

WINFREE ACADEMY CHARTER SCHOOLS

Financial Statements

August 31, 2021

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WINFREE ACADEMY CHARTER SCHOOLS
County District Number 057-828
FEIN: 31-1686000

CERTIFICATE OF BOARD

We, the undersigned, certify that the attached annual financial reports of the above named school were reviewed and (✓) approved () disapproved for the year ended August 31, 2021, at a meeting of the governing body of said charter school on the 20th day of January, 2022.

Susan K. Younger

Signature of Board Secretary

Mark Hoffman

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, 2021. 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, 2021, 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, CPA's
Frisco, TX
January 17, 2022

FINANCIAL STATEMENTS

WINFREE ACADEMY CHARTER SCHOOLS

Statement of Financial Position

August 31, 2021

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 6,310,581
Due From State	1,390,483
Prepays	203,256
Deposits	<u>25,595</u>
Total Current Assets	<u>7,929,915</u>

Capital Assets, Net

5,013,748

Total Assets

\$ 12,943,663

LIABILITIES & NET ASSETS

Current Liabilities:

Accounts Payable	\$ 25,395
Accrued Liabilities	80,066
Accrued Interest	21,402
Payroll Liabilities	444,080
Current Portion of Long-Term Debt	<u>1,366,674</u>
Total Current Liabilities	<u>1,937,617</u>

Long-Term Debt (net of issuance and discount)

8,441,002

Total Liabilities

10,378,619

Net Assets:

Without Donor Restrictions	1,080,801
With Donor Restrictions	<u>1,484,243</u>
Total Net Assets	<u>2,565,044</u>

Total Liabilities & Net Assets

\$ 12,943,663

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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Local Support:			
5742 Interest Income	\$ 1,745	\$ -	\$ 1,745
5749 Other Revenues from Local Sources	<u>6,143</u>	<u>-</u>	<u>6,143</u>
Total Local Support	<u>7,888</u>	<u>-</u>	<u>7,888</u>
State Program Revenues:			
5810 Foundation School Program	-	10,282,147	10,282,147
5829 Other State Aid	<u>-</u>	<u>17,505</u>	<u>17,505</u>
Total State Program Revenues	<u>-</u>	<u>10,299,652</u>	<u>10,299,652</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency	<u>-</u>	<u>1,077,615</u>	<u>1,077,615</u>
Total Federal Program Revenues	<u>-</u>	<u>1,077,615</u>	<u>1,077,615</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>10,699,307</u>	<u>(10,699,307)</u>	<u>-</u>
Total Revenues	<u>10,707,195</u>	<u>677,960</u>	<u>11,385,155</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, 2021
Continued

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
EXPENSES			
Program Services:			
11 Instruction	4,795,884	-	4,795,884
13 Curriculum Development & Instructional Staff Development	383,361	-	383,361
21 Instructional Leadership	162,586	-	162,586
23 School Leadership	1,278,469	-	1,278,469
31 Guidance, Counseling & Evaluation Services	1,108,105	-	1,108,105
32 Social Work Services	173,772	-	173,772
33 Health Services	305	-	305
36 Extra Curricular Activities	85	-	85
Total Program Services	<u>7,902,567</u>	<u>-</u>	<u>7,902,567</u>
Support Services:			
41 General Administration	667,499	-	667,499
51 Plant Maintenance & Operations	1,094,306	-	1,094,306
52 Security & Monitoring Services	14,877	-	14,877
53 Data Processing Services	290,141	-	290,141
71 Debt Service	639,954	-	639,954
81 Fund Raising	89,963	-	89,963
Total Support Services	<u>2,796,740</u>	<u>-</u>	<u>2,796,740</u>
Total Expenses	<u>10,699,307</u>	<u>-</u>	<u>10,699,307</u>
Change in Net Assets from Operating Activities	7,888	677,960	685,848
Non-Operating Income/Expense			
Loss on Disposal of Assets	<u>(33,033)</u>	<u>-</u>	<u>(33,033)</u>
Change in Net Assets	(25,145)	677,960	652,815
Net Assets, Beginning of Year	<u>1,105,946</u>	<u>806,283</u>	<u>1,912,229</u>
Net Assets, End of Year	<u>\$ 1,080,801</u>	<u>\$ 1,484,243</u>	<u>\$ 2,565,044</u>

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

WINFREE ACADEMY CHARTER SCHOOLSStatement of Cash Flows
For the Year Ended August 31, 2021

Cash Flows from Operating Activities:	
State Program Revenues	\$ 10,332,225
Federal Program Revenues	1,166,012
Local Revenues	7,888
Payments to Vendors	(3,846,165)
Payments to Employees	(6,856,428)
Net Cash Provided by Operating Activities	<u>803,532</u>
Cash Flows from Financing Activities:	
Principal Payments on Long-Term Debt	<u>(210,000)</u>
Net Cash Provided by Financing Activities	<u>(210,000)</u>
Net Increase/(Decrease) in Cash	593,532
Cash at Beginning of Year	<u>5,717,049</u>
Cash at End of Year	<u>\$ 6,310,581</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Increase/(Decrease) in Net Assets from Operating Activities	\$ 685,848
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	170,930
Amortization Expense	135,673
(Increase)/Decrease in:	
Due From State	120,970
Prepays	(54,655)
Increase/(Decrease) in:	
Accounts Payable	(48,724)
Accrued Liabilities	(39,768)
Accrued Interest	(9,358)
Payroll Liabilities	(157,384)
Net Cash Provided by Operating Activities	<u>\$ 803,532</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, 2021

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, 2021

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.

LIQUIDITY & AVAILABILITY

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

Cash & Cash Equivalents	\$ 6,310,581
Due From State	<u>1,390,483</u>
Total Financial Assets	7,701,064
Less: Contractually Restricted	<u>(2,073,230)</u>
	<u>\$ 5,627,834</u>

As of August 31, 2021, the School maintained \$7,701,064 in total financial assets, of which \$2,073,230 was considered restricted. The remaining \$5,627,834 is available for general expenditure.

DUE FROM GRANTOR AGENCIES

As of August 31, 2021, Winfree Academy had earned the following revenues which were not received until after the end of the fiscal year:

Foundation Entitlements	\$ 966,476
State Grants	17,505
Federal grants	<u>406,502</u>
Total	<u>\$ 1,390,483</u>

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2021

CAPITAL ASSETS

Changes in capital assets for the year ended August 31, 2021 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 409,733	\$ -	\$ -	\$ 409,733
Buildings and Improvements	7,985,624	-	(1,102,060)	6,883,564
Furniture and Equipment	332,810	-	(326,398)	6,412
Vehicles	128,338	-	(36,138)	92,200
	<u>8,856,505</u>	<u>-</u>	<u>(1,464,596)</u>	<u>7,391,909</u>
Accumulated Depreciation	(3,638,794)	(170,930)	1,431,563	(2,378,161)
Net Fixed Assets	<u>\$ 5,217,711</u>	<u>\$ (170,930)</u>	<u>\$ (33,033)</u>	<u>\$ 5,013,748</u>

Depreciation expense for the year ended August 31, 2021 was \$170,930.

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, 2021 was \$639,954.

Changes in long-term debt for the year ended August 31, 2021 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Series 2019A Bonds	\$ 8,710,000	\$ -	\$ (70,000)	\$ 8,640,000	\$ 75,000
Series 2019B Bonds	440,000	-	(140,000)	300,000	145,000
	<u>9,150,000</u>	<u>-</u>	<u>(210,000)</u>	<u>8,940,000</u>	<u>220,000</u>
Bond issuance and discount	(550,344)	-	135,673	(414,671)	(135,673)
Net Bonds	8,599,656	-	(74,327)	8,525,329	84,327
PPP Loan	1,282,347	-	-	1,282,347	1,282,347
	<u>\$ 9,882,003</u>	<u>\$ -</u>	<u>\$ (74,327)</u>	<u>\$ 9,807,676</u>	<u>\$ 1,366,674</u>

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

Fiscal Year End	Principal	Interest	Total
2022	\$ 1,502,347	\$ 502,350	\$ 2,004,697
2023	230,000	490,513	720,513
2024	245,000	478,125	723,125
2025	260,000	465,508	725,508
2026	270,000	452,118	722,118
2027-2031	1,575,000	2,034,583	3,609,583
2032-2036	2,075,000	1,539,850	3,614,850
2037-2041	2,740,000	870,550	3,610,550
2042-2043	1,325,000	115,288	1,440,288
	<u>\$ 10,222,347</u>	<u>\$ 6,948,883</u>	<u>\$ 17,171,230</u>

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2021

OPERATING 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, 2021 are as follows:

2022	818,446
2023	705,826
2024	395,423
2025	208,670
Total Minimum Lease Commitments	<u>\$ 2,128,365</u>

NET ASSETS WITH DONOR RESTRICTIONS

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. Donor Restricted contributions whose restrictions are met in the same reporting period are reported as without donor restriction.

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.

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

State Funded Educational Programs	\$ 9,621,692
Federally Funded Educational Programs	<u>1,077,615</u>
Total	<u>\$ 10,699,307</u>

With donor restrictions net assets, at August 31, 2021, are restricted for:

State Funded Educational Programs	<u>\$ 1,484,243</u>
Total	<u>\$ 1,484,243</u>

TCEP GRANT

On December 12, 2019, the School was awarded a grant of \$726,775 from the Texas Public Finance Authority (TPFA) of the Texas Credit Enhancement Program (TCEP). The TCEP was established to create reserve funds for open enrollment charter schools that issue municipal bonds to finance the acquisition, construction, repair or renovation of Texas charter school facilities. The grant funds are held in the State treasury solely to provide security for repayment of the 2019 bonds. The grant award reduced the Debt Service Reserve funds held by the trustee permitting the Academy to use the funds for project expenditures or debt repayment.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2021

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 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.

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.

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 <http://www.trs.texas.gov/Pages/aboutpublications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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, when 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 postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

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

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2021

DEFINED BENEFIT PENSION PLAN *(continued)*

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 thru 2025 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.

	<u>2021</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Employer Contributions	\$ 265,967	\$ 322,444
Member Contributions	\$ 510,548	\$ 480,438

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.
- 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.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2021

DEFINED BENEFIT PENSION PLAN *(continued)*

Contributions *(continued)*

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

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

Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Inflation Rate	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

Discount Rate

A single discount rate of 7.25% 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.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2021

DEFINED BENEFIT PENSION PLAN *(continued)*

Discount Rate *(continued)*

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation % (1)	Long-Term Expected Arithmetic Real Rate of Return (2)	Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.0%	3.9%	0.99%
Non-U.S. Developed	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Private Equity	14.0%	6.7%	1.41%
Stable Value			
Government Bonds	16.0%	-0.7%	-0.05%
Stable Value Hedge	5.0%	1.9%	0.11%
Real Return			
Real Estate	15.0%	4.6%	1.01%
Energy & Natural Resources	6.0%	6.0%	0.42%
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Leverage			
Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.00%	-1.3%	0.08%
Inflation Expectation			2.0%
Volatility Drag (3)			-0.67%
Total	<u>100.00%</u>		<u>7.32%</u>

(1) Target allocations are based on the FY2020 policy model.

(2) Capital Market Assumptions come from Aon Hewitt (as of (08/31/2020)).

(3) The volatility drag results from the conversion between arithmetic and geometric mean returns.

WINFREE ACADEMY CHARTER SCHOOLS

Notes to Financial Statements
For the Year Ended August 31, 2021

COMMITMENTS & CONTINGENCIES

The 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 school have complex compliance requirements, and should state or federal auditors discover areas of non-compliance, school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

UNCERTAINTIES

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID- 19, as a pandemic. As a result of the spread of the virus, economic uncertainties have arisen which may negatively affect the financial position, result of operations, and cash flows of the School. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

EVALUATION OF SUBSEQUENT EVENTS

The School has evaluated subsequent events through January 17, 2022, 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, 2021

EXPENSES

6100 Payroll Costs	\$ 6,699,044
6200 Professional and Contracted Services	2,219,703
6300 Supplies and Materials	736,408
6400 Other Operating Costs	404,198
6500 Debt	<u>639,954</u>
Total	<u>\$ 10,699,307</u>

WINFREE ACADEMY CHARTER SCHOOLS

Schedule of Capital Assets
For the Year Ended August 31, 2021

<u>Description</u>	<u>Ownership Interest</u>		
	<u>Local</u>	<u>State</u>	<u>Federal</u>
1110 Cash	\$ -	\$ 6,310,581	\$ -
1510 Land	-	409,733	-
1520 Buildings and Improvements	-	6,883,564	-
1539 Furniture and Equipment	-	6,412	-
1531 Vehicles	-	92,200	-
Total	<u>\$ -</u>	<u>\$ 13,702,490</u>	<u>\$ -</u>

WINFREE ACADEMY CHARTER SCHOOLS

Budgetary Comparison Schedule For the Year Ended August 31, 2021

	Budgeted Amounts		Actual Amounts	Variance (Over)/Under Final Budget
	Original	Final		
REVENUE & OTHER SUPPORT:				
Local Support:				
5742 Interest Income	\$ 5,000	\$ 1,745	\$ 1,745	\$ -
5749 Other Revenues from Local Sources	6,000	6,143	6,143	-
Total Local Support	<u>11,000</u>	<u>7,888</u>	<u>7,888</u>	<u>-</u>
State Program Revenues:				
5810 Foundation School Program	10,524,668	10,282,147	10,282,147	-
5829 Other State Aid	94,998	17,505	17,505	-
Total State Program Revenues	<u>10,619,666</u>	<u>10,299,652</u>	<u>10,299,652</u>	<u>-</u>
Federal Program Revenues:				
5920 Federal Program Revenues	2,004,047	1,077,615	1,077,615	-
Total Federal Program Revenues	<u>2,004,047</u>	<u>1,077,615</u>	<u>1,077,615</u>	<u>-</u>
Total Revenues	<u>12,634,713</u>	<u>11,385,155</u>	<u>11,385,155</u>	<u>-</u>
EXPENSES:				
Program Services:				
11 Instruction	5,934,382	4,795,884	4,795,884	-
13 Curriculum Development & Instructional Staff Development	510,122	383,361	383,361	-
21 Instructional Leadership	116,776	162,586	162,586	-
23 School Leadership	1,826,437	1,278,469	1,278,469	-
31 Guidance, Counseling & Evaluation Services	1,214,138	1,108,105	1,108,105	-
32 Social Work Services	148,774	173,772	173,772	-
33 Health Services	347	305	305	-
34 Student Transportation	54,700	-	-	-
36 Extra Curricular Activities	31,988	85	85	-
Total Program Services	<u>9,837,664</u>	<u>7,902,567</u>	<u>7,902,567</u>	<u>-</u>
Support Services:				
41 General Administration	948,761	667,499	667,499	-
51 Plant Maintenance & Operations	918,918	1,094,306	1,094,306	-
52 Security & Monitoring Services	34,325	14,877	14,877	-
53 Data Processing Services	116,833	290,141	290,141	-
61 Community Services	400	-	-	-
71 Debt Service	727,000	639,954	639,954	-
81 Fund Raising	50,812	89,963	89,963	-
Total Support Services	<u>2,797,049</u>	<u>2,796,740</u>	<u>2,796,740</u>	<u>-</u>
Total Expenses	<u>12,634,713</u>	<u>10,699,307</u>	<u>10,699,307</u>	<u>-</u>
Non-Operating Income/Expense				
Loss on Prepayment of Long Term Debt	-	(33,033)	(33,033)	-
Change in Net Assets	-	652,815	652,815	-
Net Assets, Beginning of Year	<u>1,912,229</u>	<u>1,912,229</u>	<u>1,912,229</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 1,912,229</u>	<u>\$ 2,565,044</u>	<u>\$ 2,565,044</u>	<u>\$ -</u>

WINFREE ACADEMY CHARTER SCHOOLS
Schedule of Real Property Ownership Interest
For the Year Ended August 31, 2021

Schedule of Real Property Ownership Interest at August 31, 2021

Description	Property Address	Total Assessed	Ownership Interest		
			Local	State	Federal
Walnut Hill Bus Pk Sec 9 3rd Inst; Blk D Pt Lot 2; 1.932 Acs	3108 S. Skyway Cir. Irving, TX 75038	\$ 257,427	\$ -	\$ 257,427	\$ -
Walnut Hill Bus Pk Sec 9 3rd Inst; Blk D Pt Lot 2; 1.909 Acs	3110 S. Skyway Cir. Irving, TX 75038	1,160,600	-	1,160,600	-
University Office Park Blk C Tr 2; 1.597 Acs	1661 Gateway Blvd Richardson, TX 75080	3,449,500	-	3,449,500	-
Bennett Oaks Blk A Lot 1	341 Bennett Ln. Lewisville, TX 75057	<u>2,557,559</u>	-	<u>2,557,559</u>	-
		<u>\$ 7,425,086</u>	<u>\$ -</u>	<u>\$ 7,425,086</u>	<u>\$ -</u>

WINFREE ACADEMY CHARTER SCHOOLS
Schedule of Related Party Compensation and Benefits
For the Year Ended August 31, 2021

Schedule of Related Party Transactions for the year Ended August 31, 2021

Related Party Name None

Name of Relation to the Related Party

Relationship

Compensation or Benefit

Payment Frequency

Description

Source of Funds Used

Total Paid During the Fiscal Year

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, 2021, 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 17, 2022.

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.

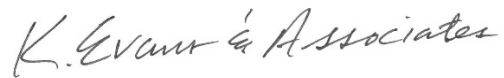
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "K. Evans & Associates".

K. Evans & Associates, CPA's
Frisco, TX
January 17, 2022



**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, 2021. 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, 2021.

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.

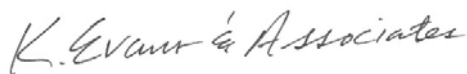
Report on Internal Control Over Compliance

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 17, 2022

WINFREE ACADEMY CHARTER SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2021

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:

IDEA, Part B, Formula	84.027A
ESSER – Prior Purchase Reimb Program	84.425D
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. Auditee was determined to be a low-risk auditee

WINFREE ACADEMY CHARTER SCHOOLS
Schedule of Status of Prior Findings
For the Year Ended August 31, 2021

<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, 2021

Grantor/Program Title	Federal Assistance Listing Number	Pass Through Entity ID Number	Federal Expenditures
<u>Unites States Department of Education</u>			
<u>Passed Through Region 10:</u>			
Title I, Improving Basic Programs	84.010A	S010A200043	\$ 150,409
Title II, Supporting Effective Instruction	84.367A	S367A200041	20,625
Title III, English Language Acquisition	84.365A	S365A200043	10,855
Total Passed Through Region 10			<u>181,889</u>
<u>Passed Through State Department of Education:</u>			
Title I, School Improvement	84.010A	S010A190043	410,290
IDEA, Part B, Formula	84.027A	H027A200008	276,336
ESSER PPRP	84.425D	S425D210042	209,100
Total Passed Through State Department of Education			<u>895,726</u>
Total United States Department of Education			<u>1,077,615</u>
Total Expenditures of Federal Awards			<u>\$ 1,077,615</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. Net Assets with Donor Restrictions 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 Net Assets with Donor Restrictions.

WINFREE ACADEMY CHARTER SCHOOLS
Notes to Schedule of Expenditures of Federal Awards
For Year Ended August 31, 2021

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, 2021. 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 4.378% of total direct costs.