

**EAST FORT WORTH
MONTESSORI SCHOOL**
FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020



HaynieCPAs.com

CERTIFICATE OF BOARD

East Fort Worth Montessori Academy
County-District Number: 220-811

We, the undersigned, certify that the attached annual financial reports of the above named charter holder were reviewed and:

 approved disapproved

for the year ended August 31, 2021, at a meeting of the board of directors of such charter holder on the 25th day of January 2022.



Signature of Board President



Signature of Board Secretary

If the board of trustees/directors disapproved of the auditors' report, the reason(s) for disapproving it (is/are):

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INDEPENDENT AUDITORS' REPORT

*To the Board of Directors
East Fort Worth Montessori School*

We have audited the accompanying combined financial statements of East Fort Worth Montessori School (the "Charter Holder") (a nonprofit organization), which are comprised of the combined statement of financial position as of August 31, 2021 and 2020, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter Holder as of August 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will

always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of East Fort Worth Montessori School. In accordance with the requirements established by the Financial Accountability System Resource Guide – Special Supplement – Charter Schools issued by the Texas Education Agency, the required supplemental information on pages 17-28 has been presented in addition to the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2022, on our consideration of East Fort Worth Montessori School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering East Fort Worth Montessori School's internal control over financial reporting and compliance.

Harvie Company

*Dallas, Texas
January 25, 2022*

EAST FORT WORTH MONTESSORI SCHOOL (THE CHARTER HOLDER)
Combined Statements of Financial Position
As of August 31, 2021 and 2020

Assets	2021	2020
Current assets		
Cash and cash equivalents	\$ 1,479,117	\$ 1,881,138
Due from grantor agencies	287,836	204,168
Total current assets	<u>1,766,953</u>	<u>2,085,306</u>
Noncurrent assets		
Deferred charges	26,259	19,536
Property and equipment, net	2,253,614	2,142,758
Total noncurrent assets	<u>2,279,873</u>	<u>2,162,294</u>
Total assets	<u>\$ 4,046,826</u>	<u>\$ 4,247,600</u>
Liabilities and Net Assets		
Current liabilities		
Accrued liabilities	\$ 117,917	\$ 340,205
Accrued expenses	5,032	5,032
Deferred revenue	8,467	24,453
Capital lease payable - current	10,805	17,137
Notes payable - current portion	114,736	108,724
Total current liabilities	<u>256,957</u>	<u>495,551</u>
Long-term liabilities		
Capital lease payable - less current portion	-	10,805
Notes payable - less current portion	772,218	886,954
Total long-term liabilities	<u>772,218</u>	<u>897,759</u>
Total liabilities	<u>1,029,175</u>	<u>1,393,310</u>
Net assets		
Without donor restrictions	700,187	423,219
With donor restrictions	2,317,464	2,431,071
Total net assets	<u>3,017,651</u>	<u>2,854,290</u>
Total liabilities and net assets	<u>\$ 4,046,826</u>	<u>\$ 4,247,600</u>

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

EAST FORT WORTH MONTESSORI SCHOOL (THE CHARTER HOLDER)
Combined Statements of Activities
For the Years Ended August 31, 2021 and 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 278,741	\$ -	\$ 278,741	\$ 178,590
5750 Revenue from co-curricular or enterprising	7,849	-	7,849	10,087
Total local support	286,590	-	286,590	188,677
State program revenues:				
5811 Available school fund	-	98,924	98,924	81,189
5812 Foundation school program	-	2,071,936	2,071,936	2,039,163
5820 State program revenues distributed by the TEA	-	27,799	27,799	75,600
Total state program revenues	-	2,198,659	2,198,659	2,195,952
Federal program revenues:				
5920 ESEA Title I - Part A - Improving Basic Programs	-	109,805	109,805	99,324
5920 IDEA - Part B - Formula	-	43,830	43,830	46,179
5920 IDEA - Part B - Preschool	-	1,530	1,530	-
5920 National School Breakfast and Lunch Program	-	139,685	139,685	164,365
5920 ESEA Title II - Part A - Teacher and Principal Training	-	10,826	10,826	7,691
5920 Elementary and Secondary School Emergency Relief F	-	91,252	91,252	14,238
5920 Summer School LEP	-	11,594	11,594	5,556
5920 Other programs	-	44,991	44,991	390,570
Total federal program revenues	-	453,513	453,513	727,923
Net assets released from restrictions	2,765,779	(2,765,779)	-	-
Total revenues	3,052,369	(113,607)	2,938,762	3,112,552
Expenses				
Program services:				
11 Instruction	1,335,411	-	1,335,411	1,404,765
12 Instructional resources and media services	10,945	-	10,945	27,336
13 Curriculum and instructional staff development	69,978	-	69,978	90,299
21 Instructional leadership	-	-	-	-
23 School leadership	269,839	-	269,839	281,359
Support services:				
31 Guidance, counseling and evaluation services	4,865	-	4,865	-
33 Health services	-	-	-	5,115
34 Student transportation	7,400	-	7,400	-
35 Food service	182,074	-	182,074	157,751
36 Co-curricular activities	47,096	-	47,096	22,994
41 General administration	217,215	-	217,215	294,962
51 Plant maintenance and operations	467,769	-	467,769	475,109
53 Data processing services	71,297	-	71,297	38,152
61 Community services	36,312	-	36,312	12,158
71 Interest expense	55,200	-	55,200	62,650
Total expenses	2,775,401	-	2,775,401	2,872,650
Change in net assets	276,968	(113,607)	163,361	239,902
Net assets, beginning of year	423,219	2,431,071	2,854,290	2,614,388
Net assets, end of year	\$ 700,187	\$ 2,317,464	\$ 3,017,651	\$ 2,854,290

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

EAST FORT WORTH MONTESSORI SCHOOL (THE CHARTER HOLDER)
Combined Statements of Functional Expenses
For the Years Ended August 31, 2021 and 2020

	<u>Program Activities</u>	<u>General and Administrative</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
Expenses				
Payroll expenses				
Salary and wages	\$ 1,366,791	\$ 118,543	\$ 1,485,334	\$ 1,630,743
Benefits	123,271	13,769	137,040	170,449
Payroll taxes	18,557	2,653	21,210	22,508
Total payroll expenses	<u>1,508,619</u>	<u>134,965</u>	<u>1,643,584</u>	<u>1,823,700</u>
Non-payroll expenses				
Professional fees	220,383	53,394	273,777	291,269
Utilities	81,036	-	81,036	84,586
Rental fees	22,760	-	22,760	15,463
Repairs and maintenance	244,555	13,500	258,055	182,443
Supplies	235,206	3,841	239,047	232,842
Travel	1,788	2,438	4,226	12,960
Insurance	32,707	-	32,707	29,429
Depreciation	130,235	-	130,235	115,864
Interest	55,200	-	55,200	62,650
Miscellaneous	25,696	9,078	34,774	21,444
	<u>1,049,566</u>	<u>82,251</u>	<u>1,131,817</u>	<u>1,048,950</u>
Total expenses	<u>\$ 2,558,185</u>	<u>\$ 217,216</u>	<u>\$ 2,775,401</u>	<u>\$ 2,872,650</u>

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

EAST FORT WORTH MONTESSORI SCHOOL (THE CHARTER HOLDER)

Combined Statements of Cash Flows

For the Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from grantor agencies	\$ 2,552,518	\$ 2,897,987
Cash received from miscellaneous sources	286,590	188,677
Cash paid for salaries	(1,865,872)	(1,620,540)
Cash paid for professional services	(635,425)	(573,426)
Cash paid for supplies	(245,973)	(230,153)
Cash paid for other expenses	(201,942)	(179,697)
Cash paid for interest	(55,200)	(62,650)
Depreciation expense	130,235	115,864
Net cash (used) provided by operating activities	<u>(35,069)</u>	<u>536,062</u>
Cash flows from investing activities		
Payments for depreciable assets	<u>(241,091)</u>	<u>(219,243)</u>
Net cash used by investing activities	<u>(241,091)</u>	<u>(219,243)</u>
Cash flows from financing activities		
Payments of capital leases	(17,137)	(15,534)
Payments of long-term debt	<u>(108,724)</u>	<u>(102,877)</u>
Net cash used by financing activities	<u>(125,861)</u>	<u>(118,411)</u>
Net (decrease) increase in cash and cash equivalents	<u>(402,021)</u>	<u>198,408</u>
Cash and cash equivalents at beginning of year	<u>1,881,138</u>	<u>1,682,730</u>
Cash and cash equivalents at end of year	<u>\$ 1,479,117</u>	<u>\$ 1,881,138</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ <u>55,200</u>	\$ <u>66,229</u>
Income taxes	\$ <u>-</u>	\$ <u>-</u>

Reconciliation of change in net assets to net cash provided by operating activities

Cash flows from operating activities		
Change in net assets	\$ 163,361	\$ 239,902
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	130,235	115,864
Decrease in funds due from federal agencies	(83,668)	(45,382)
Decrease in deferred charges	(6,723)	3,154
Decrease in other receivables	-	863
Increase (decrease) in accrued liabilities	(222,288)	203,160
Increase (decrease) in accrued expenses	-	335
Decrease in deferred revenue	<u>(15,986)</u>	<u>19,494</u>
Net cash (used) provided by operating activities	<u>\$ (35,069)</u>	<u>\$ 537,390</u>

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

EAST FORT WORTH MONTESSORI SCHOOL

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The general-purpose financial statements of East Fort Worth Montessori School ("the Corporation" or "the Charter Holder") were prepared in conformity with accounting principles generally accepted in the United States of America. The Corporation is governed by a Board of Directors comprised of eight members. The Board of Directors is selected pursuant to the bylaws of the Corporation and has the authority to make decisions, appoint the chief executive officer of the Corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Corporation. The Corporation is the charter holder of the East Fort Worth Montessori Academy Charter School ("the School").

Nature of activities

The School is an open enrollment charter school incorporated in 1997 offering innovative education programs to children in a single charter school. The School is supported primarily through state foundation school program act entitlements, donor contributions, and federal grants. Approximately 79% and 82% of the School's support for 2019 and 2018 came from state entitlements, respectively.

In 2003, the State Board of Education of the State of Texas granted the Corporation an open enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application, the Corporation was issued an initial charter for four years from June 7, 2003 to July 31, 2007. The Corporation applied for and received a second charter in November 2007 extending the charter ten years to July 31, 2017. Subsequently, the Corporation applied and received its third charter which is effective through July 31, 2027. The School was organized to provide educational services to at-risk students and their programs, services, activities, and functions are governed by the Corporation's Board of Directors.

Combined Financial Statements

The financial statements of the Corporation, combined with the School, were prepared in conformity with accounting principles generally accepted in the United States in a format prescribed by the Texas Education Agency Update 4.0 of Special Supplement to the Financial Accountability System Resource Guide Charter Schools. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. Transactions between the two entities have been eliminated.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The School presents its financial statements in accordance with ASC 958, "Not-for-Profit Entities". Under ASC 958, the School is required to report information regarding its financial position and activities according to two categories of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the School and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors (if any) are reported as net assets without donor restrictions, board-designated.

EAST FORT WORTH MONTESSORI SCHOOL

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The only donor restricted net asset are unspent funds from the Foundation Program grant.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Revenue Recognition

Effective September 1, 2019, the Charter Holder adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) and related amendments, which creates a single source of revenue guidance for all companies in all industries and is more principles-based than previous revenue guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Center expects to be entitled in exchange for those goods and services. The Charter Holder adopted the standard using the modified retrospective approach, results for reporting periods beginning after September 1, 2019 are presented under Topic 606.

The Charter Holder's revenues consist of contributions and grants. Contributions consist of funds donated to the Academy without donor stipulations. Grant revenue includes funds from private and public entities for a particular purpose. Grants do not require transfer of goods and services in return for the funds and therefore there is no impact of the implementation of FASB ASU 2014-09, as related to grant revenues. As such, the adoption of this standard did not result in significant changes to the Center's accounting policies, business processes, systems or controls, or have an impact on its financial position, results of operations or cash flows. Therefore, prior period financial statements were not recast and there was no cumulative effect adjustment upon adoption.

Cash equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

EAST FORT WORTH MONTESSORI SCHOOL

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

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.

Compensated absences

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

Depreciable assets

Depreciable assets are stated at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Charter Holder capitalizes all expenditures over \$5,000 to depreciable assets. Depreciation is provided using the straight-line method over the estimated useful life of the assets.

Income taxes

The Charter Holder is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), and therefore has made no provision for Federal income taxes in the accompanying financial statements. In addition, the Charter Holder has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

On December 30, 2008, FASB issued FASB Staff Position (FSP) FIN 48-3, Accounting for Uncertainty in Income Taxes. There was no unrelated business income for the years ended August 31, 2021 and 2020, and as a result, there was no estimated income tax liability.

The Charter Holder is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years beginning prior to September 1, 2017.

Date of Management's Review

Subsequent events were evaluated through January 25, 2022, which is the date the financial statements were available to be issued.

2. Due from Grantor Agencies

As of August 31, 2021 and 2020, the Charter Holder had earned the following revenues which were not received until after the end of the fiscal year:

	2021	2020
Foundation	\$ 132,761	\$ 116,775
Available school fund	4,422	5,016
Other state grants	100,030	45,398
Federal grants	50,623	36,979
Total	\$ <u>287,836</u>	\$ <u>204,168</u>

EAST FORT WORTH MONTESSORI SCHOOL

Notes to Financial Statements

3. Liquidity

The following reflects the Charter Holder's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2021</u>	<u>2020</u>
<i>Financial assets, at year end</i>	<i>\$ 1,766,953</i>	<i>\$ 2,085,306</i>
<i>Less, assets unavailable for general expenditures within one year, due to:</i>		
<i>Grant restricted reserves</i>	<u><i>-</i></u>	<u><i>-</i></u>
<i>Financial assets available to meet cash needs for general expenditures within one year</i>	<i>\$ <u>1,766,953</u></i>	<i>\$ <u>2,085,306</u></i>

At year-end, the only donor restrictions on net assets relates to unspent Foundation program funds, which is available for general use for the Charter Holder's activities.

4. Global Pandemic

In December 2019, the Coronavirus Disease (COVID-19) was reported in China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. As a result of the COVID-19 outbreak in the United States, there has been significant economic disruption due to business closures and shelter in place orders. There is considerable uncertainty around the duration of business closures and shelter in place orders and the near-term impact of these events on the United States and global economy. As a result of the outbreak of COVID-19 and its impact on the broader economy and community, the School has been adversely affected due to periodic employee quarantines as well as related challenges.

As of the report date, the School is operating in compliance with recommended health and safety guidelines.

Management is continuously monitoring the impact COVID-19 might have on operations both now and in the future. There continue to be uncertainties surrounding the pandemic's impact on the School's financial results that cannot be reasonably estimated as of the report date. Despite the uncertain economic environment, management believes that the company is well positioned to meet these challenges and remain fully operational.

EAST FORT WORTH MONTESSORI SCHOOL

Notes to Financial Statements

5. Depreciable Assets

The following is a summary of property and equipment as of August 31, 2021:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 170,805	\$ -	\$ -	\$ 170,805
Building and improvements	2,874,873	8,000	-	2,882,873
Vehicles	101,550	37,000	47,614	90,936
Furniture and equipment	158,353	(14,238)	-	144,115
Construction in progress	-	210,329	-	210,329
Total	\$ 3,305,581	\$ 241,091	\$ 47,614	\$ 3,499,058
 Less: accumulated depreciation	 <u>1,162,823</u>	 <u>130,235</u>	 <u>47,614</u>	 <u>1,245,444</u>
 Capital assets, net	 <u><u>\$ 2,142,758</u></u>	 <u><u>\$ 110,856</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 2,253,614</u></u>

The following is a summary of property and equipment as of August 31, 2020:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 170,805	\$ -	\$ -	\$ 170,805
Building and improvements	2,669,868	205,005	-	2,874,873
Vehicles	101,550	-	-	101,550
Furniture and equipment	144,115	14,238	-	158,353
Total	\$ 3,086,338	\$ 219,243	\$ -	\$ 3,305,581
 Less: accumulated depreciation	 <u>1,046,959</u>	 <u>115,864</u>	 <u>-</u>	 <u>1,162,823</u>
 Capital assets, net	 <u><u>\$ 2,039,379</u></u>	 <u><u>\$ 103,379</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 2,142,758</u></u>

Depreciation expense for the year ended August 31, 2021 and 2020 was \$130,235 and \$115,864, respectively.

EAST FORT WORTH MONTESSORI SCHOOL

Notes to Financial Statements

6. Long-term Debt

The long-term debt as of August 31, 2020 and 2019 consisted of the following:

	<u>2021</u>	<u>2020</u>
Note payable to Self Help Credit Union, \$1,725,000 issued September 25, 2012, 5.32% interest through September 30, 2017, then to be adjusted to the greater of swap rate plus 3.35% or 4.5%, principal and interest due monthly in installments of \$13,314, commencing November 5, 2012. Final payment is due October 1, 2027. The note is secured by all assets of the charter school.	\$ 886,954	\$ 995,678
Less: current portion of long-term debt	(114,736)	(108,724)
Long-term debt net of current portion	\$ <u>772,218</u>	\$ <u>886,954</u>

Maturities under long-term debt agreements are as follows:

2022	\$ 114,736
2023	121,080
2024	127,685
2025	134,834
2026	142,290
Thereafter	246,329
	\$ <u>886,954</u>

7. Capital Leases

The School has entered into capital leases for various equipment. As of August 31, 2021, future minimum lease payments under the capital lease are as follows:

Year ending August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 10,805	\$ 358	\$ 11,163
Total	\$ <u>10,805</u>	\$ <u>358</u>	\$ <u>11,163</u>

The following equipment, included in total property and equipment, is subject to the above capital leases whereby the School recognized an asset and a liability upon contract inception:

Office equipment	\$ 49,511
Less: accumulated depreciation	(23,930)
Net assets under capital leases	\$ <u>25,581</u>

EAST FORT WORTH MONTESSORI SCHOOL

Notes to Financial Statements

8. Commitments and Contingencies

The Charter Holder leases office equipment under a lease agreement which expires September 2021.

Minimum annual rental commitments at August 31 are as follows:

		<i>Total</i>
	<i>2021</i>	<i>\$ 1,857</i>
<i>Total minimum lease commitments under non-cancellable operating leases</i>		<i>\$ 1,857</i>

Rent expense for the year ended August 31, 2021 and 2020 was \$22,760 and \$15,463.

9. Contingent Liabilities

The School participates in numerous programs that are subject to audit by the Texas Education Agency (the "TEA") and various federal audit agencies. These programs have complex compliance requirements, and should state or federal auditors find areas of substantial noncompliance, those funds may be subject to refund if so determined by administrative audit review.

10. State Foundation Program Revenue

Charter schools in the State of Texas participate in the State foundation program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period, and at the close of the year, actual attendance is calculated by the Texas Education Agency (TEA) and the attendance reports are subject to audit by the TEA and final State foundation program earnings may be adjusted as a result of any such audit. A reconciliation of cash paid to revenue recognized is as follows:

A reconciliation of cash paid to revenue recognized is as follows:

	<i>2021</i>	<i>2020</i>
<i>Cash paid during fiscal year</i>	<i>\$ 1,943,321</i>	<i>\$ 2,192,553</i>
<i>Revenue accrued at year-end</i>	<i>132,761</i>	<i>116,775</i>
<i>Revenue accrued in prior year</i>	<i>(116,775)</i>	<i>(131,793)</i>
<i>Adjustments</i>	<i>112,629</i>	<i>(138,371)</i>
<i>Revenue recognized during current year</i>	<i>\$ 2,071,936</i>	<i>\$ 2,039,164</i>

EAST FORT WORTH MONTESSORI SCHOOL

Notes to Financial Statements

11. Budget Variance

Prior to the beginning of the school year, the school prepared and submitted its annual budget for the next fiscal year. However, as a result of changes in programs and average attendance, the budget has been amended as necessary. This has resulted in variances between the original adopted budget and final amended budget presented on the Budgetary Comparison Schedule.

12. Retirement Benefits

Plan Description - The charter school contributes to the Teacher Retirement System of Texas ("TRS"), a cost-sharing, multiple- employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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 1 years, the period would be increased by such action. State law provides for a member contribution rate of 7.7% for fiscal year 2020, and a state contribution rate of 7.5% for fiscal year 2020. The charter school's employees' contributions to the System for the years ending August 31, 2021 were \$135,941, equal to the required contributions for the year. Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum for the years ending August 31, 2021 were \$21,359, equal to the required contributions for the year.

13. Health Care Coverage

During the year ended August 31, 2021, employees of the charter school were covered by a health insurance plan ("the Plan"). The charter school contributed \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

EAST FORT WORTH MONTESSORI ACADEMY CHARTER SCHOOL (THE SCHOOL)

Statements of Financial Position

As of August 31, 2021 and 2020

Assets		2021	2020
Current assets			
Cash and cash equivalents	\$	1,461,852	\$ 1,855,813
Due from Texas Education Agency		287,836	204,168
Total current assets		<u>1,749,688</u>	<u>2,059,981</u>
Noncurrent assets			
Deferred charges		26,259	19,536
Property and equipment, net		<u>2,253,614</u>	<u>2,142,758</u>
Total noncurrent assets		<u>2,279,873</u>	<u>2,162,294</u>
Total assets	\$	<u>4,029,561</u>	\$ <u>4,222,275</u>
Liabilities and Net Assets			
Current liabilities			
Accrued liabilities	\$	117,917	\$ 340,205
Accrued expenses		5,032	5,032
Deferred revenue		8,467	24,453
Capital lease payable - current		10,805	17,137
Notes payable - current portion		<u>114,736</u>	<u>108,724</u>
Total current liabilities		<u>256,957</u>	<u>495,551</u>
Long-term liabilities			
Capital lease payable - less current portion		-	10,805
Notes payable - less current portion		<u>772,218</u>	<u>886,954</u>
Total long-term liabilities		<u>772,218</u>	<u>897,759</u>
Total liabilities		<u>1,029,175</u>	<u>1,393,310</u>
Net assets			
Without donor restrictions		682,922	397,894
With donor restrictions		<u>2,317,464</u>	<u>2,431,071</u>
Total net assets		<u>3,000,386</u>	<u>2,828,965</u>
Total liabilities and net assets	\$	<u>4,029,561</u>	\$ <u>4,222,275</u>

EAST FORT WORTH MONTESSORI (THE CORPORATION)
Statements of Financial Position
As of August 31, 2021 and 2020

Assets		2021	2020
Current assets			
Cash and cash equivalents	\$	17,265	\$ 25,325
Other receivables		-	-
Total current assets		<u>17,265</u>	<u>25,325</u>
Total assets	\$	<u>17,265</u>	<u>\$ 25,325</u>
 Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$	-	\$ -
Total current liabilities		<u>-</u>	<u>-</u>
Total liabilities		<u>-</u>	<u>-</u>
Net assets			
Without donor restrictions		17,265	25,325
With donor restrictions		-	-
Total net assets		<u>17,265</u>	<u>25,325</u>
Total liabilities and net assets	\$	<u>17,265</u>	<u>\$ 25,325</u>

EAST FORT WORTH MONTESSORI ACADEMY CHARTER SCHOOL (THE SCHOOL)
Statements of Activities
For the Years Ended August 31, 2021 and 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
Revenues				
<i>Local support:</i>				
5740 Other revenues from local sources	\$ 277,179	\$ -	\$ 277,179	\$ 175,479
5750 Revenue from co-curricular or enterprising	7,849	-	7,849	10,087
Total local support	<u>285,028</u>	<u>-</u>	<u>285,028</u>	<u>185,566</u>
<i>State program revenues:</i>				
5811 Available school fund	-	98,924	98,924	81,189
5812 Foundation school program	-	2,071,936	2,071,936	2,039,163
5820 State program revenues distributed by the TEA	-	27,799	27,799	75,600
Total state program revenues	<u>-</u>	<u>2,198,659</u>	<u>2,198,659</u>	<u>2,195,952</u>
<i>Federal program revenues:</i>				
5920 ESEA Title I - Part A - Improving Basic Programs	-	109,805	109,805	99,324
5920 IDEA - Part B - Formula	-	43,830	43,830	46,179
5920 IDEA - Part B - Preschool	-	1,530	1,530	-
5920 National School Breakfast and Lunch Program	-	139,685	139,685	164,365
5920 ESEA Title II - Part A - Teacher and Principal Training	-	10,826	10,826	7,691
5920 Elementary and Secondary School Emergency Relief Fund	-	91,252	91,252	14,238
5920 Summer School LEP	-	11,594	11,594	5,556
5920 Other programs	-	44,991	44,991	390,570
Total federal program revenues	<u>-</u>	<u>453,513</u>	<u>453,513</u>	<u>727,923</u>
Net assets released from restrictions	<u>2,765,779</u>	<u>(2,765,779)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,050,807</u>	<u>(113,607)</u>	<u>2,937,200</u>	<u>3,109,441</u>
Expenses				
<i>Program services:</i>				
11 Instruction	1,332,121	-	1,332,121	1,404,765
12 Instructional resources and media services	10,945	-	10,945	27,336
13 Curriculum and instructional staff development	67,774	-	67,774	90,299
21 Instructional leadership	-	-	-	-
23 School leadership	269,839	-	269,839	281,359
<i>Support services:</i>				
31 Guidance, counseling and evaluation services	4,865	-	4,865	-
33 Health services	-	-	-	5,115
34 Student transportation	7,400	-	7,400	-
35 Food service	182,074	-	182,074	157,707
36 Co-curricular activities	47,096	-	47,096	22,994
41 General administration	214,867	-	214,867	287,985
51 Plant maintenance and operations	467,739	-	467,739	474,912
52 Security and monitoring services	-	-	-	-
53 Data processing services	69,547	-	69,547	38,152
61 Community services	36,312	-	36,312	12,158
71 Interest expense	55,200	-	55,200	62,650
Total expenses	<u>2,765,779</u>	<u>-</u>	<u>2,765,779</u>	<u>2,865,432</u>
Change in net assets	285,028	(113,607)	171,421	244,009
Net assets, beginning of year	<u>397,894</u>	<u>2,431,071</u>	<u>2,828,965</u>	<u>2,584,956</u>
Net assets, end of year	<u>\$ 682,922</u>	<u>\$ 2,317,464</u>	<u>\$ 3,000,386</u>	<u>\$ 2,828,965</u>

EAST FORT WORTH MONTESSORI (THE CORPORATION)
Statements of Activities
For the Years Ended August 31, 2021 and 2020

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Totals</i>	
			<u>2021</u>	<u>2020</u>
Revenues				
<i>Local support:</i>				
5740 Other revenues from local sources	\$ 1,562	\$ -	\$ 1,562	\$ 3,111
Total local support	<u>1,562</u>	<u>-</u>	<u>1,562</u>	<u>3,111</u>
Total revenues	<u>1,562</u>	<u>-</u>	<u>1,562</u>	<u>3,111</u>
Expenses				
<i>Program services:</i>				
11 Instruction	3,290	-	3,290	-
13 Curriculum and instructional staff development	2,204	-	2,204	-
<i>Support services:</i>				
35 Food service	-	-	-	44
41 General administration	2,348	-	2,348	6,977
51 Plant maintenance and operations	30	-	30	197
53 Data processing services	<u>1,750</u>	<u>-</u>	<u>1,750</u>	<u>-</u>
Total expenses	<u>9,622</u>	<u>-</u>	<u>9,622</u>	<u>7,218</u>
Change in net assets	(8,060)	-	(8,060)	(4,107)
Net assets, beginning of year	<u>25,325</u>	<u>-</u>	<u>25,325</u>	<u>29,432</u>
Net assets, end of year	<u>\$ 17,265</u>	<u>\$ -</u>	<u>\$ 17,265</u>	<u>\$ 25,325</u>

EAST FORT WORTH MONTESSORI ACADEMY CHARTER SCHOOL (THE SCHOOL)
Statements of Cash Flows
For the Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from grantor agencies	\$ 2,552,518	\$ 2,897,987
Cash received from miscellaneous sources	285,028	185,566
Cash paid for salaries	(1,865,872)	(1,620,540)
Cash paid for professional services	(634,075)	(566,945)
Cash paid for supplies	(240,529)	(229,516)
Cash paid for other expenses	(199,114)	(179,132)
Cash paid for interest	(55,200)	(62,650)
Depreciation expense	130,235	115,864
Net cash (used) provided by operating activities	<u>(27,009)</u>	<u>540,634</u>
Cash flows from investing activities		
Payments for depreciable assets	<u>(241,091)</u>	<u>(219,243)</u>
Net cash used by investing activities	<u>(241,091)</u>	<u>(219,243)</u>
Cash flows from financing activities		
Payments of capital leases	(17,137)	(15,534)
Payments of long-term debt	<u>(108,724)</u>	<u>(102,877)</u>
Net cash used by financing activities	<u>(125,861)</u>	<u>(118,411)</u>
Net decrease (increase) in cash and cash equivalents	(393,961)	202,980
Cash and cash equivalents at beginning of year	<u>1,855,813</u>	<u>1,652,833</u>
Cash and cash equivalents at end of year	<u>\$ 1,461,852</u>	<u>\$ 1,855,813</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ <u>55,200</u>	\$ <u>66,229</u>
Income taxes	\$ <u>-</u>	\$ <u>-</u>

Reconciliation of change in net assets to net cash provided by operating activities

Cash flows from operating activities		
Change in net assets	\$ 171,421	\$ 244,009
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	130,235	115,864
Decrease in funds due from federal agencies	(83,668)	(45,382)
Decrease in deferred charges	(6,723)	3,154
Increase (decrease) in accrued liabilities	(222,288)	203,160
Increase (decrease) in accrued expenses	-	335
Decrease in deferred revenue	<u>(15,986)</u>	<u>19,494</u>
Net cash (used) provided by operating activities	<u>\$ (27,009)</u>	<u>\$ 540,634</u>

EAST FORT WORTH MONTESSORI (THE CORPORATION)

Statements of Cash Flows

For the Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<i>Cash flows from operating activities</i>		
<i>Cash received from miscellaneous sources</i>	\$ 1,562	\$ 3,111
<i>Cash paid for professional services</i>	(1,350)	(6,481)
<i>Cash paid for supplies</i>	(5,444)	(637)
<i>Cash paid for other expenses</i>	(2,828)	(565)
<i>Net cash used by operating activities</i>	<u>(8,060)</u>	<u>(4,572)</u>
<i>Cash flows from investing activities</i>	<u>-</u>	<u>-</u>
<i>Cash flows from financing activities</i>	<u>-</u>	<u>-</u>
<i>Net decrease in cash and cash equivalents</i>	(8,060)	(4,572)
<i>Cash and cash equivalents at beginning of year</i>	<u>25,325</u>	<u>29,897</u>
<i>Cash and cash equivalents at end of year</i>	\$ <u><u>17,265</u></u>	\$ <u><u>25,325</u></u>
<i>Supplemental disclosures of cash flow information:</i>		
<i>Cash paid during the year for:</i>		
<i>Interest</i>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
<i>Income taxes</i>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

Reconciliation of change in net assets to net cash provided by operating activities

<i>Cash flows from operating activities</i>		
<i>Change in net assets</i>	\$ (8,060)	\$ (4,107)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
<i>Decrease in other receivables</i>	<u>-</u>	<u>863</u>
<i>Net cash used by operating activities</i>	\$ <u><u>(8,060)</u></u>	\$ <u><u>(3,244)</u></u>

EAST FORT WORTH MONTESSORI SCHOOL
Combined Schedule of Expenses
For the Years Ended August 31, 2021 and 2020

<i>Expenses</i>	<i>East Fort Worth Montessori Academy Charter School</i>	<i>East Fort Fort Worth Montessori (The Corporation)</i>	<i>Totals</i>	
			<i>2021</i>	<i>2020</i>
6100 Payroll costs	\$ 1,643,584	\$ -	\$ 1,643,584	\$ 1,855,813
6200 Professional and contracted services	634,075	1,350	635,425	170,805
6300 Supplies and materials	233,806	5,444	239,250	2,874,873
6400 Other operating costs	199,114	2,828	201,942	101,550
6500 Debt service	55,200	-	55,200	158,353
Total expenses	\$ 2,765,779	\$ 9,622	\$ 2,775,401	\$ 5,161,394

EAST FORT WORTH MONTESSORI ACADEMY CHARTER SCHOOL (THE SCHOOL)
Combined Schedule of Capital Assets
As of August 31, 2021

		<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
1110	Cash	\$ -	\$ 1,461,852	\$ -	\$ 1,461,852
1510	Land and improvements	-	170,805	-	170,805
1520	Buildings and improvements	-	2,867,201	15,672	2,882,873
1531	Vehicles	-	37,000	53,936	90,936
1539	Furniture and equipment	-	134,081	10,034	144,115
1580	Construction in progress	-	210,329	-	210,329
		-	210,329	-	210,329
	Total property and equipment	\$ <u>-</u>	\$ <u>4,881,268</u>	\$ <u>79,642</u>	\$ <u>4,960,910</u>

EAST FORT WORTH MONTESSORI ACADEMY CHARTER SCHOOL (THE SCHOOL)
Budgetary Comparison Schedule
For the Year Ended August 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>from Final</u>
Revenues				Budget
Local support				
5740 Other revenues - local sources	\$ 105,000	\$ 277,179	\$ 277,179	\$ -
5750 Revenue from co-curricular or enterprising	-	7,849	7,849	-
Total local support	<u>105,000</u>	<u>285,028</u>	<u>285,028</u>	<u>-</u>
State program revenues				
5811 Available school fund	100,000	98,924	98,924	-
5812 Foundation school program	2,045,317	2,071,936	2,071,936	-
5820 State program revenues distributed by the TEA	-	27,799	27,799	-
Total state program revenues	<u>2,145,317</u>	<u>2,198,659</u>	<u>2,198,659</u>	<u>-</u>
Federal program revenues				
5920 Federal revenues distributed by the TEA	<u>382,792</u>	<u>453,513</u>	<u>453,513</u>	<u>-</u>
Total federal program revenues	<u>382,792</u>	<u>453,513</u>	<u>453,513</u>	<u>-</u>
Total revenues	<u>2,633,109</u>	<u>2,937,200</u>	<u>2,937,200</u>	<u>-</u>
Expenses				
11 Instruction	1,132,959	1,332,121	1,332,121	-
12 Instructional resources and media services	799	10,945	10,945	-
13 Curriculum and instructional staff development	35,372	67,774	67,774	-
21 Instructional leadership	-	-	-	-
23 School leadership	257,419	269,839	269,839	-
31 Guidance, counseling and evaluation services	-	4,865	4,865	-
33 Health services	2,000	-	-	-
34 Student (pupil) transportation	-	7,400	7,400	-
35 Food service	174,996	182,074	182,074	-
36 Co-curricular activities	40,000	47,096	47,096	-
41 General administration	305,446	214,867	214,867	-
51 Plant maintenance and operations	541,348	467,739	467,739	-
53 Data processing services	59,625	69,547	69,547	-
61 Community services	1,000	36,312	36,312	-
71 Interest expense	<u>65,000</u>	<u>55,200</u>	<u>55,200</u>	<u>-</u>
Total expenses	<u>2,615,964</u>	<u>2,765,779</u>	<u>2,765,779</u>	<u>-</u>
Change in net assets	<u>17,145</u>	<u>171,421</u>	<u>171,421</u>	<u>-</u>
Net assets, beginning of year	<u>2,828,965</u>	<u>2,828,965</u>	<u>2,828,965</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,846,110</u>	<u>\$ 3,000,386</u>	<u>\$ 3,000,386</u>	<u>\$ -</u>

EAST FORT WORTH MONTESSORI ACADEMY CHARTER SCHOOL (THE SCHOOL)
Schedule of Real Property Ownership Interest
For the year ended August 31, 2021

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
White Lake Hills Addition Block C Lot 1 and Block 11 Lots 39-40	501 Oakland Blvd, Fort Worth, TX	\$ 2,666,012	\$ -	\$ 3,038,006	\$ 15,672 (1)
White Lake Hills Addition Block 13 Lot 6	4701 Lake Havasu Tr., Fort Worth, TX	10,000	-	-	(1)

NOTES:

(1) Included with 501 Oakland Blvd.

EAST FORT WORTH MONTESSORI ACADEMY CHARTER SCHOOL (THE SCHOOL)
Schedule of Related Party Transactions
For the year ended August 31, 2021

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During Fiscal Year</u>	<u>Principal Balance Due</u>
None								

EAST FORT WORTH MONTESSORI ACADEMY CHARTER SCHOOL (THE SCHOOL)
Schedule of Related Party Compensation and Benefits
For the year ended August 31, 2021

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Compensation or Benefit</u>	<u>Payment Frequency</u>	<u>Description</u>	<u>Source of Funds Used</u>	<u>Total Paid During Fiscal Year</u>
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None



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

*Board of Directors
East Fort Worth Montessori Academy*

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 East Fort Worth Montessori School (the "Charter Holder") (a nonprofit organization), which comprise the combined statement of financial position as of August 31, 2020, and the related combined statements of activities and combined cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter Holder's 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 Charter Holder's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Holder's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Holder's 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.

Haynie & Company

Dallas, Texas
January 25, 2022