

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING
August 31, 2022 and 2021

Randy Walker & Co., Certified Public Accountants

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A+ UNLIMITED POTENTIAL CHARTER SCHOOL

Federal Employer Identification Number: 46-3897845

Certificate of Board

We, the undersigned, certify that the attached annual financial reports of the above-named charter holder were reviewed and (check one) approved disapproved for the year ended August 31, 2022, at a meeting of the Board of Directors of such charter holder on the 24th day of January, 2023.

DocuSigned by:

Jess Arnold

386613A9E7CD47D

Signature of Board Secretary

DocuSigned by:

Kathy Welch

6A1B5EAFBBC3419

Signature of Board President

If the Board of Directors disapproved the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
A+ Unlimited Potential Charter School
Houston, Texas

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of A+ Unlimited Potential Charter School (the School), a nonprofit organization, which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the School as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules on pages 17-24 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023 on pages 25-26 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 the School's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the School's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Randy Walker & Co.

San Antonio, Texas
January 24, 2023

FINANCIAL STATEMENTS

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
August 31, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 670,169	\$ 1,063,713
Due from Texas Education Agency	126,205	137,018
Due from Other	69,171	10
Prepaid Expenses	108,037	56,641
Total Current Assets	973,582	1,257,382
LONG-TERM ASSETS		
Property and Equipment, net	816,740	808,990
Other Asset	46,862	46,862
Total Long-Term Assets	863,602	855,852
TOTAL ASSETS	\$ 1,837,184	\$ 2,113,234
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 98,010	\$ 133,955
Accrued Expenses	29,032	89,929
Notes Payable - current	14,092	12,993
PPP Loan Payable	-	162,710
Total Current Liabilities	141,134	399,587
LONG-TERM LIABILITIES		
Notes Payable - long-term	485,808	486,907
Total Long-Term Liabilities	485,808	486,907
TOTAL LIABILITIES	626,942	886,494
Commitments and Contingencies (Note 7)	-	-
NET ASSETS		
Without Donor Restrictions	825,211	831,506
With Donor Restrictions	385,031	395,234
TOTAL NET ASSETS	1,210,242	1,226,740
TOTAL LIABILITIES AND NET ASSETS	\$ 1,837,184	\$ 2,113,234

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

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2022
(with comparative totals for 2021)

	2022		Total	2021 Total
	Without Donor Restrictions	With Donor Restrictions		
OPERATING REVENUES AND OTHER SUPPORT				
Local Support:				
5743 Rent	\$ 257,763	\$ -	\$ 257,763	\$ 41,663
5744 Donations	22,232	141,876	164,108	200,207
5749 Miscellaneous Local Revenue	22,335	-	22,335	296,599
Total Local Support	<u>302,330</u>	<u>141,876</u>	<u>444,206</u>	<u>538,469</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	1,541,675	1,541,675	1,593,343
5820 State Program Revenues Distributed by the Texas Education Agency	-	10,539	10,539	59,064
Total State Program Revenues	<u>-</u>	<u>1,552,214</u>	<u>1,552,214</u>	<u>1,652,407</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by the Texas Education Agency	-	495,966	495,966	209,600
5940 Federal Revenues Distributed Directly from the Federal Government	-	244,220	244,220	-
Total Federal Program Revenues	<u>-</u>	<u>740,186</u>	<u>740,186</u>	<u>209,600</u>
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	2,444,479	(2,444,479)	-	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	<u>2,746,809</u>	<u>(10,203)</u>	<u>2,736,606</u>	<u>2,400,476</u>
OPERATING EXPENSES				
11 Instruction	1,079,180	-	1,079,180	814,883
13 Curriculum Development and Instructional Staff Development	33,169	-	33,169	16,980
23 School Leadership	371,428	-	371,428	238,566
31 Guidance, Counseling, and Evaluation Services	69,986	-	69,986	93,897
33 Health Services	1,180	-	1,180	1,992
35 Food Services	41,024	-	41,024	15,804
36 Extracurricular Activities	121	-	121	-
41 General Administration	157,096	-	157,096	142,266
51 Plant Maintenance and Operations	739,489	-	739,489	433,990
52 Security and Monitoring Services	28,306	-	28,306	7,936
53 Data Processing	142,543	-	142,543	147,203
61 Community Service	71,697	-	71,697	92,773
71 Debt Service	17,885	-	17,885	-
TOTAL OPERATING EXPENSES	<u>2,753,104</u>	<u>-</u>	<u>2,753,104</u>	<u>2,006,290</u>
CHANGE IN NET ASSETS	<u>(6,295)</u>	<u>(10,203)</u>	<u>(16,498)</u>	<u>394,186</u>
NET ASSETS, Beginning of Year	<u>831,506</u>	<u>395,234</u>	<u>1,226,740</u>	<u>832,554</u>
NET ASSETS, End of Year	<u>\$ 825,211</u>	<u>\$ 385,031</u>	<u>\$ 1,210,242</u>	<u>\$ 1,226,740</u>

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

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2022
(with comparative totals for 2021)

	2022			2021 Total
	Program	General and Administrative	Total	
OPERATING EXPENSES				
Salaries	\$ 1,058,538	\$ 92,819	\$ 1,151,357	\$ 800,229
Benefits	152,010	14,308	166,319	116,676
Payroll Taxes	13,764	1,341	15,104	11,852
Total Payroll Expenses	<u>1,224,312</u>	<u>108,468</u>	<u>1,332,780</u>	<u>928,757</u>
Rental Expense	424,570	80,871	505,441	289,365
Contract Labor	355,893	9,125	365,018	223,474
Professional Fees	136,304	29,965	166,269	203,387
Miscellaneous	95,048	3,146	98,194	128,513
Supplies	77,817	6,085	83,902	85,685
Utilities	66,573	13,636	80,209	47,205
Depreciation	34,031	-	34,031	345
Maintenance and Repair	22,563	1,962	24,525	12,629
Instructional Materials	23,391	-	23,391	66,452
Interest	17,885	-	17,885	-
Insurance and Bonding	9,202	2,300	11,502	20,348
Travel	-	9,432	9,432	60
Educational Service Center	525	-	525	70
TOTAL OPERATING EXPENSES	<u><u>\$ 2,488,114</u></u>	<u><u>\$ 264,990</u></u>	<u><u>\$ 2,753,104</u></u>	<u><u>\$ 2,006,290</u></u>

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

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program Payments	\$ 1,527,602	\$ 1,572,677
Grant Payments	612,901	308,224
Contributions	164,108	200,207
Miscellaneous Sources	210,937	338,262
Payments to Vendors for Goods and Services Rendered	(1,455,749)	(849,463)
Payments to Charter School Personnel for Services Rendered	(1,409,337)	(1,032,231)
Interest Payments	(2,225)	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(351,763)	537,676
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(41,781)	(808,990)
NET CASH USED BY INVESTING ACTIVITIES	(41,781)	(808,990)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on PPP Loan	-	162,710
Borrowings on Long-Term Debt	-	499,900
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	662,610
NET (DECREASE) INCREASE IN CASH FLOWS	(393,544)	391,296
CASH AND CASH EQUIVALENTS, Beginning of Year	1,063,713	672,417
CASH AND CASH EQUIVALENTS, End of Year	\$ 670,169	\$ 1,063,713
Reconciliation of Change in Net Assets to Net Cash		
(Used) Provided by Operating Activities:		
Change in Net Assets	\$ (16,498)	\$ 394,186
Adjustments to Reconcile Change in Net Assets to Net Cash		
(Used) Provided by Operating Activities:		
Depreciation	34,031	345
Forgiveness of PPP Loan	(162,710)	-
Decrease (Increase) in Assets:		
Due from Texas Education Agency	10,813	18,852
Due from Other	(69,161)	42
Prepaid Expenses	(51,396)	(26,206)
(Decrease) Increase in Liabilities:		
Accounts Payable	(35,945)	122,467
Accrued Expenses	(60,897)	27,990
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	\$ (351,763)	\$ 537,676

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

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Reporting Entity and Operations

A+UP dba A+ Unlimited Potential Charter School (the School) is a 501(c)(3) not-for-profit organization incorporated in the State of Texas in 2014. The School is governed by a Board of Directors comprised of six members. The Board of Directors (the Board) is selected pursuant to the bylaws of the School and has the authority to make decisions, appoint the chief executive officer, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of the School.

As of August 31, 2022, the School operates one campus located in Houston, Texas. Since the School receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

A+UP only operates the School and does not conduct any other charter or non-charter activities. The School was organized to provide educational services to students in 6th through 8th grade. The Board governs the programs, services, activities, and functions of the School, which operates under an open enrollment charter pursuant to Chapter 12 of the Texas Education Code. The School is part of the public-school system of the State of Texas and is therefore entitled to distributions from the State's available school fund.

The School's charter was awarded in June 2015 for a period of five years. During fiscal year 2021, the School's charter was renewed for a period of ten years.

Basis of Presentation

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

The School is required to report information regarding its financial position and activities according to two classes of net assets:

- *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 are reported as net assets without donor restrictions, board-designated.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than the School's mission and purpose. 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.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For financial statement purposes, the School considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Grants and Contributions

The School records grants and contributions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Grants and contributions restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the grants and contributions are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. 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.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The School is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is also exempt from franchise income, sales and hotel taxes in the State of Texas. As of August 31, 2022, the tax years that remain subject to examination by taxing authorities begin with 2019.

Property and Equipment

Property and equipment are stated at historical cost if purchased, or at fair value if donated. Property and equipment are defined as assets with an individual cost of more than \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of three to thirty-nine years.

Functional Allocation of Expenses

The costs of providing the services and other activities of the School have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses which are allocated on the basis of estimates of time and effort, as well as professional fees, supplies, contract labor, and various other expenses which are allocated on the basis of square footage or some other reasonable basis.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This pronouncement provides guidance regarding revenue recognition effective for reporting periods beginning after December 15, 2019. The pronouncement affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets. The core principle of this update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. Management has evaluated the new standard and determined it is not applicable to the School based on the School’s revenue sources.

Recently Adopted Accounting Pronouncements

In 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*, effective for periods beginning after December 15, 2019. This pronouncement improves the effectiveness of fair value measurement disclosures in the notes to the financial statements. The School adopted this pronouncement effective September 1, 2020.

NOTE 2 – LONG-TERM DEBT

During the year ended August 31, 2021, the School received an Economic Injury Disaster Loan of \$500,000 from the Small Business Administration to alleviate the economic impact caused by the COVID-19 pandemic. The loan is due in monthly installments of \$2,215 (principal and interest) beginning August 2022, bears an interest rate of 2.75%, and matures in July 2051, at which time all unpaid principal and interest are payable in full. Monthly payments will be applied first to interest accrued to the date of receipt of each payment, and the balance, if any, will be applied to principal. The loan is secured by the School’s tangible and intangible personal property.

Future scheduled maturities of the long-term debt are as follows:

Years Ending August 31,		
2023	\$	14,092
2024		13,385
2025		13,758
2026		14,141
2027		14,535
Thereafter		429,989
Total	\$	499,900

Interest expense was \$17,885 and \$-0- for the years ended August 31, 2022 and 2021, respectively.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 3 – DUE FROM TEXAS EDUCATION AGENCY

The School had \$126,205 and \$137,018 in receivables due from TEA related to various state and federal grants, and Foundation School Program revenue, at August 31, 2022 and 2021, respectively. The School also had \$69,171 and \$10 in receivables due from other entities (non-TEA) at August 31, 2022 and 2021, respectively. All amounts receivable are due in less than one year and are deemed by management to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

NOTE 4 – PAYCHECK PROTECTION PROGRAM LOAN

During the year ended August 31, 2021, the School received a second Paycheck Protection Program (PPP) loan of \$162,710 from the Small Business Administration as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed during the year to assist small businesses and non-profits affected by measures instituted in response to the COVID-19 pandemic. The amount was expended according to the time and purpose restrictions defined by the PPP. The School applied and was approved for forgiveness of the PPP loan in May 2022. Therefore, the loan forgiveness has been recognized as federal program revenue in the statement of activities for the year ended August 31, 2022.

NOTE 5 – OPERATING LEASES

The School rents facility space under a triple net lease agreement. The lease commenced on July 1, 2019 and is in effect until June 30, 2024. The School has an option to renew the lease for five additional years. Each lease period within this term runs from 7/1 – 6/30. Lease payments vary for each lease period. For the years ended August 31, 2022 and 2021, rental expense related to this lease was \$501,799 and \$287,944, respectively. Additionally, a lease deposit of \$46,862 was paid by the School for the facility lease and is classified as other asset in the statements of financial position.

Future minimum lease payments under this agreement are as follows:

Years Ending August 31,		
2023	\$	494,906
2024		420,470
Total	\$	915,376

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at August 31:

	2022	2021
Foundation School Program	\$ 164,177	\$ 239,669
Capital Improvements	89,185	93,565
Special Education Fiscal Support	62,000	62,000
Administrative Assistant Salary	60,000	-
Textbooks and Kindergarten Materials	9,669	-
Total	\$ 385,031	\$ 395,234

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 7 – COMMITMENTS AND CONTINGENCIES

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

The CARES Act provides an Employee Retention Credit (ERC), which is a refundable tax credit against the employer's share of social security taxes. During the year ended August 31, 2022, the School received \$81,510 related to the ERC for the quarter ended March 31, 2021, which has been recognized as federal program revenue in the statement of activities for the year ended August 31, 2022. All or a portion of these funds may be subject to refund if so determined by the Internal Revenue Service.

Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. Claims made under the CARES Act may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the School's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the School.

NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The School adopted the provisions of ASC 820, "*Fair Value Measurements and Disclosures*" (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the School's financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The School's current assets and liabilities as presented in the statements of financial position are Level 1. The School has no Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 9 – PROPERTY AND EQUIPMENT

At August 31, property and equipment consisted of the following:

	2022	2021
Leasehold Improvements	\$ 850,771	\$ -
Construction in Progress	-	808,990
Furniture and Equipment	6,205	6,205
	856,976	815,195
Less Accumulated Depreciation	(40,236)	(6,205)
Total Property and Equipment, net	\$ 816,740	\$ 808,990

Depreciation expense was \$34,031 and \$345 for the years ended August 31, 2022 and 2021, respectively.

NOTE 10 – PENSION PLAN OBLIGATIONS

Plan Description

The School contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the School, but are the liability of the state of Texas. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, *Public Retirement Systems*, Subtitle C, *Teacher Retirement System of Texas*, which is subject to amendment by the Texas Legislature. TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.
- There is no withdrawal penalty for leaving the TRS system.

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$223,172,755,000
Accumulated Benefit Obligations - \$218,037,583,497
The plan is 79.1% funded.

There are no collective-bargaining agreements.

Funding Policy

Under provisions in state law, plan members are required to contribute 8% of their annual covered salary and the state of Texas contributes an amount equal to 7.75% of the School's covered payroll.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 10 – PENSION PLAN OBLIGATIONS (continued)

The School's contributions to TRS were \$88,537 and \$45,868 for the years ended August 31, 2022 and 2021, respectively, which include \$19,533 and \$12,893, respectively, in Non-OASDI participating surcharges. The School'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 11 – REGULATED INDUSTRY

A portion of the School's activities and revenues are a result of contracts with TEA. The School's operations are concentrated in the education field. As such, the School operates in a heavily regulated environment. The operations of the School are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

NOTE 12 – HEALTH INSURANCE PLAN

During the years ended August 31, 2022 and 2021, employees of the School were covered by a health insurance plan. The School contributed a maximum of \$325 for teachers and \$798 for the Superintendent per month per employee to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers. The School's contributions towards health insurance were \$73,809 and \$50,074 for the years ended August 31, 2022 and 2021, respectively.

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-stipulated restrictions.

	2022	2021
Cash and Cash Equivalents	\$ 670,169	\$ 1,063,713
Due from Texas Education Agency and Other	195,376	137,028
Total Financial Assets	865,545	1,200,741
Donor Restrictions (net of Foundation School Program)	(220,854)	(155,565)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 644,691	\$ 1,045,176

The School's primary sources of cash flows are state and federal program funds from TEA, which are classified as net assets with donor restrictions on the statements of financial position. However, restrictions are part of the School's mission that make them available for general expenditure within one year of the statement of financial position date. The School has a consistent inflow of cash throughout the year to cover normal operating expenses.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 14 – CONCENTRATION OF CREDIT RISK

The School maintains cash balances at one financial institution. The Federal Deposit Insurance Corporation insures the balances in the cash accounts up to \$250,000. At August 31, 2022 and 2021, the School's uninsured cash balances totaled \$528,790 and \$899,812, respectively, not including reconciling items.

NOTE 15 – SUBSEQUENT EVENTS

As a result of the ongoing COVID-19 pandemic, the School continues to evaluate current economic conditions, and any potential financial impact cannot be reasonably estimated at this time.

The School has evaluated subsequent events through January 24, 2023, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
SCHEDULE OF EXPENSES
For the Year Ended August 31, 2022

Expenses	<u>2022</u>	<u>2021</u>
6100 Payroll Costs	\$ 1,332,780	\$ 928,757
6200 Professional and Contracted Services	1,141,987	776,130
6300 Supplies and Materials	107,293	152,137
6400 Other Operating Costs	153,159	149,266
6500 Debt Service	17,885	-
Total Expenses	<u><u>\$ 2,753,104</u></u>	<u><u>\$ 2,006,290</u></u>

See independent auditor's report.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
SCHEDULE OF CAPITAL ASSETS
August 31, 2022

Capital assets acquired with public funds, which constitute public property pursuant to Chapter 12 of the Texas Education Code, are as follows:

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 149,509	\$ 520,660	\$ -
1520 Building and Improvements	813,599	37,172	-
1539 Furniture and Equipment	-	-	6,205
Total Capital Assets	\$ 963,108	\$ 557,832	\$ 6,205

Reconciliation of Property and Equipment on Schedule of Capital Assets to Statements of Financial Position:

Per Schedule of Capital Assets:

1520 Building and Improvements	\$ 850,771
1539 Furniture and Equipment	6,205

Less Accumulated Depreciation:

(40,236)

Total Property and Equipment per Statements of Financial Position:

\$ 816,740

**A+ UNLIMITED POTENTIAL CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2022**

	Budgeted Amounts		Variance From Original to Final Budget	Actual Amounts	Variance From Final Budget to Actual
	Original	Final			
REVENUES AND OTHER SUPPORT					
Local Support:					
5740 Other Revenues from Local Sources	\$ 303,320	\$ 446,666	\$ 143,346 [1]	\$ 444,206	\$ (2,460)
Total Local Support	<u>303,320</u>	<u>446,666</u>	<u>143,346</u>	<u>444,206</u>	<u>(2,460)</u>
State Program Revenues:					
5810 Foundation School Program Act Revenues	1,552,407	1,570,407	18,000	1,541,675	(28,732)
5820 State Program Revenues Distributed by the Texas Education Agency	10,717	10,717	-	10,539	(178)
Total State Program Revenues	<u>1,563,124</u>	<u>1,581,124</u>	<u>18,000</u>	<u>1,552,214</u>	<u>(28,910)</u>
Federal Program Revenues:					
5920 Federal Revenues Distributed by the Texas Education Agency	496,148	501,293	5,145	495,966	(5,327)
5940 Federal Revenues Distributed Directly from the Federal Government	162,710	244,220	81,510 [2]	244,220	-
Total Federal Program Revenues	<u>658,858</u>	<u>745,513</u>	<u>86,655</u>	<u>740,186</u>	<u>(5,327)</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>2,525,302</u>	<u>2,773,303</u>	<u>248,001</u>	<u>2,736,606</u>	<u>(36,697)</u>
EXPENSES					
11 Instruction	1,048,534	1,203,581	(155,047) [3]	1,079,180	124,401
13 Curriculum Development and Instructional Staff Development	39,200	23,150	16,050 [4]	33,169	(10,019) [13]
23 School Leadership	288,000	344,185	(56,185) [5]	371,428	(27,243)
31 Guidance, Counseling, and Evaluation Services	46,000	54,200	(8,200) [6]	69,986	(15,786) [14]
33 Health Services	830	830	-	1,180	(350) [15]
35 Food Services	20,000	38,500	(18,500) [7]	41,024	(2,524)
36 Extracurricular Activities	-	-	-	121	(121) [16]
41 General Administration	435,000	169,729	265,271 [8]	157,096	12,633
51 Plant Maintenance and Operations	518,129	724,388	(206,259) [9]	739,489	(15,101)
52 Security and Monitoring Services	8,500	8,500	-	28,306	(19,806) [17]
53 Data Processing	86,000	60,292	25,708 [10]	142,543	(82,251) [18]
61 Community Service	42,000	48,033	(6,033) [11]	71,697	(23,664) [19]
71 Debt Service	4,420	2,225	2,195 [12]	17,885	(15,660) [20]
TOTAL EXPENSES	<u>2,536,613</u>	<u>2,677,613</u>	<u>(141,000)</u>	<u>2,753,104</u>	<u>(75,491)</u>
CHANGE IN NET ASSETS	<u>(11,311)</u>	<u>95,690</u>	<u>107,001</u>	<u>(16,498)</u>	<u>(112,188)</u>
NET ASSETS, Beginning of Year	<u>1,226,740</u>	<u>1,226,740</u>	<u>-</u>	<u>1,226,740</u>	<u>-</u>
NET ASSETS, End of Year	<u>\$ 1,215,429</u>	<u>\$ 1,322,430</u>	<u>\$ 107,001</u>	<u>\$ 1,210,242</u>	<u>\$ (112,188)</u>

See independent auditor's report.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2022

- [1] Local revenues budget was increased to include unexpected local grants from Farrish Fund & Fidelity as well as reimbursement from landlord for prior year building repairs.
- [2] Increase in final budget was to include ERC refund received from the IRS.
- [3] Increase in final budgeted amount is due to including five new positions.
- [4] Decrease in final budget is due to utilizing curriculum materials from prior year.
- [5] Increase in final budget is due to additional consulting services for Principal & Administration.
- [6] Increase in final budget is due to additional evaluations for new students.
- [7] Increase in final budget is due to increase in participation in meal service.
- [8] Decrease in final budgeted amount is due to correction of a misallocation of expenses.
- [9] Increase in final budget is due to correction of misallocation in function 41.
- [10] Decrease in final budget is due to projected purchase of technology placed on hold.
- [11] Increase in final budget is due to increase in recruitment for enrollment and increased community awareness expense.
- [12] Decrease in final budget is due to timing of repayment of debt.
- [13] Actual expense is higher than budgeted amount due to increased training for TCLAS program at the end of year.
- [14] Actual expense is higher than budgeted amount due to increased counseling services.
- [15] Actual expense is higher than budgeted amount due to cost of health screening being more than anticipated.
- [16] Actual expense is higher than budgeted amount due to unanticipated activities at the end of the year.
- [17] Actual expense is higher than budgeted amount due to investment in security equipment and repairs.
- [18] Actual expense is higher than budgeted amount due to increase in vendor fees.
- [19] Actual expense is higher than budgeted amount due to increase in recruitment efforts due to lower than expected enrollment.
- [20] Actual expense is higher than budgeted amount due to accrual of interest due on loan.

**A+ UNLIMITED POTENTIAL CHARTER SCHOOL
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
For the Year Ended August 31, 2022**

Section A: Compensatory Education Programs

Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.104.

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 173,172
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 105,923

Section B: Bilingual Education Programs

Districts are required to spend at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.105.

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ 9,116
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$ 5,131

**A+ UNLIMITED POTENTIAL CHARTER SCHOOL
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
August 31, 2022**

Description	Property Address	Total Assessed Value	Ownership Interest Local	Ownership Interest State	Ownership Interest Federal
N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
SCHEDULE OF RELATED PARTY TRANSACTIONS
For the Year Ended August 31, 2022

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid during FY	Principal Balance Due
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

**A+ UNLIMITED POTENTIAL CHARTER SCHOOL
 SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
 For the Year Ended August 31, 2022**

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Compensation or Benefit</u>	<u>Payment Frequency</u>	<u>Description</u>	<u>Source of Funds Used</u>	<u>Total Paid During FY</u>
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

OTHER REQUIRED REPORTING

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
A+ Unlimited Potential Charter School
Houston, 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+ Unlimited Potential Charter School (the School), which comprise the statement of financial position as of August 31, 2022, 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 January 24, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’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 or significant deficiencies. However, material weaknesses and/or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 financial statements. 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Randy Walker & Co.

San Antonio, Texas
January 24, 2023

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
SUMMARY OF AUDIT FINDINGS
For the Year Ended August 31, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Noncompliance material to the financial statements	None