

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

*Randy Walker & Co., Certified Public Accountants*

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

Table of Contents


Certificate of Board	1
Independent Auditor’s Report	2-3
<b>Financial Statements</b>	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-14
<b>Supplementary Information</b>	
Schedule of Expenses	15
Schedule of Capital Assets	16
Budgetary Comparison Schedule	17
Use of Funds Report – Select State Allotment Programs	18
Schedule of Real Property Ownership Interest	19
Schedule of Related Party Transactions	20
Schedule of Related Party Compensation and Benefits	21
<b>Other Required Reporting</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23
Summary of Audit Findings	24


# 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, 2021, at a meeting of the Board of Directors of such charter holder on the 18th day of January, 2022.

DocuSigned by:  
  
2F1AA98113324EF  
Signature of Board Secretary

DocuSigned by:  
  
9D11EEF5664C409  
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

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, 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 the School as of August 31, 2021, 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.

## **Report on 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 15-21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2022 on pages 22-23 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.

*Randy Walker & Co.*

San Antonio, Texas  
January 18, 2022

# **FINANCIAL STATEMENTS**

**A+ UNLIMITED POTENTIAL CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**August 31, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	1,063,713
Due from Texas Education Agency		137,028
Prepaid Expenses		56,641
		1,257,382
Total Current Assets		1,257,382

**LONG-TERM ASSETS**

Property and Equipment, net		808,990
Other Asset		46,862
		855,852
Total Long-Term Assets		855,852

**TOTAL ASSETS**      **\$ 2,113,234**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	133,955
Accrued Expenses		89,929
Notes Payable - current		12,993
PPP Loan Payable		162,710
		399,587
Total Current Liabilities		399,587

**LONG-TERM LIABILITIES**

Notes Payable - long-term		486,907
		486,907
Total Long-Term Liabilities		486,907

**TOTAL LIABILITIES**      **886,494**

**NET ASSETS**

Without Donor Restrictions		831,506
With Donor Restrictions		395,234
		1,226,740

**TOTAL NET ASSETS**      **1,226,740**

**TOTAL LIABILITIES AND NET ASSETS**      **\$ 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, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING REVENUES AND OTHER SUPPORT</b>			
Local Support:			
5743 Rent	\$ 41,663	\$ -	\$ 41,663
5744 Donations	207	-	207
5749 Other Revenue from Local Sources	11,583	485,016	496,599
Total Local Support	53,453	485,016	538,469
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	1,593,343	1,593,343
5820 State Program Revenues Distributed by the Texas Education Agency	-	59,064	59,064
Total State Program Revenues	-	1,652,407	1,652,407
Federal Program Revenues:			
5920 Federal Revenues Distributed by the Texas Education Agency	-	209,600	209,600
Total Federal Program Revenues	-	209,600	209,600
Net Assets Released From Restrictions			
Restrictions Satisfied By Payments	2,385,981	(2,385,981)	-
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<b>2,439,434</b>	<b>(38,958)</b>	<b>2,400,476</b>
<b>OPERATING EXPENSES</b>			
11 Instruction	814,883	-	814,883
13 Curriculum Development and Instructional Staff Development	16,980	-	16,980
23 School Leadership	238,566	-	238,566
31 Guidance, Counseling, and Evaluation Services	93,897	-	93,897
33 Health Services	1,992	-	1,992
35 Food Services	15,804	-	15,804
41 General Administration	142,266	-	142,266
51 Plant Maintenance and Operations	433,990	-	433,990
52 Security and Monitoring Services	7,936	-	7,936
53 Data Processing	147,203	-	147,203
61 Community Service	92,773	-	92,773
<b>TOTAL OPERATING EXPENSES</b>	<b>2,006,290</b>	<b>-</b>	<b>2,006,290</b>
<b>CHANGE IN NET ASSETS</b>	<b>433,144</b>	<b>(38,958)</b>	<b>394,186</b>
<b>NET ASSETS, Beginning of Year</b>	<b>398,362</b>	<b>434,192</b>	<b>832,554</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 831,506</b>	<b>\$ 395,234</b>	<b>\$ 1,226,740</b>

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, 2021**

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
<b>OPERATING EXPENSES</b>			
Salaries	\$ 711,062	\$ 89,167	\$ 800,229
Benefits	104,119	12,557	116,676
Payroll Taxes	10,569	1,283	11,852
Total Payroll Expenses	<u>825,750</u>	<u>103,007</u>	<u>928,757</u>
Rental Expense	243,067	46,298	289,365
Contract Labor	218,074	5,400	223,474
Professional Fees	176,074	27,313	203,387
Miscellaneous	126,316	2,197	128,513
Supplies	81,396	4,289	85,685
Instructional Materials	66,452	-	66,452
Utilities	39,180	8,025	47,205
Insurance and Bonding	16,278	4,070	20,348
Maintenance and Repair	11,619	1,010	12,629
Depreciation	345	-	345
Educational Service Center	70	-	70
Travel	-	60	60
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 1,804,621</u></u>	<u><u>\$ 201,669</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**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended August 31, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Foundation School Program Payments	\$ 1,572,677
Grant Payments	308,224
Contributions and Fund-Raising Activities	538,469
Payments to Vendors for Goods and Services Rendered	(849,463)
Payments to Charter School Personnel for Services Rendered	<u>(1,032,231)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>537,676</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of Property and Equipment	<u>(808,990)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(808,990)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Borrowings on PPP Loan	162,710
Borrowings on Long-Term Debt	<u>499,900</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>662,610</u>
 <b>NET INCREASE IN CASH FLOWS</b>	 391,296
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>672,417</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u><u>\$ 1,063,713</u></u>
 Reconciliation of Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Change in Net Assets	\$ 394,186
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	345
Decrease (Increase) in Assets:	
Due from Texas Education Agency	18,894
Prepaid Expenses	(26,206)
Increase in Liabilities:	
Accounts Payable	122,467
Accrued Expenses	<u>27,990</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 537,676</u></u>

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

**A+ UNLIMITED POTENTIAL CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 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, 2021, 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, 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.

***Grant Funds***

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are awarded, they are not recorded as revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require a refund of all or part of the unused amount.

***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, 2021, the tax years that remain subject to examination by taxing authorities begin with 2018.

***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.

***Contributions***

The School accounts for contributions as support 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.

***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, 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 Accounting Standards Update (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.

***Recently Adopted Accounting Pronouncements***

In 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for periods beginning after December 15, 2018. This pronouncement clarifies and improves the scope and the accounting guidance for contributions received and contributions made in order to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The School adopted this pronouncement effective July 1, 2019.

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 new pronouncement effective September 1, 2020. The change was applied retrospectively, but there was no cumulative effect on beginning net assets as of this date.

**NOTE 2 – DUE FROM TEXAS EDUCATION AGENCY**

The School had \$137,028 in receivables due from TEA related to various state grants and Foundation School Program revenue at August 31, 2021. 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 3 – 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 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 intends to apply for forgiveness of this loan during fiscal year 2022. Therefore, the entire loan amount has been recognized as a current liability in the statement of financial position at August 31, 2021.

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

**NOTE 4 – 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 September 2021, bears an interest rate of 2.75%, and matures in July 2051, at which time all unpaid principal and interest are payable in full. 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,		
2022	\$	12,993
2023		13,355
2024		13,727
2025		14,109
2026		14,502
Thereafter		<u>431,214</u>
Total	\$	<u>499,900</u>

**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. Each lease period within this term runs from 7/1 – 6/30. Lease payments vary for each lease period. For the year ended August 31, 2021, rental expense was \$287,944. Additionally, a lease deposit of \$46,862 was paid by the School for the facility lease and is classified as other asset in the statement of financial position.

Future minimum lease payments under this agreement are as follows:

Years Ending August 31,		
2022	\$	483,596
2023		494,906
2024		<u>420,470</u>
Total	\$	<u>1,398,972</u>

**NOTE 6 – 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.

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

**NOTE 7 – 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 statement of financial position are Level 1. The School has no Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

**NOTE 8 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at August 31, 2021:

Construction in Progress		\$	808,990
Furniture and Equipment			6,205
			815,195
Less Accumulated Depreciation			(6,205)
			808,990
Total Property and Equipment, net		\$	808,990

Depreciation expense for the year ended August 31, 2021 was \$345.

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were for the following purposes at August 31, 2021:

Foundation School Program		\$	239,669
Capital Improvements			93,565
Special Education Fiscal Support			62,000
			395,234
Total		\$	395,234

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

**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 7.7% of their annual covered salary and the state of Texas contributes an amount equal to 7.5% of the School's covered payroll. The School's contributions to TRS were \$45,868 for the year ended August 31, 2021, which include \$12,893 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.



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

**NOTE 12 – HEALTH INSURANCE PLAN**

During the year ended August 31, 2021, employees of the School were covered by a health insurance plan. The School contributed a maximum of \$325 for teachers and \$879 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 \$50,074 for the year ended August 31, 2021.

**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.

Cash and Cash Equivalents		\$ 1,063,713
Due from Texas Education Agency		<u>137,028</u>
Total Financial Assets		1,200,741
Donor Restrictions		<u>(395,234)</u>
Financial Assets Available to Meet Cash		
Needs for Expenditures Within One Year		<u>\$ 805,507</u>

The School’s primary sources of cash flows are state and federal program revenues. The School has a consistent inflow of cash throughout the year to cover normal operating expenses.

**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, 2021, the School’s uninsured cash balances totaled \$899,812, 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 18, 2022, 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, 2021**

**Expenses**

6100	Payroll Costs	\$ 928,757
6200	Professional and Contracted Services	776,130
6300	Supplies and Materials	152,137
6400	Other Operating Costs	<u>149,266</u>
	<b>Total Expenses</b>	<u><u>\$ 2,006,290</u></u>

See independent auditor's report.

**A+ UNLIMITED POTENTIAL CHARTER SCHOOL**  
**SCHEDULE OF CAPITAL ASSETS**  
**August 31, 2021**

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

	<b>Ownership Interest</b>		
	<b>Local</b>	<b>State</b>	<b>Federal</b>
1110 Cash	\$ 268,024	\$ 795,689	\$ -
1520 Building and Improvements	808,990	-	-
1539 Furniture and Equipment	-	-	6,205
<b>Total Capital Assets</b>	<b>\$ 1,077,014</b>	<b>\$ 795,689</b>	<b>\$ 6,205</b>

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

*Per Schedule of Capital Assets:*

1520 Building and Improvements	\$ 808,990
1539 Furniture and Equipment	6,205

*Less Accumulated Depreciation:*

(6,205)

**Total Property and Equipment per Statement of Financial Position:**

**\$ 808,990**

**A+ UNLIMITED POTENTIAL CHARTER SCHOOL**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended August 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES AND OTHER SUPPORT</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 20,000	\$ 684,400	\$ 538,469	\$ (145,931) (1)
Total Local Support	<u>20,000</u>	<u>684,400</u>	<u>538,469</u>	<u>(145,931)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	1,672,175	1,564,937	1,593,343	28,406
5820 State Program Revenues Distributed by the Texas Education Agency	<u>57,756</u>	<u>58,756</u>	<u>59,064</u>	<u>308</u>
Total State Program Revenues	<u>1,729,931</u>	<u>1,623,693</u>	<u>1,652,407</u>	<u>28,714</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by the Texas Education Agency	<u>199,256</u>	<u>214,930</u>	<u>209,600</u>	<u>(5,330)</u>
Total Federal Program Revenues	<u>199,256</u>	<u>214,930</u>	<u>209,600</u>	<u>(5,330)</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>1,949,187</u>	<u>2,523,023</u>	<u>2,400,476</u>	<u>(122,547)</u>
<b>EXPENSES</b>				
11 Instruction	919,031	764,981	814,883	(49,902)
13 Curriculum Development and Instructional Staff Development	27,550	15,963	16,980	(1,017)
23 School Leadership	145,500	227,560	238,566	(11,006)
31 Guidance, Counseling, and Evaluation Services	64,430	96,146	93,897	2,249
33 Health Services	-	1,992	1,992	-
35 Food Services	38,000	15,828	15,804	24
41 General Administration	315,800	141,841	142,266	(425)
51 Plant Maintenance and Operations	430,949	536,902	433,990	102,912
52 Security and Monitoring Services	18,470	7,396	7,936	(540)
53 Data Processing	75,000	149,326	147,203	2,123
61 Community Service	20,000	99,677	92,773	6,904
99 Undistributed	<u>35,800</u>	<u>808,098</u>	<u>-</u>	<u>808,098</u>
<b>TOTAL EXPENSES</b>	<u>2,090,530</u>	<u>2,865,710</u>	<u>2,006,290</u>	<u>859,420</u>
<b>CHANGE IN NET ASSETS</b>	<u>(141,343)</u>	<u>(342,687)</u>	<u>394,186</u>	<u>736,873</u>
<b>NET ASSETS, Beginning of Year</b>	<u>832,554</u>	<u>832,554</u>	<u>832,554</u>	<u>-</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 691,211</u>	<u>\$ 489,867</u>	<u>\$ 1,226,740</u>	<u>\$ 736,873</u>

(1) Unfavorable variance is due to less miscellaneous revenue received than budgeted.

See independent auditor's report.

**A+ UNLIMITED POTENTIAL CHARTER SCHOOL  
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS  
For the Year Ended August 31, 2021**

**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.	\$ 167,758
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)	\$ 278,005

---

**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.	\$ 5,299
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$ 7,974

**A+ UNLIMITED POTENTIAL CHARTER SCHOOL  
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST  
August 31, 2021**

<u>Description</u>	<u>Property Address</u>	<u>Total Assessed Value</u>	<u>Ownership Interest Local</u>	<u>Ownership Interest State</u>	<u>Ownership Interest Federal</u>
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, 2021**

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid during FY</u>	<u>Principal Balance Due</u>
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, 2021**

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Compensation or Benefit</u>	<u>Payment Frequency</u>	<u>Description</u>	<u>Source of Funds Used</u>	<u>Total Paid During 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, 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, and have issued our report thereon dated January 18, 2022.

**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.

## **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 18, 2022

**A+ UNLIMITED POTENTIAL CHARTER SCHOOL**  
**SUMMARY OF AUDIT FINDINGS**  
**For the Year Ended August 31, 2021**

**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