

A. W. BROWN LEADERSHIP ACADEMY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

TABLE OF CONTENTS

	Page No.
CERTIFICATE OF BOARD	
Independent Auditor's Report	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Independent Auditor's Report on Supplementary Information	16
SUPPLEMENTAL FINANCIAL STATEMENTS	
- Schedule of Expenses for Individual Charter School	17
- Schedule of Capital Assets for Individual Charter School	18
- Budgetary Comparison Schedule for Individual Charter School	19
- Budgetary Variance Explanation	20
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 <i>Government Auditing Standards</i>	22
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	24
Schedule of Findings and Questioned Costs	26
Schedule of Prior Year Findings	27
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29

A. W. BROWN LEADERSHIP ACADEMY
057-816

(Federal Employer Identification Number: 75-2742162)

CERTIFICATE OF BOARD

August 31, 2018

We, the undersigned, certify that the attached Annual Financial and Compliance Report of A.W. Brown Leadership Academy was reviewed and X approved _____ disapproved for the year ended August 31, 2018, at a meeting of the governing body of said charter school on the 24th day of January, 2019.


Signature of Board Secretary


Signature of Board President

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TEXAS 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
A.W. Brown Leadership Academy
Dallas, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of A.W. Brown Leadership Academy (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 A.W. Brown Leadership Academy as of August 31, 2018, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, on our consideration of A.W. Brown Leadership Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the A.W. Brown Leadership Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering A.W. Brown Leadership Academy's internal control over financial reporting and compliance.



Houston, TX
January 23, 2019

A.W. BROWN LEADERSHIP ACADEMY

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 2,484,821	6A
Investments	2,276,716	6B
Amounts due from state	1,630,450	
Other receivables	90,523	
Deposits	10,511	
Prepaid expenses	34,696	
Total Current Assets:	<u>6,527,717</u>	7A

Property & Equipment:

Land	5,232,776	
Buildings and improvements	26,643,180	
Furniture and equipment	4,327,883	
Vehicles	<u>226,000</u>	
	36,429,839	
Less: Accumulated depreciation	<u>(10,098,183)</u>	
	<u>26,331,656</u>	

Other Assets:

Restricted cash - bond trustee	<u>3,102,621</u>	
--------------------------------	------------------	--

Total Assets

\$ 35,961,994 8C

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 387,987	
Interest payable	47,134	
Accrued payroll liabilities	667,139	
Accrued compensated absences	165,544	
Notes Payable	508,359	
Current portion of Bonds Payable	<u>1,300,000</u>	
Total Current Liabilities	<u>3,076,163</u>	7B

Bonds Payable

(net of issuance costs, premium and current portion)

26,274,948 8A

Total Liabilities

29,351,111

Net Assets:

Unrestricted	871,321	
Temporarily Restricted	<u>5,739,562</u>	

Total Net Assets

6,610,883

Total Liabilities and Net Assets

\$ 35,961,994

See accompanying notes to financial statements.

A.W. BROWN LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Local Support:			
5740 Other Revenues from Local Sources	\$ 212,990	\$ 21,107	\$ 234,097
5750 Revenues from Cocurricular Activities	<u>32,814</u>	<u>(23,841)</u>	<u>8,973</u>
Total Local Support	<u>245,804</u>	<u>(2,734)</u>	<u>243,070</u>
State Program Revenues			
5810 Foundation School Program Act Revenues		16,658,627	16,658,627
5820 State Program Revenues Distributed by Texas Education Agency	<u> </u>	<u>15,288</u>	<u>15,288</u>
Total State Program Revenues	<u> </u>	<u>16,673,915</u>	<u>16,673,915</u>
Federal Program Revenues:			
5910 Federal Revenues Distributed by Education Service Center		789,336	789,336
5920 Federal Revenues Distributed by Texas Education Agency		1,285,804	1,285,804
5930 Federal Revenues Distributed by Other State of Texas Government Agency		20,463	20,463
5940 Federal Revenues Distributed Directly From the Federal Government	<u> </u>	<u>58,133</u>	<u>58,133</u>
Total Federal Program Revenues	<u> </u>	<u>2,153,736</u>	<u>2,153,736</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>18,803,359</u>	<u>(18,803,359)</u>	
Total Revenues	<u>19,049,163</u>	<u>21,558</u>	<u>19,070,721</u>
EXPENSES			
11 Instruction	11,389,709		11,389,709
13 Curriculum Development and Instructional Staff Development	31,945		31,945
23 School Leadership	1,080,882		1,080,882
31 Guidance, Counseling, and Evaluation	136,000		136,000
33 Health Services	96,347		96,347
34 Student (Pupil) Transportation	107,345		107,345
35 Food Services	1,119,896		1,119,896
36 Cocurricular/Extracurricular Activities	173,847		173,847
41 General Administration	1,642,738		1,642,738
51 Plant Maintenance and Operations	1,556,353		1,556,353
52 Security and Monitoring Services	279,720		279,720
53 Data Processing Services	330,949		330,949
71 Debt Services	<u>1,103,432</u>		<u>1,103,432</u>
Total Expenses	<u>19,049,163</u>		<u>19,049,163</u>
Change in Net Assets Prior to Loss		<u>21,558</u>	<u>21,558</u>
Loss on Retirement of Debt	<u>54,470</u>		<u>54,470</u>
Total Change in Net Assets After Loss	<u>(54,470)</u>	<u>21,558</u>	<u>(32,912)</u>
Net Assets, Beginning of Year	<u>925,791</u>	<u>5,718,004</u>	<u>6,643,795</u>
Net Assets, End of Year	<u>\$ 871,321</u>	<u>\$ 5,739,562</u>	<u>\$6,610,883</u>

19A

LC: 19B

See accompanying notes to financial statements.

A.W. BROWN LEADERSHIP ACADEMY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2018

Cash Flows from Operating Activities	
Increase (Decrease) in Net Assets	\$ (32,912)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities	
Depreciation and Amortization	1,156,127
Unrealized (Gain) Loss on Investments	23,841
(Increase) Decrease in Grants Receivables	(47,560)
(Increase) Decrease in Other Receivables	(90,413)
(Increase) Decrease in Prepaid Expenses	130,256
Increase (Decrease) in Accounts Payable	(458,944)
Increase (Decrease) in Interest Payable	4,909
Increase (Decrease) in Accrued Payroll Liabilities	127,054
Increase (Decrease) in Compensated Absences	<u>(8,315)</u>
Total Adjustments	<u>836,955</u>
Net Cash Provided (Used) by Operating Activities	<u>804,043</u>
Cash Flows from Investing Activities	
Purchase of Securities	(92,133)
Sale of Securities	1,982,555
Purchase of Fixed Assets	<u>(3,400,799)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,510,377)</u>
Cash Flows from Financing Activities	
Proceeds from Debt	1,800,000
Net Proceeds from Restricted Cash - Bond Trustee	2,098,078
Repayment of Debt	(2,598,898)
Debt Issuance Costs Paid	(283,700)
Loss on Extinguishment of Debt	<u>54,470</u>
Net Cash Provided (Used) by Financing Activities	<u>1,069,950</u>
NET INCREASE (DECREASE) IN CASH	363,616
CASH AT BEGINNING OF YEAR	<u>2,121,205</u>
CASH AT END OF YEAR	<u>\$ 2,484,821</u>
Supplemental Disclosures of Cash Flow Information	
Cash Paid During the Year for:	
Interest	<u>\$ 993,837</u>

T10 D2

T10 D1

See accompanying notes to financial statements.

A. W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

A. Organization

A.W. Brown Leadership Academy (formerly known as A.W. Brown Fellowship Leadership Academy) is an open enrollment charter school, which opened in August 1999. The Contract for Charter was granted by the State Board of Education of the State of Texas pursuant to Chapter 12 of the Texas Education Code, which expired July 31, 2013. The Charter School's charter has been renewed through July 31, 2026.

The Charter School's programs include classroom instruction with funding provided by Public Charter School's Foundation Formula, School Breakfast/Lunch Programs, Title I Part A, Title II, Title III, and IDEA-B program.

The Charter School is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, the financial statements do not include a provision for income taxes.

B. Summary of Significant Accounting Policies

The general purpose financial statements of A. W. Brown Leadership Academy (the "Charter School") were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The charter holder's sole purpose is to operate the A. W. Brown Leadership Academy.

Reporting Entity

The Charter School is a not-for-profit organization incorporated in the State of Texas in July 1999, as A. W. Brown Fellowship Educational Learning Center, which has as its sole operations the A.W. Brown Leadership Academy charter school, and then in 2012 it changed its name to A. W. Brown Fellowship Leadership Academy. The name was changed once more in 2017 to the A.W. Brown Leadership Academy. A Board of Directors comprised of seven members governs the Charter School. The Board of Directors is selected pursuant to the bylaws of the Charter School and has the authority to make decisions, appoint the chief executive officer of the Charter School, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Charter School. Since the Charter School received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Basis of Presentation

The accompanying general purpose financial statements represent the only activity of the Charter School and have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management made certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

A. W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

B. Summary of Significant Accounting Policies (continued)

Unrestricted - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted - net assets subject to donor-imposed stipulations or otherwise restricted that may or will be met, either by actions of the Charter School, and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - net assets required to be maintained in perpetuity with only the income to be used for the charter school's activities due to donor-imposed restrictions.

Presentation of Debt Issuance Costs

The Charter School presents debt issuance costs within the statement of financial position as a direct deduction from the face amount of the debt. Amortization of debt issuance costs is reported as interest expense. Debt issuance costs are recognized at historical cost as incurred. The cost of issuance of bonds is amortized over the life of each bond. The Charter School nets issuance costs against long-term bonds payable amounts.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted 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 temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and investment instruments with an original maturity of three months or less are considered to be cash equivalents.

Receivables

Accounts receivable are presented net of estimated allowances for doubtful amounts. The Charter School's policy is to write-off receivables as they are deemed uncollectible or as notified by grantor agencies. All federal and state receivable amounts due at August 31, 2018 are considered fully collectible. Therefore, management has not recorded an allowance for the federal and state receivables that pass through the Texas Education Agency (TEA).

A. W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

B. Summary of Significant Accounting Policies (continued)

Capital Assets and Other Assets

T6D
Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general purpose and specific purpose financial statements. Capital assets are defined by the Charter School as assets with an individual cost of more than \$500. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to forty years, using the straight-line method of depreciation. Depreciation for the year totaled \$1,095,968. 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.

Compensated Absences

The Charter School's full-time instructional employees accumulate, and vest vacation leave at varying rates depending on longevity. Managerial and part-time staff do not accumulate or vest vacation leave. Accumulated vacation leave cannot exceed 160 hours.

Estimates

Management has elected to use generally accepted accounting principles and in doing so is required to use estimates in certain account balances and notes to the financial statements. Actual results could differ from those estimates.

Fair Value

Fair value of assets and liabilities approximate the carrying value.

Fair Value Measurements

FASB ASC 820 *Fair Value Measurement* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2: Significant direct or indirect, observable inputs other than quoted prices;

Level 3: Unobservable inputs based on assumptions of the reporting entity.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A. W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

C. Cash Equivalents and Restricted Cash

Unrestricted cash at August 31, 2018 is comprised of \$2,484,821 deposited with financial institutions. The Federal Depository Insurance Corporation (FDIC) insures these bank deposits to certain limits. \$940,813 of unrestricted cash deposits were fully insured by the FDIC at August 31, 2018 and \$1,544,008 was unsecured.

Restricted cash balances of \$3,102,621 are related to restricted bond debt service accounts that are held in the required separate bank accounts.

D. Notes Payable:

The organization's obligations under notes payable consists of the following:

Note payable to the American National Bank of Texas. The note is dated November 15, 2017, at a variable Prime Rate of interest currently computed as 5.25%. The note is payable on demand with monthly payments of interest. The date of maturity is November 15, 2018. The note is secured by securities held in investment accounts of the Charter School. \$ 508,359

E. Bonds Payable

Series 2016A- \$18,580,000 Tax-Exempt Education Revenue Bonds With Arlington Higher Education Finance Corporation secured by Permanent School Fund (PSF). Semi-annual coupon rates between 2% -4% and final maturity in 2042. \$ 17,300,000

Series 2016B - \$1,615,000 Taxable Education Revenue Bonds with Arlington Higher Education Finance Corporation. Secured by PSF. 2.0% coupon rate and final maturity in 2022. 1,055,000

Series 2017A - \$2,705,000 Education Revenue Refunding Bonds with Arlington Higher Education Finance Corporation secured by PSF. Semi-annual coupon rates between 2% - 5% and final maturity in 2025. 2,500,000

Series 2017B - \$6,650,000 Education Revenue Bonds with Arlington Higher Education Finance Corporation secured by PSF. Semi-annual Coupon rates between 3.5% - 4% and final maturity in 2047. 6,650,000

Total debt	27,505,000
Plus net of premiums and discount on bonds payable	1,836,862
Less unamortized costs of issuance	(1,766,914)
Less current portion of debt	(1,300,000)
	<u>\$ 26,274,948</u>

A. W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

E. Bonds Payable (continued)

The Charter School closed on November 30, 2017, \$2,705,000 of Arlington Higher Education Finance Corporation Education Revenue Refunding Bonds Series 2017A and \$6,650,000 in Education Revenue Bonds, Series 2017B bonds. The 2017A series bonds had a premium of \$376,449 and the 2017B series bonds had a discount of \$18,070. The Charter School supplemented the bond proceeds with a contribution of \$295,669. Debt and reserve fund proceeds were employed as follows: wire transfer to beneficiary for refunding of 2011Q bonds in the amount of \$3,691,717; retention of \$6,253,000 in a project fund for the acquisition of a building for administrative offices, renovation and improvement of existing campuses, and payment of issuance costs. The stated interest rates for Series 2017A range from 2% to 5% with an effective yield of 1.090% and 2.160% for respective maturities of the bonds. The stated interest rates for Series 2017B range from 3.65% to 4.0% with an effective yield between 3.110% and 3.65%. Principal and interest is paid semi-annually on February 15th and August 15th for both bond issues. A.W. Brown has applied for and has been granted conditional approval for participation in the Permanent School Fund Guarantee Program by the Texas Education Agency ("TEA"), guaranteeing payment of the bonds by the corpus of the state's Permanent School Fund.

Bond Issue Costs and Loss for Early Debt Extinguishment

A.W. Brown recorded a loss related to the extinguishment of 2011Q bonds in the amount of \$54,470. Issuance costs for the 2017A and 2017B bond issues totaled \$190,489 and \$573,841, respectively. Bond premiums and discounts related to the 2017A and 2017B bond issues totaled \$376,449 and \$18,070, respectively. The costs are being amortized over the respective lives of each outstanding bond series using the straight-line method.

Debt Covenants

The Series 2016 and 2017 bonds have multiple debt covenants as outlined by the "Master Trust Indenture and Security Agreement" (the Agreement) between the Charter School and the Trustee. These debt covenants include, but are not limited to the following: meeting certain debt service coverage ratios and providing audited financial statements at fiscal year-end. Non-compliance with debt covenants may be considered an "Event of Default" as defined by the Agreement and may, under certain circumstances, make all outstanding bond debt due immediately. Management believes the Charter School was in compliance with all covenants contained in bond agreements for the year ended August 31, 2018.

A.W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

E. Bonds Payable (continued)

Schedule of future principal and interest requirements are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,300,000	\$ 1,057,050	\$ 2,357,050
2020	1,350,000	1,014,900	2,364,900
2021	1,390,000	963,900	2,353,900
2022	885,000	910,150	1,795,150
2023	1,085,000	853,950	1,938,950
Thereafter	<u>21,495,000</u>	<u>10,039,225</u>	<u>31,534,225</u>
	27,505,000	<u>\$ 14,839,175</u>	<u>\$ 42,344,175</u>
Plus premium on bonds	1,854,476		
Less discount on bonds	(17,614)		
Less issuance costs	<u>(1,766,914)</u>		
Total Debt, as presented	<u>\$ 27,574,948</u>		

F. Revolving Line of Credit

The Charter School has a \$500,000 revolving line of credit that did not carry a balance at August 31, 2018. Interest related to bank advances on the credit line is payable on a monthly basis and is computed as the lender's variable prime rate plus 1%. An investment account held with the lending institution has been pledged as collateral against the line of credit. The full amount of advances obtained under the line of credit are due on demand.

G. Operating Lease Commitment

The Charter School leases facilities under non-cancelable operating leases. The minimum annual lease commitment is as follows:

<u>Twelve months ending August 31,</u>	<u>Amount</u>
2019	\$ 92,943
2020	64,957
2021	64,957
2022	10,826
2023	-
Total	<u>\$ 233,683</u>

Operating lease expense amounted to \$244,696 for the year ended August 31, 2018.

A.W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

H. Health Care Coverage

During the year ended August 31, 2018, employees of the Charter School were covered by a Health Insurance Plan (the Plan). The Charter School contributed \$225 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.

I. Pension Plan Obligations

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.

The plan 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.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district ("ISD") may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2018 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2018	ABO 2018	Percent Funded
TRS	\$ 176,942,454,000	\$ 209,611,329,000	73.74%

A.W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

I. Pension Plan Obligations (continued)

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% 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 year, the period would be increased by such action. State law provides for a member contribution rate of 7.7% for the 2018 fiscal period. The state's contribution rate as a non-employer contributing entity was 6.8% in 2018. The Charter School's employees' contributions to the system for the year ended August 31, 2018 were \$873,374, 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 were contributed at a rate of 6.8% totaling \$79,355 for the year ended August 31, 2018. The Charter School's contributions into this plan do not represent more than 5% of the total contributions to the plan. The charter school was assessed pension surcharges totaling \$18,476.

J. Temporarily Restricted Net Assets

Temporarily restricted net assets at August 31, 2018, are available for the following periods:

<u>Periods after August 31, 2018</u>	
State restricted funds	\$ 5,739,562
Total restricted funds	<u>\$ 5,739,562</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

<u>Texas Education Agency</u>	
State Funds	\$ 16,649,623
Federal Funds	2,095,603
Q-series Bond	<u>58,133</u>
Total Restrictions Released	<u>\$ 18,803,359</u>

The Charter School has no permanently restricted net assets at August 31, 2018.

A.W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

K. Related Parties

The Charter School has contracted with an educational foundation that the school created 10 years ago to provide afterschool and childcare services for some of the Charter School's students. Non-director employees of the Charter School manage and direct the educational foundation, which was designed to raise money for student scholarships. The Charter School paid the educational foundation \$106,606 in the fiscal year for managing the student care program.

L. Donated Goods and Services

Donated goods or services are not recorded at fair value on the date of contribution. The Board has implemented the securing of a separate entity to raise funds for the Charter School and student scholarships. The Charter School had no significant goods donations, nor donated skilled services for fiscal year 2018.

M. Commitments and Contingencies

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

The Charter School is subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management, any liability resulting from such proceedings, and any legal expenses incurred in defending itself from legal claims, would not have a material adverse effect on the financial statements.

N. Concentrations

The Charter School receives substantially all of its funding from state and federal agencies passed through the Texas Education Agency (TEA). Approximately 95 percent of receivables at August 31, 2018 were due from TEA. Major asset acquisitions are financed primarily with the use of state funds. Title to these assets may revert to the resource provider in the event of an adverse regulatory action. The Charter School's classes are dependent primarily on students from a specific geographical area. The students have choices of charter, private and public schools.

A.W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2018

O. Investments

Investment balances within the fair value hierarchy at August 31, 2018 are as follows:

	Fair Value Measurements at August 31, 2018			
	Quoted Price In Active Markets Identical Assets Level 1	Significant Observable Other Inputs Level 2	Significant Unobservable Inputs Level 3	Totals
Cash/Money Market	\$ 588,054	\$	\$	\$ 588,054
Fixed Income	1,499,978			1,499,978
Equities	74,488			74,488
Mutual Funds	114,196			114,196
Exchange-Traded products	-			-
Total Investments at Fair Value:	<u>\$ 2,276,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,276,716</u>

Net unrealized losses and investment account fees for the year totaled \$23,841 and \$37,677, respectively.

P. Subsequent Events

The Charter School's management has evaluated subsequent events through January 23, 2019, which is the day these statements were available to be issued.

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TEXAS 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
A.W. Brown Leadership Academy
Dallas, Texas

We have audited the financial statements of A.W. Brown Leadership Academy as of and for the year ended August 31, 2018, and our report thereon dated January 23, 2019, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules for Individual Charter School dated August 31, 2018, and appearing on pages 17 to 21, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Houston, TX
January 23, 2019

A.W. BROWN LEADERSHIP ACADEMY

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2018

Expenses

6100 Payroll Costs	\$ 13,181,202
6200 Professional and Contracted Services	1,894,531
6300 Supplies and Materials	1,217,787
6400 Other Operating Costs	1,652,211
6500 Debt Service	<u>1,103,432</u>

Total Expenses	<u>\$ 19,049,163</u>
----------------	----------------------

T13

See accompanying notes to financial statements.

A.W. BROWN LEADERSHIP ACADEMY

SCHEDULE OF CAPITAL ASSETS

FOR THE YEAR ENDED AUGUST 31, 2018

	Ownership Interest		
	Local	State	Federal
1110 Cash and Temporary Investments	\$ 237,254	\$ 2,247,567	\$
1510 Land Purchase and Improvements		5,232,776	
1520 Buildings and Improvements	39,628	25,854,885	748,667
1531 Vehicles		226,000	
1539 Furniture and Equipment	89,667	3,328,725	909,491
Total Property and Equipment	<u>\$ 366,549</u>	<u>\$36,889,953</u>	<u>\$ 1,658,158</u>

See accompanying notes to financial statements.

A.W. BROWN LEADERSHIP ACADEMY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>from Final</u> <u>Budget</u>
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 72,500	\$ 207,994	\$ 234,097	\$ 26,103
5750 Revenues from Cocurricular Activities	<u>44,500</u>	<u>41,500</u>	<u>8,973</u>	<u>(32,527)</u>
Total Local Support	117,000	249,494	243,070	(6,424)
State Program Revenues:				
5810 Foundation School Program Act Revenues	18,553,156	17,229,121	16,658,627	(570,494)
5820 State Program Revenues Distributed by				
Texas Education Agency	<u>442,080</u>	<u>7,080</u>	<u>15,288</u>	<u>8,208</u>
Total State Program Revenues	18,995,236	17,236,201	16,673,915	(562,286)
Federal Program Revenues:				
5910 Federal Revenues Distributed by				
Education Service Center		754,356	789,336	34,980
5920 Federal Revenues Distributed by				
Texas Education Agency	2,490,458	1,426,662	1,285,804	(140,858)
5930 Federal Revenues Distributed by				
Other State of Texas Government Agency			20,463	20,463
5940 Federal Revenues Distributed Directly				
From the Federal Government	<u>2,490,458</u>	<u>48,886</u>	<u>58,133</u>	<u>9,247</u>
Total Federal Program Revenues	2,490,458	2,229,904	2,153,736	(76,168)
Total Revenues	<u>21,602,694</u>	<u>19,715,599</u>	<u>19,070,721</u>	<u>(644,878)</u>
EXPENSES				
11 Instruction	11,838,979	10,922,407	11,389,709	(467,302)
13 Curriculum Development and Instructional				
Staff Development	55,000	85,000	31,945	53,055
23 School Leadership	48,000	1,180,508	1,080,882	99,626
31 Guidance, Counseling, and Evaluation Services	20,000	196,307	136,000	60,307
33 Health Services	108,100	107,600	96,347	11,253
34 Student (Pupil) Transportation	78,800	68,800	107,345	(38,545)
35 Food Service	1,244,466	1,158,570	1,119,896	38,674
36 Cocurricular/Extracurricular Activities	169,500	175,500	173,847	1,653
41 General Administration	1,706,092	1,794,797	1,642,738	152,059
51 Plant Maintenance and Operations	1,876,529	1,581,224	1,556,353	24,871
52 Security and Monitoring Services	300,000	300,000	279,720	20,280
53 Data Processing Services	267,600	364,600	330,949	33,651
71 Debt Services	<u>1,043,061</u>	<u>1,221,423</u>	<u>1,103,432</u>	<u>117,991</u>
Total Expenses	<u>18,756,127</u>	<u>19,156,736</u>	<u>19,049,163</u>	<u>107,573</u>
Change in Net Assets Prior to Loss	<u>2,846,567</u>	<u>558,863</u>	<u>21,558</u>	<u>(537,305)</u>
Loss on Retirement of Debt			(54,470)	(54,470)
Total Change in Net Assets After Loss	<u>2,846,567</u>	<u>558,863</u>	<u>(32,912)</u>	<u>(591,775)</u>
Net Assets, Beginning of Year	<u>6,643,795</u>	<u>6,643,795</u>	<u>6,643,795</u>	
Net Assets, End of Year	<u>\$ 9,490,362</u>	<u>\$ 7,202,658</u>	<u>\$ 6,610,883</u>	<u>\$ (591,775)</u>

See accompanying notes to financial statements.

A.W. BROWN LEADERSHIP ACADEMY
BUDGETARY VARIANCE EXPLANATION
FOR THE YEAR ENDED AUGUST 31, 2018

MATERIAL BUDGET VARIANCE REVENUE

(1) The following is an explanation of the 10% variances from original budget to final budget reported on the Budgetary Comparison Schedule for the year ending August 31, 2018.

Object 5740 – The Charter School anticipated higher returns on investments and made corrections to object codes.

Object 5820 – The Charter School corrected object codes.

Object 5910 – The Charter School corrected object codes.

Object 5920 – The Charter School corrected object codes.

Object 5930 – The Charter School corrected object codes.

Object 5940 – The Charter School corrected object codes.

MATERIAL BUDGET VARIANCE EXPENDITURES

(2) The following is an explanation of the 10% variances from original budget to final budget reported on the Budgetary Comparison Schedule for the year ending August 31, 2018.

Function 13 – Additional programs for curriculum and development added by school leadership.

Function 23 – Additional programs for curriculum and development added by school leadership.

Function 31 – Additional programs for curriculum and development added by school leadership.

Function 51 – An amendment to expand to additional location was not approved.

Function 71 – Extinguishment of debt.

MATERIAL BUDGET VARIANCE REVENUE

(1) The following is an explanation of the 10% variances from final budget to actual revenue reported on the Budgetary Comparison Schedule for the year ending August 31, 2018.

Object 5740 – Higher returns than anticipated on investments.

Object 5750 – Reduction in extra-curricular programs.

Object 5820 – The Charter School corrected object codes.

Object 5930 – The Charter School corrected object codes.

Object 5940 – The Charter School corrected object codes.

**A.W. BROWN LEADERSHIP ACADEMY
BUDGETARY VARIANCE EXPLANATION
FOR THE YEAR ENDED AUGUST 31, 2018**

MATERIAL BUDGET VARIANCE EXPENDITURES

(2) The following is an explanation of the 10% variances from final budget to actual expenses reported on the Budgetary Comparison Schedule for the year ending August 31, 2018.

Function 13 – Contractor services were ended prior to projected deadline.

Function 31 – An employee retired prior to school end.

Function 34 – The Charter School provided transportation for Hurricane Harvey students.

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TEXAS 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

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
A.W. Brown Leadership Academy
Dallas, Texas

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 A.W. Brown Leadership Academy (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018, 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 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered A.W. Brown Leadership Academy'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 A.W. Brown Leadership Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the A.W. Brown Leadership Academy'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 A.W. Brown Leadership Academy'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.

A handwritten signature in cursive script that reads "Loney & Company". The signature is written in black ink and is positioned above the printed text of the firm's name.

Houston, TX
January 23, 2019

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TEXAS 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

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
A.W. Brown Leadership Academy
Dallas, Texas

Report on Compliance for Each Major Federal Program

We have audited A.W. Brown Leadership Academy's (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of A.W. Brown Leadership Academy's major federal programs for the year ended August 31, 2018. A.W. Brown Leadership 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 A.W. Brown Leadership 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 Requirements, 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 A.W. Brown Leadership 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 A.W. Brown Leadership Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, A.W. Brown Leadership 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, 2018.

Report on Internal Control over Compliance

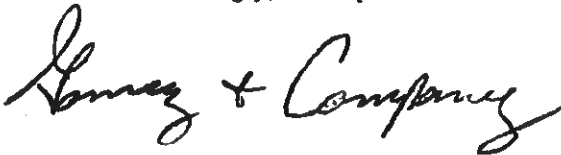
Management of A.W. Brown Leadership Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

In planning and performing our audit of compliance, we considered A.W. Brown Leadership Academy's 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 A.W. Brown Leadership Academy's 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.



Houston, TX
January 23, 2019

A.W. BROWN LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses on internal control over financial statements.
3. No instances 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 or material weaknesses on internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any audit findings which are required to be reported in accordance with 2 CFR section 200.516(a).
7. Major programs:

U.S. Department of Agriculture	
Passed – Through Texas Education Agency	
National School Lunch Program*	CFDA Number 10.555
School Breakfast Program*	CFDA Number 10.553
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. A.W. Brown Leadership Academy qualifies as a low-risk auditee.

<u>Current Year Findings</u>	<u>Questioned Cost</u>
No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516 (a).	\$-0-

* Denotes cluster

A.W. BROWN LEADERSHIP ACADEMY
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

No findings were noted as per governmental auditing standards and 2 CFR section 200.516 (a) for the year ended August 31, 2017.

A.W. BROWN FELLOWSHIP LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed - Through Texas Education Agency:			
Idea - B Formula	84.027A	186600010578166000	\$ 365,325
Idea - B Preschool	84.173A	186610010578166000	7,311
<u>U.S. Department of Education</u>			
Passed - Through Education Service Center:			
Title I, Part A, School Improvement	84.010A	18610101057950	688,597
Title II, Part A, Teacher/Principal Training & Recruiting	84.367A	18694501057950	84,306
Title III, Part A, English Language Acquisitions and Language Enhancement	84.365A	18671003057950	3,319
Title IV, Part A, Subpart 1	84.424A	18680101057950	<u>13,114</u>
Total U.S. Department of Education			<u><u>1,161,972</u></u>
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
School Breakfast	10.553	71401701	18,881
School Breakfast	10.553	71401801	168,186
National School Lunch	10.555	71301701	78,602
National School Lunch	10.555	71301801	586,333
Passed - Through Texas Department of Agriculture			
Child and Adult Care Food Program	10.558		20,463
USDA Commodity Food Distribution	10.555		<u>61,166</u>
Total U.S. Department of Agriculture			<u><u>933,631</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 2,095,603</u></u>

A.W. BROWN LEADERSHIP ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal award activity of A.W. Brown Leadership Academy under programs of the federal government for the year ended August 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal 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 operation of A.W. Brown Leadership Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of A.W. Brown Leadership Academy.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

A.W. Brown Leadership Academy has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 – OTHER SOURCES OF FEDERAL REVENUES

Other sources of federal revenues are \$58,133 in tax credits for qualifying bonds, which are not includible in the Schedule of Expenditures of Federal Awards (SEFA).

Reconciliation of Federal Revenues and (SEFA):

Total expenditure of federal awards per the SEFA	\$ 2,095,603
Q-Series Bond Subsidy Revenue/Expenditures	<u>58,133</u>
Total federal revenues per the Statement of Activities	<u>\$ 2,153,736</u>