<u>9,350,000</u>	<u>(7,435,000)</u>	<u>9,350,000</u>	<u>\$ 200,000</u>
Bond issuance and discount	-	(750,500)	64,483	(686,017)	
	<u>\$ 7,435,000</u>	<u>\$ 8,599,500</u>	<u>\$ (7,370,517)</u>	<u>\$ 8,663,983</u>	

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

<u>Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 200,000	\$ 524,428	\$ 724,428
2021	210,000	513,655	723,655
2022	220,000	502,350	722,350
2023	230,000	490,513	720,513
2024	245,000	478,125	723,125
Afterwards	8,245,000	5,477,895	13,722,895
	<u>\$ 9,350,000</u>	<u>\$ 7,986,965</u>	<u>\$ 17,336,965</u>

LEASES

Winfree Academy has various non-cancelable operating leases with varying expiration dates through 2025.

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

2020	\$ 806,588
2021	817,132
2022	818,446
2023	705,826
2024	395,423
Afterwards	208,670
Total Minimum Lease Commitments	<u>\$ 3,752,085</u>

COMMITMENTS & CONTINGENCIES

The charter school receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of non-compliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2019

CONCENTRATION OF CREDIT RISK

Winfree Academy frequently maintains cash balances at financial institutions in excess of federally insured limits.

DEFINED BENEFIT PENSION PLAN

Plan Description

The School participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. There is not a collective-bargaining agreement.

Funding Policy

Under provisions of State law, plan members are required to contribute 7.7% of their annual covered salary and the State of Texas contributes an amount equal to 6.8% of the Schools covered payroll. The Schools employee contributions to the System for the year ending August 31, 2019 were \$446,072 and were equal to the required State of Texas' contributions for the year.

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

Charter Schools are legally separate entities from the State and each other. Assets contributed by one Charter School may be used for the benefit of another Charter School. Unfunded pension obligations get passed along to other plan participants. There is no penalty for leaving the TRS system.

Pension Plan Fiduciary Net Position

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

The information provided in the Notes to the Financial Statements in the 2018 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan:

Total Plan Assets	\$ 154,050,930,573
Accumulated Benefit Obligations	\$ 200,216,305,827
Percentage of the Plan that is funded	76.94%

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2019

DEFINED BENEFIT PENSION PLAN *(continued)*

Benefits Provided

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

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for 2018 and 2019.

	<u>2019</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions	\$ 201,515	\$ 184,745

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2019

DEFINED BENEFIT PENSION PLAN *(continued)*

Contributions *(continued)*

- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Level Percentage of Payroll, Open
Single Discount Rate	6.907%
Long-Term Expected Investment Rate of Return	7.250%
Inflation Rate	2.300%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2019

DEFINED BENEFIT PENSION PLAN *(continued)*

Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after the date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy & Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Alpha			-0.79%
Total	<u>100%</u>		<u>7.25%</u>

** The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2019

EVALUATION OF SUBSEQUENT EVENTS

The School has evaluated subsequent events through January 20, 2020, the date which the financial statements were available to be issued. No significant subsequent events have been noted.

SUPPLEMENTAL INFORMATION

WINFREE ACADEMY CHARTER SCHOOLS

Schedule of Expenses
For the Year Ended August 31, 2019

EXPENSES

6100 Payroll Costs	\$ 7,025,008
6200 Professional and Contracted Services	2,236,569
6300 Supplies and Materials	567,029
6400 Other Operating Costs	445,063
6500 Debt	589,338
Total	<u>\$10,863,007</u>

WINFREE ACADEMY CHARTER SCHOOLS

Schedule of Capital Assets
For the Year Ended August 31, 2019

<u>Description</u>	<u>Ownership Interest</u>		
	<u>Local</u>	<u>State</u>	<u>Federal</u>
1110 Cash	\$ -	\$ 4,168,558	\$ -
1510 Land	-	409,733	-
1520 Buildings and Improvements	-	7,985,624	-
1539 Furniture and Equipment	-	332,810	-
1531 Vehicles	-	128,338	-
Total	<u>\$ -</u>	<u>\$ 13,025,063</u>	<u>\$ -</u>

WINFREE ACADEMY CHARTER SCHOOLS

Budgetary Comparison Schedule
For the Year Ended August 31, 2019

	Budgeted Amounts		Actual Amounts	Variance (Over)/Under Final Budget
	Original	Final		
REVENUE & OTHER SUPPORT:				
Local Support:				
5744 Contributions	\$ -	\$ 24,940	\$ 24,940	\$ -
5749 Other Revenues from Local Sources	10,600	5,265	5,265	-
Total Local Support	<u>10,600</u>	<u>30,205</u>	<u>30,205</u>	<u>-</u>
State Program Revenues:				
5810 Foundation School Program	10,125,393	10,197,103	10,197,103	-
5829 Other State Aid	140,000	147,221	147,221	-
Total State Program Revenues	<u>10,265,393</u>	<u>10,344,324</u>	<u>10,344,324</u>	<u>-</u>
Federal Program Revenues:				
5920 Federal Program Revenues	<u>1,015,817</u>	<u>838,410</u>	<u>838,410</u>	<u>-</u>
Total Federal Program Revenues	<u>1,015,817</u>	<u>838,410</u>	<u>838,410</u>	<u>-</u>
Total Revenues	<u>11,291,810</u>	<u>11,212,939</u>	<u>11,212,939</u>	<u>-</u>
EXPENSES:				
Program Services:				
11 Instruction	4,977,953	5,105,634	5,105,634	-
13 Curriculum Development & Instructional Staff Development	902,999	511,238	511,238	-
21 Instructional Leadership	160,988	132,567	132,567	-
23 School Leadership	1,183,927	1,202,638	1,202,638	-
31 Guidance, Counseling & Evaluation Services	1,160,778	1,141,883	1,141,883	-
32 Social Work Services	165,286	189,252	189,252	-
33 Health Services	662	305	305	-
34 Student Transportation	56,825	50,178	50,178	-
36 Extra Curricular Activities	26,441	14,269	14,269	-
Total Program Services	<u>8,635,859</u>	<u>8,347,964</u>	<u>8,347,964</u>	<u>-</u>
Support Services:				
41 General Administration	849,749	696,942	696,942	-
51 Plant Maintenance & Operations	930,516	943,237	943,237	-
52 Security & Monitoring Services	7,500	5,672	5,672	-
53 Data Processing Services	106,662	200,722	200,722	-
61 Community Services	450	73	73	-
71 Debt Service	816,000	590,588	590,588	-
81 Fund Raising	38,338	77,809	77,809	-
Total Support Services	<u>2,749,215</u>	<u>2,515,043</u>	<u>2,515,043</u>	<u>-</u>
Total Expenses	<u>11,385,074</u>	<u>10,863,007</u>	<u>10,863,007</u>	<u>-</u>
Non-Operating Income/Expense				
Loss on Prepayment of Long Term Debt	-	-	(25,773)	25,773
Change in Net Assets	(93,264)	349,932	324,159	(25,773)
Net Assets, Beginning of Year	<u>1,024,343</u>	<u>1,024,343</u>	<u>1,024,343</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 931,079</u>	<u>\$ 1,374,275</u>	<u>\$ 1,348,502</u>	<u>\$ (25,773)</u>

COMPLIANCE & INTERNAL CONTROL SECTION

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
WINFREE ACADEMY CHARTER SCHOOLS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Winfree Academy Charter Schools (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

K. Evans & Associates

K. Evans & Associates, CPA's
Frisco, TX
January 20, 2020



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

To the Board of Directors of
WINFREE ACADEMY CHARTER SCHOOLS

Report on Compliance for Each Major Federal Program

We have audited Winfree Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Winfree Academy's major federal programs for the year ended August 31, 2019. Winfree Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Winfree Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Cost Principles*, and *Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winfree Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Winfree Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Other Matters

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

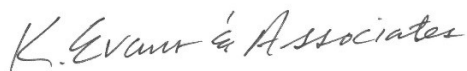
Report on Internal Control Over Compliance

Management of Winfree Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Winfree Academy internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winfree Academy internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



K. Evans & Associates, CPA's
Frisco, TX
January 20, 2020

WINFREE ACADEMY CHARTER SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2019

I. Summary of Auditor's Results

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

WINFREE ACADEMY CHARTER SCHOOLS
Schedule of Status of Prior Findings
For the Year Ended August 31, 2019

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

WINFREE ACADEMY CHARTER SCHOOLS

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2019

Grantor/Program Title	Federal CFDA Number	Pass Through Entity ID Number	Federal Expenditures
<u>Unites States Department of Education</u>			
<u>Passed Through Region X ESC:</u>			
Title II, Improving Teacher Quality	84.367	69452001	\$ 19,910
Title III, English Language Acq.	84.365	67102001	9,161
Title I - Improving Basic Programs	84.010A	61012001	184,469
Total Passed Through Region X ESC			<u>213,540</u>
<u>Passed Through State Department of Education:</u>			
Title I, Part A - School Improvement	84.010A	610119	364,463
IDEA, Part B, Formula	84.027A	660019	260,407
Total Passed Through State Department of Education			<u>624,870</u>
Total United States Department of Education			<u>838,410</u>
Total Expenditures of Federal Awards			<u>\$ 838,410</u>

Standard Financial Accounting System

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

WINFREE ACADEMY CHARTER SCHOOLS
Notes to Schedule of Expenditures of Federal Awards
For Year Ended August 31, 2019

1. Basis of Presentation:

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Winfree Academy under programs of federal government for the year ended August 31, 2019. The information in this Schedule is presented in accordance with the requirements Title 2 *U.S. Code of Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Winfree Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Winfree Academy.

2. Summary of Significant Accounting Policies:

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

3. Indirect Cost:

Winfree Academy uses a pre-determined indirect cost rate of 3.973% of total direct costs.