



Heritage Academy Charter Schools, Inc.

Annual Financial Report

For the Year Ended August 31, 2021

Paul J. Christensen & Associates, LLC
Certified Public Accountants
Waco, Texas

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Certificate of Board

Heritage Academy Charter Schools, Inc.
Name of Charter Holder

74-2823746
Federal Employer ID Number

Heritage Academy
Name of Charter School

Bexar
County

015-815
Co. Distr. Number

We, the undersigned, certify that the attached Financial and Compliance Report of Heritage Academy Charter Schools, Inc. was reviewed and (check one) approved disapproved for the year ended August 31, 2021 at a meeting of governing body of the charter holder on the 20th day of January, 2022.

DocuSigned by:
Rae Fyfe 1/20/2022
F1D949977696429...

Signature of Board Secretary

DocuSigned by:
Dr. Luis Gonzalez 1/20/2022
40196EB9EA27445...

Signature of Board President

If the governing body of the charter holder does not approve the Independent Auditor's Report, it must forward a written statement discussing the reason(s) for not approving the report.

Paul J. Christensen & Associates, LLC

Certified Public Accountants

2110 Austin Avenue
Waco, Texas 76701
(254)752-3436
FAX (254)752-3463
<http://www.waco-cpa.com>

Paul J. Christensen, C.P.A.
Gary L. Sauls, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heritage Academy Charter Schools, Inc.
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Heritage Academy Charter Schools, Inc. (a nonprofit organization) which comprise the statement of financial position as of August 31, 2021, 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 Heritage Academy Charter Schools, Inc. as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 20, 2022, on our consideration of Heritage Academy Charter Schools, Inc.'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 Heritage Academy Charter Schools, Inc.'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 Heritage Academy Charter Schools, Inc.'s internal control over financial reporting and compliance.



Waco, Texas
January 20, 2022

FINANCIAL STATEMENTS

Heritage Academy Charter Schools, Inc.
Statement of Financial Position
August 31, 2021

Assets

| | |
|-----------------------------|---------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 2,745,373 |
| Due from governments | 935,422 |
| Prepaid expenses | 32,512 |
| Total current assets | <u>3,713,308</u> |
| Property and equipment, net | 1,088,672 |
| Other assets | <u>2,700</u> |
| Total Assets | <u>\$ 4,804,680</u> |

Liabilities and Net Assets

| | |
|-----------------------------------|---------------------|
| Current Liabilities | |
| Accounts payable | \$ 13,250 |
| Current portion of long-term debt | 67,577 |
| Total current liabilities | <u>80,827</u> |
| Long-term Liabilities | |
| Note payable | <u>17,577</u> |
| Total long-term liabilities | <u>17,577</u> |
| Total Liabilities | <u>98,404</u> |
| Net Assets | |
| Without donor restrictions | 160,944 |
| With donor restrictions | <u>4,545,332</u> |
| Total Net Assets | <u>4,706,276</u> |
| Total Liabilities and Net Assets | <u>\$ 4,804,680</u> |

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

Heritage Academy Charter Schools, Inc.
Statement of Activities
For the Year Ended August 31, 2021

| | Total | | |
|--|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues | | | |
| Local support: | | | |
| Interest and other income | \$ 9,502 | \$ - | \$ 9,502 |
| Total local support | 9,502 | - | 9,502 |
| State program revenues: | | | |
| Foundation school program act | - | 6,753,778 | 6,753,778 |
| Other state aid | - | 6,784 | 6,784 |
| Total state program revenues | - | 6,760,562 | 6,760,562 |
| Federal program revenues: | | | |
| ESEA, Title I, Part A | - | 232,469 | 232,469 |
| IDEA-Part B, Formula | - | 108,972 | 108,972 |
| IDEA-Part B, Pre-school | - | 648 | 648 |
| Career and Technical | - | 5,267 | 5,267 |
| ESEA, Title II, Part A | - | 20,057 | 20,057 |
| National School Lunch and Breakfast Program | - | 118,976 | 118,976 |
| FSFA, Title III, Part A | - | 11,673 | 11,673 |
| ESEA, Title IV, Part A | - | 11,757 | 11,757 |
| ESSER Grant | - | 91,969 | 91,969 |
| ESSER II Grant | - | 347,721 | 347,721 |
| ESSER III Grant | - | 67,509 | 67,509 |
| RLOC Prior Purchase Reimbursement Program | - | 2,656 | 2,656 |
| Total federal program revenues | - | 1,019,673 | 1,019,673 |
| Net assets released from restrictions: | | | |
| Restrictions satisfied by payments | 6,081,487 | (6,081,487) | - |
| Total Revenues | 6,090,989 | 1,698,748 | 7,789,736 |
| Expenses | | | |
| Program Services: | | | |
| 11 Instruction | 3,764,894 | - | 3,764,894 |
| 13 Curriculum development and instructional staff development | 67,387 | - | 67,387 |
| 21 Instructional leadership | 81,841 | - | 81,841 |
| 23 School leadership | 640,175 | - | 640,175 |
| 31 Guidance, counseling and evaluation services | 97,126 | - | 97,126 |
| 33 Health services | 64,523 | - | 64,523 |
| 35 Food services | 237,319 | - | 237,319 |
| 36 Cocurricular/extracurricular activities | 9,011 | - | 9,011 |
| 53 Data processing services | 59,609 | - | 59,609 |
| Total Program Services | 5,021,885 | - | 5,021,885 |
| Support Services: | | | |
| 41 General administration | 534,852 | - | 534,852 |
| 51 Plant maintenance and operations | 511,124 | - | 511,124 |
| 52 Security and monitoring services | 4,487 | - | 4,487 |
| 71 Debt service | 7,655 | - | 7,655 |
| Total Support Services | 1,058,118 | - | 1,058,118 |
| Fundraising services: | | | |
| 81 Fundraising | 8,412 | - | 8,412 |
| Total Fundraising Services | 8,412 | - | 8,412 |
| Total Expenses | 6,088,415 | - | 6,088,415 |
| Change in Net Assets | 2,574 | 1,698,748 | 1,701,322 |
| Net Assets, Beginning of Year | 158,370 | 2,846,584 | 3,004,954 |
| Net Assets, End of Year | <u>\$ 160,944</u> | <u>\$ 4,545,332</u> | <u>\$ 4,706,276</u> |

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

Heritage Academy Charter Schools, Inc.
Statement of Functional Expenses
For the Year Ended August 31, 2021

| | Program Services | Supporting Services | Fundraising Services | Total |
|-----------------------------------|---------------------|------------------------|-------------------------|---------------------|
| Expenses | | | | |
| Salaries and wages | \$ 3,348,275 | \$ 424,005 | \$ - | \$ 3,772,280 |
| Benefits | 389,233 | 39,532 | - | 428,765 |
| Payroll taxes | 58,821 | 8,800 | - | 67,621 |
| Total Payroll Expenses | <u>3,796,329</u> | <u>472,337</u> | <u>-</u> | <u>4,268,666</u> |
| Professional services | 292,005 | 50,977 | - | 342,982 |
| Education service center | 5,335 | 575 | - | 5,910 |
| Repairs and maintenance | - | 160,753 | - | 160,753 |
| Communications | - | 74 | - | 74 |
| Utilities | - | 118,502 | - | 118,502 |
| Rentals | 341,304 | 10,851 | - | 352,155 |
| Consulting services | 379 | 60,675 | - | 61,054 |
| Miscellaneous contract services | 74,783 | 3,000 | - | 77,783 |
| Maintenance supplies | - | 5,268 | - | 5,268 |
| Textbooks | 1,036 | - | - | 1,036 |
| Food | 98,287 | - | - | 98,287 |
| General supplies | 304,497 | 27,013 | - | 331,510 |
| Travel | 47,396 | 21,142 | - | 68,538 |
| Insurance | - | 47,358 | - | 47,358 |
| Depreciation | 30,853 | 39,288 | - | 70,141 |
| Interest | - | 7,655 | - | 7,655 |
| Miscellaneous | 29,681 | 32,650 | 8,412 | 70,743 |
| Total Non-payroll Expenses | <u>1,225,556</u> | <u>585,781</u> | <u>8,412</u> | <u>1,819,749</u> |
| Total Expenses | <u>\$ 5,021,885</u> | <u>\$ 1,058,118</u> | <u>\$ 8,412</u> | <u>\$ 6,088,415</u> |

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

Heritage Academy Charter Schools, Inc.
Statement of Cash Flows
For the Year Ended August 31, 2021

| | |
|---|----------------------------|
| Cash Flows from Operating Activities: | |
| Foundation school program payments | \$ 6,191,168 |
| Grant payments | 579,140 |
| Miscellaneous sources | 9,502 |
| Payments to vendors for goods and services rendered | (1,802,223) |
| Payments to charter school personnel for services rendered | (4,269,497) |
| Interest payments | (7,655) |
| Net Cash Provided by Operating Activities | <u>700,435</u> |
| Cash Flows from Investing Activities: | |
| Purchase of capital assets | <u>(46,848)</u> |
| Net Cash Used by Investing Activities | <u>(46,848)</u> |
| Cash Flows from Financing Activities: | |
| Principal payments on long-term debt | <u>(63,406)</u> |
| Net Cash Used by Financing Activities | <u>(63,406)</u> |
| Net Increase in Cash and Cash Equivalents | 590,181 |
| Cash and Cash Equivalents - Beginning of Year | <u>2,155,192</u> |
| Cash and Cash Equivalents - End of Year | <u><u>\$ 2,745,373</u></u> |
| Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities: | |
| Change in Net Assets | \$ 1,701,322 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 70,142 |
| (Increase) Decrease in assets: | |
| Due from governments | (847,453) |
| Prepaid expenses | 1,208 |
| Other assets | (2,700) |
| Increase (Decrease) in liabilities: | |
| Accounts payable | (59,611) |
| Deferred revenue | (162,473) |
| Net Cash Provided by Operating Activities | <u><u>\$ 700,435</u></u> |

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

Heritage Academy Charter Schools, Inc.
Notes to Financial Statements
August 31, 2021

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of Heritage Academy Charter Schools, Inc. (the "Charter Holder") 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.

Reporting Entity

The Charter Holder is a not-for-profit organization incorporated in the State of Texas in 1998 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter Holder is governed by a Board of Directors comprised of five members. The Board of Directors is selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions, appoint the chief executive officer of the Charter Holder, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Charter Holder.

Since the Charter Holder receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

The State Board of Education of the State of Texas granted the Charter Holder an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Heritage Academy Charter Schools, Inc. was opened. The Charter Holder was organized to provide educational services to at-risk students and their programs, services, activities and functions are governed by the Charter Holder's Board of Directors. For the year ended August 31, 2021, the Charter Holder served grades Pre-Kindergarten through twelfth grade.

The Charter Holder operated one charter school, Heritage Academy, and did not conduct any other charter or non-charter activities.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

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

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

Use of Estimates

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

Heritage Academy Charter Schools, Inc.
Notes to Financial Statements
August 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contributions

The Charter Holder accounts for contributions as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

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

Cash and Cash Equivalents

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

Capital Assets

Capital assets, which include land, buildings and improvements, vehicles, and furniture and equipment, are reported in the financial statements. Capital assets are defined by the Charter Holder as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from four to forty years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

Due From Governments

The Charter Holder considers all government grants and contracts as exchange transactions rather than contributions. The Charter Holder recognizes revenue from fee-for-service transactions as services are rendered and, for grants, as eligible expenditures are incurred. Advances from government agencies are recorded as deferred revenues. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as receivables.

Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of any noncompliance with terms of the grant contract.

Impairment of Long-Lived Assets

The Charter Holder reviews the carrying value of capital assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. The Charter Holder did not recognize an impairment loss during the year ended August 31, 2021.

State Funding

The amount of state foundation school program act revenue the Charter Holder earns may vary until the time when final values for all factors in the state aid formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation school program act revenue estimate for the year ended August 31, 2021 will change.

Note 1 - Summary of Significant Accounting Policies (continued)**Revenue Recognition**

Revenues from the State of Texas are based on reported attendance. Public and private grants received are recognized in the period received and when the terms of the grant are met.

Donated Services and Assets

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills and which would typically need to be purchased if not provided by donation are recorded at the estimated fair market value in the period received.

Contributions of donated noncash assets are recorded at the estimated fair market value in the period received.

Functional Allocation of Expenses

The Charter Holder provides educational services to all students. The relationship between functional expense classifications as summarized on the statement of activities and their natural expense classifications is presented in the statement of functional expenses.

Basis of Consolidation

The General-Purpose financial statements are presented on an entity-wide consolidated basis including operations of the Organization not affiliated with any certain charter operation. Certain intercompany transactions are eliminated in the consolidation process because including them would make the overall financial statement presentation misleading.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Charter Holder which will only be resolved when one or more future events occur or fail to occur. The Charter Holder's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingences related to legal proceedings that are pending against the Charter Holder or unasserted claims that may result in such proceedings, the Charter Holder's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is possible that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Charter Holder's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents as of August 31, 2021 consist of the following:

| | |
|-----------------------|---------------------|
| Checking accounts | \$ 2,745,373 |
| Money market accounts | - |
| | <u>\$ 2,745,373</u> |

Heritage Academy Charter Schools, Inc.
Notes to Financial Statements
August 31, 2021

Note 3 - Due from Governments

At August 31, 2021, due from governments consisted of the following:

| | | |
|---|-----------|----------------|
| ESEA, Title I, Part A | \$ | 22,722 |
| National School Lunch and Breakfast Program | | 12,953 |
| ESSER Grant | | 47,412 |
| ESSER Grant II | | 347,721 |
| ESSER Grant III | | 67,509 |
| State Foundation | | 437,105 |
| Total | <u>\$</u> | <u>935,422</u> |

Note 4 – Net Assets with Donor Restrictions

At August 31, 2021, net assets with donor restrictions in the amount of \$4,545,332 consisted of unexpended state program revenue

Note 5 – Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors. During the year ended August 31, 2021, the Charter Holder released \$6,081,487 of funds with donor restrictions related to Foundation School Program and federal grants.

Note 6 - Capital Assets

A summary of changes in capital assets is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> | <u>Accumulated Depreciation</u> | <u>Net Capital Assets</u> |
|-----------------------------|------------------------------|------------------|--------------------|---------------------------|-------------------------------------|-------------------------------|
| Land | \$ 213,003 | \$ - | \$ - | \$ 213,003 | \$ - | \$ 213,003 |
| Buildings and Improvements | 683,789 | 46,848 | - | 730,637 | 66,934 | 663,703 |
| Vehicles | 371,839 | - | - | 371,839 | 212,233 | 159,606 |
| Furniture and Equipment | 807,929 | - | - | 807,929 | 755,569 | 52,360 |
| Property and Equipment, Net | <u>\$ 2,076,560</u> | <u>\$ 46,848</u> | <u>\$ -</u> | <u>\$ 2,123,408</u> | <u>\$ 1,034,736</u> | <u>\$ 1,088,672</u> |

Capital assets acquired with public funds received by the Charter Holder for the operation of the charter school constitute public property pursuant to Chapter 12 of the Texas Education Code.

Depreciation expense for the year ended August 31, 2021 was \$70,141.

Heritage Academy Charter Schools, Inc.
Notes to Financial Statements
August 31, 2021

Note 7 - Long-Term Debt

During the fiscal year ended August 31, 2021, the Charter Holder entered into a loan agreement with Schertz Bank & Trust for the purchase of two school buses. The original loan amount was \$193,532 bearing interest at the rate of 6.214% and payable in 36 monthly payments of \$5,922. The outstanding balance of the loan as of August 31, 2021 was \$148,559.

Future maturities of long-term debt as of August 31, 2021 are as follows:

| Fiscal Year Ending August 31. | Principal | Interest | Total |
|----------------------------------|-----------|----------|-----------|
| 2022 | \$ 67,577 | \$ 3,483 | \$ 71,060 |
| 2023 | 17,577 | 221 | 17,798 |
| Total | \$ 85,154 | \$ 3,704 | \$ 88,858 |

Interest expense for the year ended August 31, 2021 was \$7,655.

Note 8 - Pension Plan Obligations

Plan Description

The Charter Holder contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiemployer defined benefit pension plan with one exception; all risks and costs are not shared by the Charter Holder, 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.trstate.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.

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 31 years, the period would be increased by such action.

Heritage Academy Charter Schools, Inc.
Notes to Financial Statements
August 31, 2021

Note 8 - Pension Plan Obligations (continued)

Contributions

State law provides for a member contribution rate of 7.7% for fiscal year 2021. The state's contribution rate as a non-employer contributing entity was 7.5% for fiscal year 2021.

Under provisions in state law, plan members are required to contribute 7.7% of their annual covered salary, and the state of Texas contributes an amount equal to 7.5% of the Charter Holder's covered payroll. The Charter Holder's contribution to TRS for the year ended August 31, 2021 was \$193,736, which includes \$53,599 in Non-OASDI participation surcharges. The Charter Holder's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

Note 9 - Health Care Coverage

During the year ended August 31, 2021, employees of the Charter Holder were covered by a health insurance plan. The Charter Holder contributed \$285 to \$387 per month per employee based on the employees years of service for the year ended August 31, 2021 to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 10 - Risk Management Program

Worker's compensation coverage, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have historically not exceeded commercial coverage.

Note 11 - Leases

The Charter Holder leases its facilities under non-cancellable operating leases, which contain varying renewal options. Approximate aggregate remaining minimum rental commitments as of August 31, 2021 under these leases are summarized as follows:

| <u>Fiscal Year Ending August 31,</u> | |
|--------------------------------------|-------------------|
| 2022 | \$ 280,541 |
| 2023 | 188,840 |
| Total | <u>\$ 469,381</u> |

Rent expense for all operating leases for the year ended August 31, 2021 was \$352,155.

Note 12 - Income Tax

The Charter Holder is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business taxable income. The Charter Holder has no material unrelated business income for the year ended August 31, 2021.

Generally accepted accounting principles requires that the Charter Holder recognize in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the tax position. The new requirements also provide guidance on measurement, classification, interest and penalties, and disclosure.

Heritage Academy Charter Schools, Inc.
Notes to Financial Statements
August 31, 2021

Note 12 - Income Tax (continued)

Tax positions taken related to the Charter Holder's tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken would more likely than not be sustained by examination. Accordingly, the Charter Holder has not recorded an income tax liability for uncertain tax benefits. For the year ended August 31, 2021, there were no interest or penalties related to income taxes recorded or included in the financial statements. As of August 31, 2021, the Charter Holder's tax years 2016 through 2018 remain subject to examination.

Note 13 - Credit Risk

Financial instruments that potentially subject the Charter Holder to credit risk consist of cash at financial institutions. At times, the balances in cash accounts may be in excess of FDIC insurance limits. The financial institution pledges investment securities to compensate for deposits in excess of FDIC insurance limits.

Note 14 - Commitments and Contingencies

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

Note 15 - Liquidity and Availability of Financial Resources

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

| | |
|---------------------------|--------------------|
| Cash and cash equivalents | <u>\$2,745,373</u> |
|---------------------------|--------------------|

Except for the financial assets listed above, the Charter Holder's cash and cash equivalents and due from governments are restricted by the Texas Education Agency and federal agencies for charter school operations.

Note 16 - Related Party Transactions

The Charter Holder uses a company that provides monthly cleaning services to the San Antonio campus. The company is owned by the Principal of that campus. The above mentioned cleaning services amount to \$61,940 for the year ended August 31, 2021.

Note 17 - Administrative Fees

For the year ended June 30, 2021, Heritage Academy Charter paid \$1,148,142 in administrative fees to the 501(c) (3) charter holder. The fees are unrestricted in nature to the 501 (c) (3). These numbers have been eliminated from the combined Statement of Activities on page .

Note 18 - Evaluation of Subsequent Events

The Charter Holder has evaluated subsequent events through January 20 2022, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Heritage Academy Charter Schools, Inc.
Statement of Financial Position by Entity
August 31, 2021

| | <u>Heritage Academy</u> | <u>Charter Holder</u> | <u>Total</u> |
|-----------------------------------|-------------------------|-----------------------|---------------------|
| <u>Assets</u> | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 2,439,937 | \$ 305,436 | \$ 2,745,373 |
| Due from governments | 935,422 | - | 935,422 |
| Prepaid expenses | 23,524 | 8,988 | 32,512 |
| Total current assets | <u>3,398,884</u> | <u>314,424</u> | <u>3,713,308</u> |
| Property and equipment, net | 1,088,672 | - | 1,088,672 |
| Other assets | - | 2,700 | 2,700 |
| Total Assets | <u>\$ 4,487,556</u> | <u>\$ 317,124</u> | <u>\$ 4,804,680</u> |
| <u>Liabilities and Net Assets</u> | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 11,315 | \$ 1,935 | \$ 13,250 |
| Current portion of long-term debt | 67,577 | - | 67,577 |
| Total current liabilities | <u>78,892</u> | <u>1,935</u> | <u>80,827</u> |
| Long-term Liabilities | | | |
| Note payable | 17,577 | - | 17,577 |
| Total long-term liabilities | <u>17,577</u> | <u>-</u> | <u>17,577</u> |
| Total Liabilities | <u>96,469</u> | <u>1,935</u> | <u>98,404</u> |
| Net Assets | | | |
| Without donor restrictions | 126,946 | - | 126,946 |
| With donor restrictions | 4,264,141 | 315,189 | 4,579,330 |
| Total Net Assets | <u>4,391,087</u> | <u>315,189</u> | <u>4,706,276</u> |
| Total Liabilities and Net Assets | <u>\$ 4,487,556</u> | <u>\$ 317,124</u> | <u>\$ 4,804,680</u> |

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

Heritage Academy Charter Schools, Inc.

Statement of Activities by Entity
For the Year Ended August 31, 2021

| | Heritage Academy | | | Charter Holder | | |
|--|-------------------------------|----------------------------|--------------|-------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues | | | | | | |
| Local support: | | | | | | |
| Interest and other income | \$ 9,502 | \$ - | \$ 9,502 | \$ 1,148,142 | \$ - | \$ 1,148,142 |
| Total local support | 9,502 | - | 9,502 | 1,148,142 | - | 1,148,142 |
| State program revenues: | | | | | | |
| Foundation school program act | - | 6,753,778 | 6,753,778 | - | - | - |
| Other state aid | - | 6,784 | 6,784 | - | - | - |
| Total state program revenues | - | 6,760,562 | 6,760,562 | - | - | - |
| Federal program revenues: | | | | | | |
| ESEA, Title I, Part A | - | 232,469 | 232,469 | - | - | - |
| IDEA-Part B, Formula | - | 108,972 | 108,972 | - | - | - |
| IDEA-Part B, Pre-school | - | 648 | 648 | - | - | - |
| Career and Technical | - | 5,267 | 5,267 | - | - | - |
| ESEA, Title II, Part A | - | 20,057 | 20,057 | - | - | - |
| National School Lunch and Breakfast Program | - | 118,976 | 118,976 | - | - | - |
| ESEA, Title III, Part A | - | 11,673 | 11,673 | - | - | - |
| ESEA, Title IV, Part A | - | 11,757 | 11,757 | - | - | - |
| ESSER Grant | - | 91,969 | 91,969 | - | - | - |
| ESSER II Grant | - | 347,721 | 347,721 | - | - | - |
| ESSER III Grant | - | 67,509 | 67,509 | - | - | - |
| RLOC Prior Purchase Reimbursement Program | - | 2,656 | 2,656 | - | - | - |
| Total federal program revenues | - | 1,019,673 | 1,019,673 | - | - | - |
| Net assets released from restrictions: | | | | | | |
| Restrictions satisfied by payments | 6,362,678 | (6,362,678) | - | - | - | - |
| Total Revenues | 6,372,180 | 1,417,557 | 7,789,737 | 1,148,142 | - | 1,148,142 |
| Expenses | | | | | | |
| Program Services: | | | | | | |
| 11 Instruction | 3,764,894 | - | 3,764,894 | - | - | - |
| 13 Curriculum development and instructional staff development | 67,387 | - | 67,387 | - | - | - |
| 21 Instructional leadership | 81,841 | - | 81,841 | - | - | - |
| 23 School leadership | 645,403 | - | 645,403 | 13,819 | - | 13,819 |
| 31 Guidance, counseling and evaluation services | 97,126 | - | 97,126 | - | - | - |
| 33 Health services | 64,523 | - | 64,523 | - | - | - |
| 35 Food services | 254,078 | - | 254,078 | 44,287 | - | 44,287 |
| 36 Cocurricular/extracurricular activities | 9,011 | - | 9,011 | - | - | - |
| 53 Data processing services | 77,356 | - | 77,356 | 46,900 | - | 46,900 |
| Total Program Services | 5,061,619 | - | 5,061,619 | 105,006 | - | 105,006 |
| Support Services: | | | | | | |
| 41 General administration | 735,041 | - | 735,041 | 529,041 | - | 529,041 |
| 51 Plant maintenance and operations | 585,902 | - | 585,902 | 197,615 | - | 197,615 |
| 52 Security and monitoring services | 4,975 | - | 4,975 | 1,291 | - | 1,291 |
| 71 Debt service | 7,655 | - | 7,655 | - | - | - |
| Total Support Services | 1,333,573 | - | 1,333,573 | 727,947 | - | 727,947 |
| Fundraising services: | | | | | | |
| 81 Fundraising | 8,412 | - | 8,412 | - | - | - |
| Total Fundraising Services | 8,412 | - | 8,412 | - | - | - |
| Total Expenses | 6,403,604 | - | 6,403,604 | 832,953 | - | 832,953 |
| Change in Net Assets | (31,424) | 1,417,557 | 1,386,133 | 315,189 | - | 315,189 |
| Net Assets, Beginning of Year | 158,370 | 2,846,584 | 3,004,954 | - | - | - |
| Net Assets, End of Year | \$ 126,946 | \$ 4,264,141 | \$ 4,391,087 | \$ 315,189 | \$ - | \$ 315,189 |

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

Heritage Academy Charter Schools, Inc.

Statement of Activities by Entity
For the Year Ended August 31, 2021

| | Total | | | Consolidated Total | | | |
|--|-------------------------------|----------------------------|------------------|--------------------|-------------------------------|----------------------------|------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Eliminations | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues | | | | | | | |
| Local support | | | | | | | |
| Interest and other income | \$ 1,157,644 | \$ - | \$ 1,157,644 | \$ 1,148,142 | \$ 9,502 | \$ - | \$ 9,502 |
| Total local support | 1,157,644 | - | 1,157,644 | 1,148,142 | 9,502 | - | 9,502 |
| State program revenues | | | | | | | |
| Foundation school program act | - | 6,753,778 | 6,753,778 | - | - | 6,753,778 | 6,753,778 |
| Other state aid | - | 6,784 | 6,784 | - | - | 6,784 | 6,784 |
| Total state program revenues | - | 6,760,562 | 6,760,562 | - | - | 6,760,562 | 6,760,562 |
| Federal program revenues: | | | | | | | |
| ESEA, Title I, Part A | - | 232,469 | 232,469 | - | - | 232,469 | 232,469 |
| IDEA-Part B, Formula | - | 108,972 | 108,972 | - | - | 108,972 | 108,972 |
| IDEA-Part B, Pre-school | - | 648 | 648 | - | - | 648 | 648 |
| Career and Technical | - | 5,267 | 5,267 | - | - | 5,267 | 5,267 |
| ESEA, Title II, Part A | - | 20,057 | 20,057 | - | - | 20,057 | 20,057 |
| National School Lunch and Breakfast Program | - | 118,976 | 118,976 | - | - | 118,976 | 118,976 |
| ESEA, Title III, Part A | - | 11,673 | 11,673 | - | - | 11,673 | 11,673 |
| ESEA, Title IV, Part A | - | 11,757 | 11,757 | - | - | 11,757 | 11,757 |
| ESSER Grant | - | 91,969 | 91,969 | - | - | 91,969 | 91,969 |
| ESSER II Grant | - | 347,721 | 347,721 | - | - | 347,721 | 347,721 |
| ESSER III Grant | - | 67,509 | 67,509 | - | - | 67,509 | 67,509 |
| RLOC Prior Purchase Reimbursement Program | - | 2,656 | 2,656 | - | - | 2,656 | 2,656 |
| Total federal program revenues | - | 1,019,673 | 1,019,673 | - | - | 1,019,673 | 1,019,673 |
| Net assets released from restrictions: | | | | | | | |
| Restrictions satisfied by payments | 6,362,678 | (6,362,678) | - | - | 6,081,487 | (6,081,487) | - |
| Total Revenues | 7,520,322 | 1,417,557 | 8,937,879 | 1,148,142 | 6,090,989 | 1,698,748 | 7,789,737 |
| Expenses | | | | | | | |
| Program Services: | | | | | | | |
| 11 Instruction | 3,764,894 | - | 3,764,894 | - | 3,764,894 | - | 3,764,894 |
| 13 Curriculum development and instructional staff development | 67,387 | - | 67,387 | - | 67,387 | - | 67,387 |
| 21 Instructional leadership | 81,841 | - | 81,841 | - | 81,841 | - | 81,841 |
| 23 School leadership | 659,222 | - | 659,222 | (19,047) | 640,175 | - | 640,175 |
| 31 Guidance, counseling and evaluation services | 97,126 | - | 97,126 | - | 97,126 | - | 97,126 |
| 33 Health services | 64,523 | - | 64,523 | - | 64,523 | - | 64,523 |
| 35 Food services | 298,365 | - | 298,365 | (61,046) | 237,319 | - | 237,319 |
| 36 Cocurricular/extracurricular activities | 9,011 | - | 9,011 | - | 9,011 | - | 9,011 |
| 53 Data processing services | 124,256 | - | 124,256 | (64,647) | 59,609 | - | 59,609 |
| Total Program Services | 5,166,625 | - | 5,166,625 | (144,740) | 5,021,885 | - | 5,021,885 |
| Support Services: | | | | | | | |
| 41 General administration | 1,264,082 | - | 1,264,082 | (729,230) | 534,852 | - | 534,852 |
| 51 Plant maintenance and operations | 783,517 | - | 783,517 | (272,393) | 511,124 | - | 511,124 |
| 52 Security and monitoring services | 6,266 | - | 6,266 | (1,779) | 4,487 | - | 4,487 |
| 71 Debt service | 7,655 | - | 7,655 | - | 7,655 | - | 7,655 |
| Total Support Services | 2,061,520 | - | 2,061,520 | (1,003,402) | 1,058,118 | - | 1,058,118 |
| Fundraising services: | | | | | | | |
| 81 Fundraising | 8,412 | - | 8,412 | - | 8,412 | - | 8,412 |
| Total Fundraising Services | 8,412 | - | 8,412 | - | 8,412 | - | 8,412 |
| Total Expenses | 7,236,557 | - | 7,236,557 | (1,148,142) | 6,088,415 | - | 6,088,415 |
| Change in Net Assets | 283,765 | 1,417,557 | 1,701,322 | - | 2,574 | 1,698,748 | 1,701,322 |
| Net Assets, Beginning of Year | 158,370 | 2,846,584 | 3,004,954 | - | 158,370 | 2,846,584 | 3,004,954 |
| Net Assets, End of Year | \$ 442,135 | \$ 4,264,141 | \$ 4,706,276 | \$ - | \$ 160,944 | \$ 4,545,332 | \$ 4,706,276 |

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

Heritage Academy Charter Schools, Inc.
Statement of Cash Flows by Entity
For the Year Ended August 31, 2021

| | <u>Heritage Academy</u> | <u>Charter Holder</u> | <u>Total</u> |
|---|-------------------------|-----------------------|---------------------|
| Cash Flows from Operating Activities: | | | |
| Foundation school program payments | \$ 6,191,168 | \$ - | \$ 6,191,168 |
| Grant payments | 579,140 | - | 579,140 |
| Miscellaneous sources | 9,502 | 1,148,142 | 1,157,644 |
| Payments to vendors for goods and services rendered | (2,613,921) | (515,184) | (3,129,105) |
| Payments to charter school personnel for services rendered | (3,763,236) | (327,522) | (4,090,758) |
| Interest payments | (7,655) | - | (7,655) |
| Net Cash Provided by Operating Activities | <u>394,999</u> | <u>305,436</u> | <u>700,435</u> |
| Cash Flows from Investing Activities: | | | |
| Purchase of capital assets | <u>(46,848)</u> | - | <u>(46,848)</u> |
| Net Cash Used by Investing Activities | <u>(46,848)</u> | - | <u>(46,848)</u> |
| Cash Flows from Financing Activities: | | | |
| Principal payments on long-term debt | <u>(63,406)</u> | - | <u>(63,406)</u> |
| Net Cash Used by Financing Activities | <u>(63,406)</u> | - | <u>(63,406)</u> |
| Net Increase in Cash and Cash Equivalents | 284,745 | 305,436 | 590,181 |
| Cash and Cash Equivalents - Beginning of Year | <u>2,155,192</u> | - | <u>2,155,192</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 2,439,937</u> | <u>\$ 305,436</u> | <u>\$ 2,745,373</u> |
| Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities: | | | |
| Change in Net Assets | \$ 1,386,133 | \$ 315,189 | \$ 1,701,322 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | |
| Depreciation | 70,142 | - | 70,142 |
| (Increase) Decrease in assets: | | | |
| Due from governments | (847,453) | - | (847,453) |
| Prepaid expenses | 10,196 | (8,988) | 1,208 |
| Other assets | - | (2,700) | (2,700) |
| Increase (Decrease) in liabilities: | | | |
| Accounts payable | (61,546) | 1,935 | (59,611) |
| Deferred revenue | (162,473) | - | (162,473) |
| Net Cash Provided by Operating Activities | <u>\$ 394,999</u> | <u>\$ 305,436</u> | <u>\$ 700,435</u> |

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

Heritage Academy Charter Schools, Inc.
Schedule of Expenses
For the Year Ended August 31, 2021

| Expenses | <u>Heritage Academy</u> |
|---|-------------------------|
| 6100 Payroll costs | \$ 3,763,236 |
| 6200 Professional and contracted services | 2,053,209 |
| 6300 Supplies and materials | 424,656 |
| 6400 Other operating costs | 154,847 |
| 6500 Debt | 7,655 |
| Total Expenses | <u>\$ 6,403,604</u> |

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

Heritage Academy Charter Schools, Inc.
 Schedule of Capital Assets
 August 31, 2021

| | | Heritage Academy Ownership Interest | | |
|------|----------------------------|--|---------------------|-------------------|
| | | Local | State | Federal |
| 1510 | Land | \$ - | \$ 213,003 | \$ - |
| 1520 | Buildings and Improvements | - | 730,637 | - |
| 1531 | Vehicles | 10,000 | 361,839 | - |
| 1539 | Furniture and equipment | - | 453,794 | 20,098 |
| 1549 | Furniture and equipment | - | 215,817 | 118,220 |
| | | <u>\$ 10,000</u> | <u>\$ 1,975,090</u> | <u>\$ 138,318</u> |

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

Heritage Academy Charter Schools, Inc.
Budgetary Comparison Schedule
For the Year Ended August 31, 2021

| | Heritage Academy | | | |
|---|---------------------|---------------------|---------------------|--|
| | Budgeted Amounts | | Actual Amounts | Variance from Final Budget Positive (Negative) |
| | Original | Final | | |
| Revenues | | | | |
| Local support: | | | | |
| 5740 Other revenues from local sources | \$ 27,000 | \$ 5,000 | \$ 4,854 | \$ (146) |
| 5750 Revenues from cocurricular, enterprising services or activities | - | 54 | 4,648 | 4,594 |
| Total local support | <u>27,000</u> | <u>5,054</u> | <u>9,502</u> | <u>4,448</u> |
| State program revenues: | | | | |
| 5810 Foundation school program act | 6,605,972 | 6,595,000 | 6,758,478 | 163,478 |
| 5820 State program revenues distributed by Texas Education Agency | 1,500 | 2,550 | 2,084 | (466) |
| Total state program revenues | <u>6,607,472</u> | <u>6,597,550</u> | <u>6,760,562</u> | <u>163,012</u> |
| Federal program revenues: | | | | |
| 5920 Federal revenues distributed by the Texas Education Agency | 762,871 | 751,753 | 986,409 | 234,656 |
| 5930 Federal revenues distributed by the Texas Department of Agriculture | - | - | 33,264 | 33,264 |
| Total federal program revenues | <u>762,871</u> | <u>751,753</u> | <u>1,019,673</u> | <u>267,920</u> |
| Total Revenues | <u>7,397,343</u> | <u>7,354,357</u> | <u>7,789,737</u> | <u>435,380</u> |
| Expenses | | | | |
| 11 Instruction | 4,302,118 | 3,650,527 | 3,764,894 | (114,367) |
| 13 Curriculum development and instructional staff development | 63,104 | 67,737 | 67,387 | 350 |
| 21 Instructional leadership | 79,347 | 82,081 | 81,841 | 240 |
| 23 School leadership | 549,701 | 561,165 | 645,403 | (84,238) |
| 31 Guidance, counseling and evaluation services | 111,429 | 114,994 | 97,126 | 17,868 |
| 33 Health services | 70,936 | 64,701 | 64,523 | 178 |
| 35 Food services | 376,264 | 243,146 | 254,078 | (10,932) |
| 36 Cocurricular/extracurricular activities | 25,079 | 11,242 | 9,011 | 2,231 |
| 41 General administration | 853,492 | 708,623 | 735,041 | (26,418) |
| 51 Plant maintenance and operations | 699,775 | 561,563 | 585,902 | (24,339) |
| 52 Security and monitoring services | 2,500 | 7,000 | 4,975 | 2,025 |
| 53 Data processing services | 18,827 | 74,013 | 77,356 | (3,343) |
| 71 Debt service | 71,060 | 8,000 | 7,655 | 345 |
| 81 Fundraising | 18,000 | 8,500 | 8,412 | 88 |
| Total Expenses | <u>7,241,632</u> | <u>6,163,292</u> | <u>6,403,604</u> | <u>(240,312)</u> |
| Change in Net Assets | 155,711 | 1,191,065 | 1,386,133 | 195,068 |
| Net Assets, Beginning of Year | <u>3,004,954</u> | <u>3,004,954</u> | <u>3,004,954</u> | <u>-</u> |
| Net Assets, End of Year | <u>\$ 3,160,665</u> | <u>\$ 4,196,019</u> | <u>\$ 4,391,087</u> | <u>\$ 195,068</u> |

Explanation for Budget Variances for the year ended August 31, 2021 (unaudited)

Function 23 - The cost of the convocation/professional development workshop was higher than previous year due to the district using an outside venue.

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

Heritage Academy Charter Schools, Inc.
Schedule of Real Property Ownership Interest
Year Ended August 31, 2021

| Description | Property Address | Total Assessed Value | Ownership Interest | | |
|-----------------------|---|----------------------|--------------------|------------|---------|
| | | | Local | State | Federal |
| Del Rio School Campus | 605 Amistad Blvd , Del Rio, Texas 78840 | \$ 389,370 | | \$ 389,370 | |

Heritage Academy Charter Schools, Inc.
Schedule of Related Party Transactions
Year Ended August 31, 2021

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

Heritage Academy Charter Schools, Inc.
Schedule of Related Party Compensation and Benefits
Year Ended August 31, 2021

| <u>Related Party Name</u> | <u>Name of Relation to the Related Party</u> | <u>Relationship</u> | <u>Compensation or Benefit</u> | <u>Description of Terms and Condition</u> | <u>Payment Frequency</u> | <u>Description</u> | <u>Source of Funds Used</u> | <u>Total Paid During Fiscal Year</u> |
|---------------------------|--|---------------------|--------------------------------|---|--------------------------|--------------------|-----------------------------|--------------------------------------|
|---------------------------|--|---------------------|--------------------------------|---|--------------------------|--------------------|-----------------------------|--------------------------------------|

NONE

COMPLIANCE AND INTERNAL CONTROL SECTION

Paul J. Christensen & Associates, LLC

Certified Public Accountants

2110 Austin Avenue
Waco, Texas 76701
(254)752-3436
FAX (254)752-3463
<http://www.waco-cpa.com>

Paul J. Christensen, C.P.A.
Gary L. Sauls, C.P.A.

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*

Board of Directors
Heritage Academy Charter Schools, Inc.
San Antonio, 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 Heritage Academy Charter Schools, Inc. (the "Charter Holder") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Heritage Academy Charter Schools, Inc.'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 Heritage Academy Charter Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Heritage Academy Charter Schools, Inc.'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 Heritage Academy Charter Schools, Inc.'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 Heritage Academy Charter Schools, Inc.'s internal control or on compliance. This report is in integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heritage Academy Charter Schools, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Waco, Texas

January 20, 2022

Paul J. Christensen & Associates, LLC
Certified Public Accountants

2110 Austin Avenue
Waco, Texas 76701
(254)752-3436
FAX (254)752-3463
<http://www.waco-cpa.com>

Paul J. Christensen, C.P.A.
Gary L. Sauls, C.P.A.

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

Board of Directors
Heritage Academy Charter Schools, Inc.
San Antonio, Texas

Report on Compliance For Each Major Federal Program

We have audited Heritage Academy Charter Schools, Inc.'s (the "Charter Holder") (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 Heritage Academy Charter Schools, Inc.'s major federal programs for the year ended August 31, 2021. Heritage Academy Charter Schools, Inc.'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 Heritage Academy Charter Schools, Inc.'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 Heritage Academy Charter Schools, Inc.'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 Heritage Academy Charter Schools, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Heritage Academy Charter Schools, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control Over Compliance

Management of Heritage Academy Charter Schools, Inc. 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 Heritage Academy Charter Schools, Inc.'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 Heritage Academy Charter Schools, Inc.'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.



Waco, Texas
January 20, 2022

Academy Charter Schools, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2021

I. Summary of Auditor's ResultsFinancial Statements

Type of auditor's report issued Unmodified

Internal Control over Financial Reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over Major Programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? Yes No

Type of auditor's report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR section 200.516(a)? Yes No

Identification of Major Programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program</u> |
|-----------------------|--------------------------------|
| 84.425D | ESSER Grant |
| 84.425D | ESSER Grant II |
| 84.425U | ESSER Grant III |

Dollar threshold used to distinguish between Type A
and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

**Heritage Academy Charter Schools, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2021**

I. FINANCIAL STATEMENT FINDINGS

None

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Heritage Academy Charter Schools, Inc.
 Schedule of Expenditures of Federal Awards
 For the Year Ended August 31, 2021

| <u>Federal Grantor/Pass-Through/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---|---------------------------------|
| <u>U.S. Department of Education:</u> | | | |
| Passed-Through Texas Education Agency | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 21610101015815 | \$ 180,084 |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 21610141015815 | 52,385 |
| Special Education Cluster (IDEA) | | | |
| IDEA - Part B, Formula | 84.027A | 216600010158156000 | 108,972 |
| IDEA - Part B, Preschool | 84.173A | 206610010158156000 | 648 |
| Total Special Education Cluster (IDEA) | | | <u>109,620</u> |
| ESEA, Title III, Part A | 84.365A | 20671001015950 | 11,673 |
| ESEA, Title II, Part A - Teacher and Principal Training | 84.367A | 20694501015815 | 20,057 |
| RLOC Prior Purchase Reimbursed Program | 21.019 | 52202003 | 2,656 |
| ESEA, Title II Part A, Subpart I | 84.424A | 21680101015815 | 11,757 |
| Career and Technical | 84.048A | 21420006015950 | 5,267 |
| ESSER Grant | 84.425D | 20521001015815 | 91,969 |
| ESSER Grant II | 84.425D | 21521001015815 | 347,721 |
| ESSER Grant III | 84.425U | 21528001015815 | <u>67,509</u> |
| Total U.S. Department of Education | | | <u>558,609</u> |
| <u>U.S. Department of Agriculture:</u> | | | |
| Passed-Through Texas Education Agency | | | |
| Child Nutrition Cluster | | | |
| School Breakfast Program | 10.553 | 71402001 | 19,374 |
| School Lunch Program | 10.555 | 71302001 | 61,147 |
| U.S. Commodities | | | 5,191 |
| USDA Emergency Operational Cost Reimbursement | | | 33,264 |
| Total U.S. Department of Agriculture | | | <u>118,976</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,019,673</u> |

Heritage Academy Charter Schools, Inc.
Notes To Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) presents the activity of all applicable federal award programs of Heritage Academy Charter Schools, Inc. 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 operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Corporation.

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

Note 2 - Indirect Cost Rate

Heritage Academy Charter Schools, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.