

A. W. BROWN LEADERSHIP ACADEMY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020

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A. W. BROWN LEADERSHIP ACADEMY
057-816

(Federal Employer Identification Number: 75-2742162)

CERTIFICATE OF BOARD

August 31, 2020

We, the undersigned, certify that the attached Annual Financial and Compliance Report of A.W. Brown Leadership Academy was reviewed and approved disapproved for the year ended August 31, 2020, at a meeting of the governing body of said charter school on the 16th day of February, 2021.


Signature of Board Secretary


Signature of Board President

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020, and the related statements of activities, functional expenses, 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, 2020, 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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 schedule of expenditures of federal awards 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 February 12, 2021, 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 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
February 12, 2021

A.W. BROWN LEADERSHIP ACADEMY
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2020

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,630,021
Investments	1,518,679
Amounts due from State	1,119,056
Other Receivables	10,201
Deposits	10,511
Prepays	4,663
Total Current Assets	4,293,131
Property and Equipment	
Land	5,232,776
Building and Improvements	26,391,583
Furniture and Equipment	4,552,730
Vehicles	226,000
Construction in Progress	1,120,045
	37,523,134
Less: Accumulated Depreciation	(12,404,196)
	25,118,938
Other Assets	
Restricted cash- bond trustee	2,335,009
TOTAL ASSETS	\$ 31,747,078
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 31,132
Interest Payable	41,744
Accrued Payroll Liabilities	795,254
Current Portion of Bonds Payable	1,390,000
Total Current Liabilities	2,258,130
Long-term Liabilities	
Bonds Payable net of Premium, Issuance Costs, and Current Portion	23,549,706
Total Long-term Liabilities	23,549,706
TOTAL LIABILITIES	25,807,836
Net Assets	
Without Donor Restrictions	956,108
With Donor Restrictions	4,983,134
TOTAL NET ASSETS	5,939,242
TOTAL LIABILITIES AND NET ASSETS	\$ 31,747,078

See accompanying notes to financial statements.

A.W. BROWN LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Local Support:			
Other Revenues from Local Sources	\$ 109,321	\$ 176,356	\$ 285,677
Interest Income	15,931	247,146	263,077
Total Local Support	<u>125,252</u>	<u>423,502</u>	<u>548,754</u>
State Program Revenues	-	14,092,352	14,092,352
Total State Program Revenues	<u>-</u>	<u>14,092,352</u>	<u>14,092,352</u>
Federal Program Revenues	-	1,389,750	1,389,750
Total Federal Program Revenues	<u>-</u>	<u>1,389,750</u>	<u>1,389,750</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	16,184,222	(16,184,222)	-
Total Revenues	<u>16,309,474</u>	<u>(278,618)</u>	<u>16,030,856</u>
Expenses			
Program Services			
Instruction and Instructional-Related Services	9,517,350	-	9,517,350
Instructional and School Leadership	1,142,460	-	1,142,460
Support Services- Student (Pupil)	1,019,804	-	1,019,804
Ancillary Services	-	-	-
Total Program Services	<u>11,679,614</u>	<u>-</u>	<u>11,679,614</u>
Support Services			
Administrative Support Services	1,168,815	-	1,168,815
Support Services- Non-Student Based	2,382,871	-	2,382,871
Debt Service	993,387	-	993,387
Total Support Services	<u>4,545,073</u>	<u>-</u>	<u>4,545,073</u>
Total Expenses	<u>16,224,687</u>	<u>-</u>	<u>16,224,687</u>
Change in Net Assets	<u>84,787</u>	<u>(278,618)</u>	<u>(193,831)</u>
Net Assets, Beginning of Year	<u>871,321</u>	<u>5,261,752</u>	<u>6,133,073</u>
Net Assets, End of Year	<u>\$ 956,108</u>	<u>\$ 4,983,134</u>	<u>\$ 5,939,242</u>

See accompanying notes to financial statements.

A.W. BROWN LEADERSHIP ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

Expenses	<u>Program Expense</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 8,251,322	\$ 1,006,762	\$ 9,258,084
Payroll taxes	173,368	6,928	180,296
Employee benefits	630,357	29,343	659,700
Rental Expense	500	73,310	73,810
Maintenance and Repairs	2,141	313,706	315,847
Utilities	-	369,253	369,253
Supplies	747,039	124,790	871,829
Travel	12,036	3,371	15,407
Equipment Lease	126,194	-	126,194
Insurance	-	182,665	182,665
Professional Fees	478,807	1,036,527	1,515,334
Interest	-	872,063	872,063
Other	132,057	405,031	537,088
Amortization	-	121,324	121,324
Depreciation	1,125,793	-	1,125,793
Total Expenses	<u><u>\$ 11,679,614</u></u>	<u><u>\$ 4,545,073</u></u>	<u><u>\$ 16,224,687</u></u>

See accompanying notes to financial statements.

A.W. BROWN LEADERSHIP ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ (193,831)
Adjustments to Reconcile Increase (Decrease) in Net	
Assets to Net Cash provided (Used) by Operating Activities	
Depreciation expense	1,125,793
Amortization expense	121,324
Unrealized (Gain) Loss on Investments	(13,008)
(Increase) Decrease in Grants Receivable	761,588
(Increase) Decrease in Other Receivable	(6,232)
(Increase) Decrease in Prepaid Expenses	135,201
Increase (Decrease) in Accounts Payable	(308,013)
Increase (Decrease) in Accrued Payroll Liabilities	93,834
Increase (Decrease) in Interest Payable	(3,849)
Increase (Decrease) in Deferred Revenue	(2,739)
Net Amortization of Premium and Bond Discount	(113,945)
Total Adjustments	<u>1,789,954</u>
Net Cash Provided (Used) by Operating Activities	<u>1,596,123</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	<u>(292,623)</u>
Net Cash Provided (Used) By Investing Activities	<u>(292,623)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Net Transfers to Restricted Cash- Bond Trustee	395,109
Repayment of Debt	<u>(1,350,000)</u>
Net Cash Provided (Used) By Financing Activities	<u>(954,891)</u>
NET INCREASE (DECREASE) IN CASH	348,609
CASH AT BEGINNING OF YEAR	<u>1,281,412</u>
CASH AT END OF YEAR	<u><u>\$ 1,630,021</u></u>
Supplemental Disclosures of Cash Flow Information	
<u>Cash Paid During the Year for:</u>	
Interest	<u><u>\$ 872,063</u></u>

A. W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

A. Organization:

A.W. Brown Leadership Academy (“the 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 Academy’s charter has been renewed through July 31, 2026.

The Academy’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 Academy 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 the Academy were prepared in conformity with accounting principles generally accepted in the United States of America. 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 Academy 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 five members governs the Academy. The Board of Directors is selected pursuant to the bylaws of the Academy 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 Academy. Since the Academy receives 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 have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

A. W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

B. Summary of Significant Accounting Policies: (Continued)

Classification of Net Assets

The Academy reports its financial information based on the *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-205 Presentation of Financial Statements*. Under *FASB ASC 958-205*, an organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets of the Academy are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Academy. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

On occasion, the governing board may designate a portion of net assets without donor restrictions for a specific purpose. Designated net assets are not governed by donor-imposed restrictions and may be reversed by the governing board at any time.

Presentation of Debt Issuance Costs

The Academy 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 Academy nets issuance costs against long-term bonds payable amounts.

Contributions

In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-605 Revenue Recognition*, contributions received are recorded as with donor restrictions and without donor restrictions support depending on the existence or nature of any donor restrictions.

A. W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

B. Summary of Significant Accounting Policies: (Continued)

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 Academy'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, 2020 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).

Capital Assets and Other Assets

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 Academy 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 \$1,125,793. 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 Academy ended its practice of accumulating and vesting employees' vacation leave at varying rates depending on longevity. Employees were compensated for prior vacation leave and a liability for compensated absences was no longer recognized at August 31, 2020.

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.

A. W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

B. Summary of Significant Accounting Policies: (Continued)

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.

Income Taxes

The Academy qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff, or other reasonable methods for allocating the Academy's multiple functional expenditures.

C. Cash Equivalents and Restricted Cash:

Unrestricted cash at August 31, 2020 is comprised of \$1,630,021 deposited with financial institutions. The Federal Depository Insurance Corporation (FDIC) insures these bank deposits to certain limits. \$510,501 of unrestricted cash deposits were fully insured by the FDIC at August 31, 2020 and \$1,119,520 was unsecured.

Restricted cash balances of \$2,335,009 are related to restricted bond debt service accounts that are held in the required separate bank accounts.

A. W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

D. Liquidity and Availability of Financial Assets:

The following reflects the Academy'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:

Financial assets at year-end:		
Cash and cash equivalents	\$	1,630,021
Investments		1,518,679
Grants and other receivables		1,129,257
Total financial assets		<u>4,277,957</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u><u>4,277,957</u></u>

The Academy manages its liquid assets conservatively within standard depository bank accounts at national banks. Cash is managed to provide sufficient funds for meeting program expenditures of the Academy. Excess cash is invested in short-term investments such as certificates of deposit that have maturity dates of less than three months.

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.	\$	15,700,000
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.		580,000
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.		1,925,000
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.		<u>6,650,000</u>
Total debt		<u>24,855,000</u>
Plus net of premiums and discount on bonds payable		1,608,972
Less unamortized costs of issuance		(1,524,266)
Less current portion of debt		<u>(1,390,000)</u>
	\$	<u><u>23,549,706</u></u>

A. W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

E. Bonds Payable: (Continued)

The Academy 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.

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 Academy 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. The Academy maintained a debt service coverage ratio that was in compliance with the required amount for the year ended August 31, 2020.

Schedule of future principal and interest requirements are as follows:

Fiscal Years	Principal	Interest	Total
2021	\$ 1,390,000	\$ 926,400	\$ 2,316,400
2022	885,000	871,450	1,756,450
2023	1,085,000	840,250	1,925,250
2024	1,440,000	793,000	2,233,000
2025	1,540,000	731,250	2,271,250
Thereafter	18,515,000	8,588,775	27,103,775
	24,855,000	\$ 12,751,125	\$ 37,606,125
Plus premium on bonds	1,625,372		
Less discount on bonds	(16,400)		
Less issuance costs	(1,524,266)		
Total Debt, as presented	\$ 24,939,706		

A.W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

F. Operating Lease Commitment:

The Academy 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>
2021	\$ 216,564
2022	123,794
2023	117,855
2024	98,212
2025	25,313
Thereafter	-
Total	<u>\$ 581,738</u>

Operating lease expense amounted to \$200,004 for the year ended August 31, 2020.

G. Health Care Coverage:

During the year ended August 31, 2020, employees of the Academy were covered by a Health Insurance Plan (the Plan). The Academy 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.

H. Pension Plan Obligations:

Plan Description

The Academy 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.

A.W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

H. Pension Plan Obligations: (Continued)

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, 2020 provided the following information:

Pension Fund	Total Plan Assets 2020	Total Pension Liability 2020	Percent Funded
TRS	\$ 184,361,871,000	\$ 218,974,205,000	75.54%

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 2020 fiscal period. The state’s contribution rate as a non-employer contributing entity was 7.5% in 2020. The Academy’s employees’ contributions to the system for the year ended August 31, 2020 were \$ 688,898, equal to the required contributions for the year.

Other contributions made from federal and private grants and from the Academy for salaries above the statutory minimum were contributed at a rate of 7.5% totaling \$ 32,424 for the year ended August 31, 2020. The Academy’s contributions into this plan do not represent more than 5% of the total contributions to the plan. The Academy was assessed pension surcharges totaling \$ 778.

A.W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

I. Net Assets with Donor Restrictions:

Net assets with donor restrictions at August 31, 2020 are restricted as follows:

Subject to expenditure for specified purposes:

State-financed general charter school activities	\$ 4,983,134
Total restricted funds	<u>\$ 4,983,134</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:

State Funds	\$ 14,794,472
Federal Funds	1,389,750
Total Restrictions Released	<u>\$ 16,184,222</u>

J. Commitments and Contingencies:

The Academy is subject to lawsuits, administrative, and other proceedings in the ordinary course of business. Some of these proceedings may result in fines, penalties or judgements assessed against the Academy that may have an impact on its financial condition. In the fiscal year ended August 31, 2020, the Academy had five former employees respectively file charges of discrimination with the Equal Employment Opportunity Commission. The likely outcome and amount of potential loss in these matters is currently not determinable. Management believes the disposition or ultimate resolution of these claims will not have a material adverse effect on the financial position of the Academy.

The Academy currently owns two properties that are utilized for school activities, but not as instructional facilities that would exempt them from local property taxes. As a result, the Academy has been assessed at least \$706,027 in taxes with respect to tax periods dating back to 2016. The Academy has filed suit against the Dallas Central Appraisal District in an effort to gain tax exemption and relief from potential tax assessments. Should the Academy fail in its attempts to secure tax exemptions, it could face delinquent tax and penalty assessments. Management continues to appeal the decisions of local taxing authorities and continues to improve facilities located on the properties for use as district administrative offices.

The Academy 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.

A.W. BROWN LEADERSHIP ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

K. Concentrations:

The Academy receives substantially all of its funding from state and federal agencies passed through the Texas Education Agency (TEA). Approximately 99 percent of receivables at August 31, 2020 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 Academy's classes are dependent primarily on students from a specific geographical area. The students have choices of charter, private and public schools.

L. Investments:

Investment balances within the fair value hierarchy at August 31, 2020 are as follows:

	Fair Value Measurements at August 31, 2020			Totals
	Quoted Price In Active Markets Identical Assets Level 1	Significant Observable Other Inputs Level 2	Significant Unobservable Inputs Level 3	
Cash/Money Market	\$ 86,765	\$ -	\$ -	\$ 86,765
Fixed Income	1,227,218	-	-	1,227,218
Equities	84,510	-	-	84,510
Mutual Funds	120,186	-	-	120,186
Exchange-Traded products	-	-	-	-
Total Investments at Fair Value:	<u>\$ 1,518,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,518,679</u>

M. Restricted Cash:

Restricted cash at August 31, 2020 consisted of debt service cash accounts. These funds are to be used solely in the repayment of bond liabilities and cannot be used for normal operating expenditures.

N. Subsequent Events:

The Academy's management has evaluated subsequent events through February 12, 2021, which is the day these statements were available to be issued.

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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, 2020, and have issued our report thereon dated February 12, 2021, which expressed an unmodified opinion on those financial statements. 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, 2020, and appearing on pages 18 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
February 12, 2021

A.W. BROWN LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 91,055	\$ 406,366	\$ 497,421
5750 Revenue from Cocurricular Activities	34,197	17,136	51,333
Total Local Support	<u>125,252</u>	<u>423,502</u>	<u>548,754</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	14,064,157	14,064,157
5820 State Program Revenues Distributed by Texas Education Agency	-	13,297	13,297
5830 State Program Revenues Distributed by Other State Agencies	-	14,898	14,898
Total State Program Revenues	<u>-</u>	<u>14,092,352</u>	<u>14,092,352</u>
Federal Program Revenues:			
5910 Federal Revenues Distributed by Education Service Center	-	511,378	511,378
5920 Federal Revenues Distributed by Texas Education Agency	-	878,372	878,372
Total Federal Program Revenues	<u>-</u>	<u>1,389,750</u>	<u>1,389,750</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	16,184,222	(16,184,222)	-
Total Revenues	<u>16,309,474</u>	<u>(278,618)</u>	<u>16,030,856</u>
Expenses			
11 Instruction	9,507,588	-	9,507,588
13 Curriculum Development and Instructional Staff Development	9,761	-	9,761
23 School Leadership	1,142,460	-	1,142,460
31 Guidance, Counseling and Evaluating Services	84,377	-	84,377
33 Health Services	130,717	-	130,717
34 Student (Pupil) Transportation	102,312	-	102,312
35 Food Services	679,494	-	679,494
36 Cocurricular/Extracurricular Activities	22,904	-	22,904
41 General Administration	1,168,816	-	1,168,816
51 Plant Maintenance and Operations	1,523,131	-	1,523,131
52 Security and Monitoring Services	271,841	-	271,841
53 Data Processing Services	587,899	-	587,899
61 Community Services	-	-	-
71 Debt Service	993,387	-	993,387
Total Expenses	<u>16,224,687</u>	<u>-</u>	<u>16,224,687</u>
Change in Net Assets	<u>84,787</u>	<u>(278,618)</u>	<u>(193,831)</u>
Net Assets, Beginning of Year	<u>871,321</u>	<u>5,261,752</u>	<u>6,133,073</u>
Net Assets, End of Year	<u>\$ 956,108</u>	<u>\$ 4,983,134</u>	<u>\$ 5,939,242</u>

See accompanying notes to financial statements.

A.W. BROWN LEADERSHIP ACADEMY
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

EXPENSES	
6100 Payroll Costs	\$ 10,098,080
6200 Professional and Contracted Services	2,414,622
6300 Supplies and Materials	871,828
6400 Other Operating Costs	1,846,770
6500 Debt	993,387
Total Expenses	<u>\$ 16,224,687</u>

See accompanying notes to financial statements.

A.W. BROWN LEADERSHIP ACADEMY
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2020

	Ownership Interest		
	Local	State	Federal
1110 Cash and Temporary Investments	\$ -	\$ 1,630,021	\$ -
1510 Land and Improvements	-	5,232,776	-
1520 Building and Improvements	-	27,511,628	-
1531 Vehicles	-	226,000	-
1549 Furniture and Equipment	-	4,249,461	303,269
Total Capital Assets	\$ -	\$ 38,849,886	\$ 303,269

See accompanying notes to financial statements.

A.W. BROWN LEADERSHIP ACADEMY
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 78,079	\$ 902,606	\$ 497,421	\$ (405,185)
5750 Revenue from Cocurricular Activities	32,044	-	51,333	51,333
5790 Other Revenue from Local Sources	1,064	-	-	-
Total Local Support	<u>111,187</u>	<u>902,606</u>	<u>548,754</u>	<u>(353,852)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	14,656,297	13,103,559	14,064,157	960,598
5820 State Program Revenues Distributed	6,109			
by Texas Education Agency	-	-	13,297	13,297
5830 Other State Agency Revenue	-	-	14,898	14,898
Total State Program Revenues	<u>14,662,406</u>	<u>13,103,559</u>	<u>14,092,352</u>	<u>988,793</u>
Federal Program Revenues:				
5910 Federal Revenues Distributed by				
Education Service Center	689,327	-	511,378	511,378
5920 Federal Revenue Distributed by				
by Texas Education Agency	1,363,554	1,354,726	878,372	(476,354)
5930 Federal Revenues Distributed by				
Other Government Agencies	-	-	-	-
Total Federal Program Revenues	<u>2,052,881</u>	<u>1,354,726</u>	<u>1,389,750</u>	<u>35,024</u>
Total Revenues	<u>16,826,474</u>	<u>15,360,891</u>	<u>16,030,856</u>	<u>669,965</u>
EXPENSES				
11 Instruction	8,016,011	11,277,947	9,507,588	1,770,359
13 Curriculum Development and Instructional				
Staff Development	5,000	7,829	9,761	(1,932)
23 School Leadership	1,195,211	1,160,765	1,142,460	18,305
31 Guidance, Counseling and Evaluating Services	74,858	76,972	84,377	(7,405)
33 Health Services	95,220	119,029	130,717	(11,688)
34 Student (Pupil) Transportation	92,082	160,625	102,312	58,313
35 Food Services	1,118,970	728,201	679,494	48,707
36 Cocurricular/Extracurricular Activities	72,100	20,874	22,904	(2,030)
41 General Administration	1,085,333	862,011	1,168,816	(306,805)
51 Plant Maintenance and Operations	1,772,775	1,526,660	1,523,131	3,529
52 Security and Monitoring Services	-	231,891	271,841	(39,950)
53 Data Processing Services	493,149	466,042	587,899	(121,857)
61 Community Services	-	-	-	-
71 Debt Service	1,212,445	645,539	993,387	(347,848)
Total Expenses	<u>15,233,154</u>	<u>17,284,385</u>	<u>16,224,687</u>	<u>1,059,698</u>
Change in Net Assets	<u>1,593,320</u>	<u>(1,923,494)</u>	<u>(193,831)</u>	<u>1,729,663</u>
Net Assets, beginning of year	<u>6,133,073</u>	<u>6,133,073</u>	<u>6,133,073</u>	<u>-</u>
Net Assets, end of year	<u>\$ 7,726,393</u>	<u>\$ 4,209,579</u>	<u>\$ 5,939,242</u>	<u>\$ 1,729,663</u>

See accompanying notes to financial statements.

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

To the Board of Directors of
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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2021.

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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 that we consider to be material weaknesses.

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 typed name and date.

Houston, TX
February 12, 2021

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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, 2020. 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, 2020.

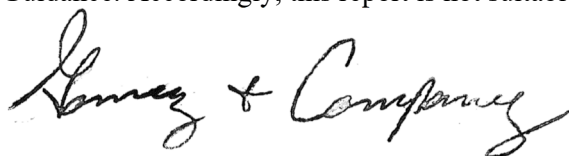
Report on Internal Control over Compliance

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
February 12, 2021

A.W. BROWN LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

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. One significant deficiency disclosed during the audit of the financial statements which is considered a material weakness in internal control over financial statements, Item 2020-001.
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	
IDEA-B Formula*	CFDA Number 84.027A
IDEA-B Preschool*	CFDA Number 84.173A
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.

* Denotes cluster

A.W. BROWN LEADERSHIP ACADEMY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2020

<u>Current Year Findings</u>	<u>Questioned Cost</u>
Finding 2020-001 Internal Control over Financial Reporting	\$-0-

Condition:

During the audit, we noted monitoring of the financial reporting process was ineffective. As a result, several key financial entries had to be recorded to the Charter School’s general ledger to correct account balances. The prior year audit adjustments were not properly recorded and or reversed, year-end accruals were not recorded, bank reconciliations were not performed monthly and various account balances had to be corrected.

Criteria:

Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America, which 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.

Cause:

There are no procedures in place to require management to review the general ledger in a timely manner to ensure all transactions are properly recorded.

Effect:

Without recording of key financial entries, reconciling of accounts, and proper coding, the agency will not have an accurate and reliable general ledger, which will result in misleading financial statements and hinder management’s ability to make prudent financial decisions.

Recommendation:

We recommend the agency implement procedures and controls to provide for timely recording of financial transactions, month-end entries and year-end closing entries. In addition, the general ledger should be maintained and reviewed monthly by someone in the capacity of a controller or chief financial officer. These recommendations have been discussed with the agency’s management and action will be taken to ensure that the recommendations are implemented.

Views of Responsible Officials and Planned Corrective Actions:

See management’s corrective action plan at page 31.

A.W. BROWN LEADERSHIP ACADEMY
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

No findings were noted as per governmental auditing standards and 2 CFR section 200.516 (a) for the year ended August 31, 2019.

A.W. BROWN FELLOWSHIP LEADERSHIP ACADEMY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2020

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	206600010578166000	\$ 309,930
Idea - B Preschool	84.173A	186610010578166000	704
Idea - B Preschool	84.173A	196610010578166000	2,035
Idea - B Preschool	84.173A	206610010578166000	3,804
Instructional Continuity	84.377A	17610740057816	8,960
<u>U.S. Department of Education</u>			
Passed - Through Education Service Center:			
Title I, Part A, School Improvement	84.010A		482,695
Title I, Part C	84.011A		7,194
Title II, Part A, Teacher/Principal Training & Recruiting	84.367A		10,740
Title III, Part A, English Language Acquisitions and Language Enhancement	84.365A		952
COVID-19 - CARES Act Section 18003 Elementary and Secondary School Emergency Relief (ESSER)	84.425D		9,797
Total U.S. Department of Education			<u>836,811</u>
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
School Breakfast	10.553	71401901	19,524
School Breakfast	10.553	71402001	92,358
National School Lunch	10.555	71301901	65,371
National School Lunch	10.555	71302001	306,640
Passed - Through Texas Department of Agriculture			
USDA Commodity Food Distribution	10.555		69,046
Total U.S. Department of Agriculture			<u>552,939</u>
Total Expenditures of Federal Awards			<u>\$ 1,389,750</u>

A.W. BROWN LEADERSHIP ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

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, 2020. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

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

Subrecipients

The Organization did not provide federal awards to subrecipients.

A.W. BROWN LEADERSHIP ACADEMY
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

Finding 2020-001
Internal Control over Financial Reporting

Condition:

During the audit, we noted monitoring of the financial reporting process was ineffective. As a result, several key financial entries had to be recorded to the Charter School's general ledger to correct account balances. The prior year audit adjustments were not properly recorded and or reversed, year-end accruals were not recorded, bank reconciliations were not performed monthly and various account balances had to be corrected.

Views of Responsible Officials and Planned Corrective Actions:

Our correction action plans are already being implemented by the following:

1. The purchase and the utilization of TxEIS Financial System which includes the purchasing and budget development modules.
2. Entering into the agreement with Region XI to help support the financial transactions.
3. The Superintendent will appoint an experienced financial accountant to implement procedures and controls to provide for timely recording of financial transactions, month-end entries and year-end closing entries.
4. A.W. Brown Leadership Academy will on a monthly basis:
 - Submit all invoices, payments bank statements and other financial information to Region XI in a timely manner.
 - Review the general ledger to ensure the end of the year audit adjustments are posted, year-end actuals are recorded, and ensure the bank reconciliations are completed.
 - Continue to work closely with the Region XI staff to correct and note any account corrections as needed.

Effective Date: February 12, 2021

Responsible Party: Ronald Waddleton, Senior Accounting Manager

Estimated Completion Date: March 1, 2021