

**ARISTOI CLASSICAL ACADEMY, INC.
(A NON PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**Year Ended August 31, 2021
with Comparative Totals for 2020**



ARISTOI CLASSICAL ACADEMY, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
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ARISTOI  CLASSICAL
ACADEMY

Aristoi Classical Academy, Inc.
(Federal Employer Identification Number: 76-0495959)

CERTIFICATE OF BOARD

Aristoi Classical Academy, Inc.
Name of Charter Holder

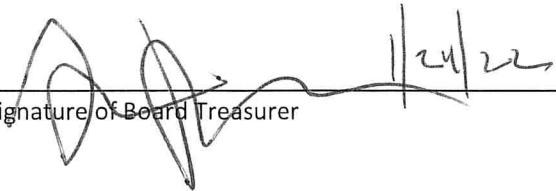
76-0495959
Federal Employer ID Number

Aristoi Classical Academy
Name of Charter School

Harris
County

101-803
County District Number

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Aristoi Classical Academy was reviewed and approved disapproved for the year ended August 31, 2021, at a meeting of the governing body of said charter school on the 24th day of January 2022.



Signature of Board Treasurer

 1/24/22

Signature of Board Vice President



INDEPENDENT AUDITORS' REPORT

Board of Directors
Aristoi Classical Academy Inc.
Katy, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Aristoi Classical Academy, Inc. (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.

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 Aristoi Classical Academy, Inc. (the "Academy") 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.

Report on Summarized Comparative Information

We have previously audited the Academy's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the budgetary comparison schedule, schedule of expenses, schedule of capital assets, schedule of real property ownership interest, schedule of related party transactions, and schedule of compensation and benefits, as required by the Texas Education Agency is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget ("OMB"); *Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic 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, 2022, on our consideration of Aristoi Classical Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Aristoi Classical Academy, Inc.'s internal control over financial reporting and compliance.



Houston, Texas
January 24, 2022

GENERAL PURPOSE FINANCIAL STATEMENTS



ARISTOI CLASSICAL ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION

	August 31,	
	2021	2020
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 4,958,256	\$ 4,541,277
Due from Texas Education Agency	894,974	927,888
Other Receivables	5,300	-
Other Assets	9,700	9,700
Restricted Cash	1,537,292	1,532,480
Total Current Assets	<u>7,405,522</u>	<u>7,011,345</u>
Noncurrent Assets:		
Property and Equipment, net	11,137,154	10,997,471
Right-to-Use Asset, net	2,119,363	-
Total Noncurrent Assets	<u>13,256,517</u>	<u>10,997,471</u>
Total Assets	<u>\$ 20,662,039</u>	<u>\$ 18,008,816</u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 93,723	\$ 58,914
Accrued interest payable	407,063	411,750
Payroll deductions and withholdings	132,023	98,934
Accrued salaries payable	192,139	187,064
Due to State	117,538	-
Paycheck Protection Program loan	-	1,034,348
Current portion of finance lease liability	1,254,934	-
Current portion of bonds payable	135,000	125,000
Total Current Liabilities	<u>2,332,420</u>	<u>1,916,010</u>
Bonds net of discount, issue costs and finance lease liability	<u>11,898,928</u>	<u>10,291,742</u>
Total Liabilities	<u>14,231,348</u>	<u>12,207,752</u>
Net Assets:		
Without donor restrictions	3,016,403	1,784,941
With donor restrictions	3,414,288	4,016,123
Total Net Assets	<u>6,430,691</u>	<u>5,801,064</u>
Total Liabilities and Net Assets	<u>\$ 20,662,039</u>	<u>\$ 18,008,816</u>

ARISTOI CLASSICAL ACADEMY, INC.
STATEMENTS OF ACTIVITIES

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>August 31,</u>	
			<u>2021</u>	<u>2020</u>
Revenues				
Local Support:				
Earnings from deposits and investments	\$ 11,861	\$ -	\$ 11,861	\$ 24,775
Gifts and bequests	85,022	-	85,022	39,978
Other revenues from local sources	100,231	-	100,231	110,794
Food Service Activity		120,267	120,267	81,970
Total Local Support	<u>197,114</u>	<u>120,267</u>	<u>317,381</u>	<u>257,517</u>
State Program Revenues:				
Per Capita and Foundation School				
Program Act Revenues	-	10,191,011	10,191,011	8,386,194
State Program Revenues Distributed by Texas Education Agency	-	173,166	173,166	148,338
Total State Program Revenues	<u>-</u>	<u>10,364,177</u>	<u>10,364,177</u>	<u>8,534,532</u>
Federal Program Revenues:				
ESEA Title I, Part A	-	91,116	91,116	45,157
ESEA Title II, Part A	-	15,426	15,426	21,931
National School Breakfast and Lunch	-	114,345	114,345	71,301
ESEA Title III, Part A	-	836	836	1,640
IDEA Part B, Formula	-	133,829	133,829	104,436
IDEA Part B, Pre-School	-	1,483	1,483	-
Public Charter Schools	-	530,287	530,287	369,713
CARES Act, Section 18003 - Emergency and Secondary School Emergency Relief Fund (ESSER) Grant (COVID-19)	-	22,850	22,850	16,030
Instructional Continuity	-	7,869	7,869	2,631
CRRSAA, ESSER II Prior Purchase Reimbursement Program (PPRP) (COVID-19)	-	63,000	63,000	-
ARP, ESSER III (COVID-19)	-	15,397	15,397	-
Title IV, Part A, Subpart 1	-	2,925	2,925	42,794
Paycheck Protection Program Loan Forgiveness	1,034,348	-	1,034,348	-
Total Federal Program Revenues	<u>1,034,348</u>	<u>999,363</u>	<u>2,033,711</u>	<u>675,633</u>
Net Assets Released from Restrictions:				
Restrictions satisfied by payments	11,488,115	(11,488,115)	-	-
Total Revenues	<u>12,719,577</u>	<u>(4,308)</u>	<u>12,715,269</u>	<u>9,467,682</u>

ARISTOI CLASSICAL ACADEMY, INC.
STATEMENTS OF ACTIVITIES

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>August 31,</u>	
			<u>2021</u>	<u>2020</u>
Expenses				
Instruction	\$ 5,788,248	\$ -	\$ 5,788,248	\$ 4,913,231
Instructional Resources and Media Services	24,645	-	24,645	4,838
Curriculum Development and Instructional Staff Development	129,197	-	129,197	88,035
Instructional Leadership	65,279	-	65,279	77,740
School Leadership	985,023	-	985,023	680,720
Guidance, Counseling & Evaluation Services	108,728	-	108,728	77,530
Health Services	117,899	-	117,899	79,646
Student (Pupil) Transportation	-	-	-	2,854
Food Services	326,537	-	326,537	239,513
Extracurricular Activities	42,186	-	42,186	31,905
General Administration	543,035	-	543,035	434,911
Facilities Maintenance and Operations	1,875,824	-	1,875,824	1,312,194
Security and Monitoring Services	71,800	-	71,800	33,404
Data Processing Services	307,548	-	307,548	188,413
Debt Services	954,033	-	954,033	847,620
Fund Raising	148,133	-	148,133	132,554
Total Expenses	<u>11,488,115</u>	<u>-</u>	<u>11,488,115</u>	<u>9,145,108</u>
Operating Expenses				
Change in Net Assets from operations	1,231,462	(4,308)	1,227,154	322,574
Net Operating Assets, beginning of year	<u>1,784,941</u>	<u>3,418,371</u>	<u>5,203,312</u>	<u>5,478,290</u>
Net Operating Assets, end of year	<u>3,016,403</u>	<u>3,414,063</u>	<u>6,430,466</u>	<u>5,800,864</u>
Non-Operating Revenues (Expenses)				
Gain (loss) on sale of real and personal property	-	225	225	200
Non-Operating Revenues (Expenses)	<u>-</u>	<u>225</u>	<u>225</u>	<u>200</u>
Total Change in Net Assets	1,231,462	(4,083)	1,227,379	322,774
Net Assets, beginning of year	2,382,693	3,418,371	5,801,064	5,478,290
Prior Period Adjustments	(597,752)	-	(597,752)	-
Net Assets, end of year	<u>\$ 3,016,403</u>	<u>\$ 3,414,288</u>	<u>\$ 6,430,691</u>	<u>\$ 5,801,064</u>

ARISTOI CLASSICAL ACADEMY, INC.
STATEMENTS OF CASH FLOWS

	August 31,	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Foundation school program payments	\$ 10,185,608	\$ 8,594,968
Grant payments	1,155,218	389,997
Other state and local revenue payments	485,247	406,177
Payments to vendors for goods and services rendered	(2,768,169)	(2,170,560)
Payments to charter school personnel for services rendered	(6,722,429)	(5,645,843)
Interest payments	(937,649)	(826,550)
Net cash provided in operating activities	<u>1,397,826</u>	<u>748,189</u>
Cash flows from investing activities:		
Building and Leasehold Improvements	(495,556)	(50,635)
Proceeds from sale of capital asset		(17,083)
Net cash used in investing activities	<u>(495,556)</u>	<u>(67,718)</u>
Cash flows from financing activities:		
Reduction of Finance Lease Liability	(355,479)	
Principal payments on bonds	(125,000)	
Proceeds from Paycheck Protection Program Loan	-	1,034,348
Net cash provided (used) by financing activities	<u>(480,479)</u>	<u>1,034,348</u>
Net Change in cash and cash equivalents	421,791	1,714,819
Beginning cash and cash equivalents	6,073,757	4,358,938
Ending cash and cash equivalents	<u>\$ 6,495,548</u>	<u>\$ 6,073,757</u>
Unrestricted cash and cash equivalents	<u>\$ 4,958,256</u>	<u>\$ 4,541,277</u>
Restricted cash and cash equivalents	<u>1,537,292</u>	<u>1,532,480</u>
	<u>\$ 6,495,548</u>	<u>\$ 6,073,757</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets	\$ 1,227,154	\$ 322,574
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	355,873	349,348
Amortization	635,709	21,070
Paycheck Protection Program Loan Forgiveness	(1,034,348)	-
(Increase) decrease in:		
Due from Texas Education Agency	32,914	(76,862)
Other receivables	(5,300)	322
Increase (decrease) in operating liabilities:		
Accounts payable	34,809	51,973
Accrued interest payable	(4,687)	-
Accrued salaries payable and related liabilities	38,164	79,764
Due to state	117,538	-
Net cash provided by operating activities	<u>\$ 1,397,826</u>	<u>\$ 748,189</u>
Noncash Investing and financing activities:		
Obtaining a right-of-use asset in exchange for a lease liability	<u>\$ 2,027,915</u>	<u>\$ -</u>

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The general-purpose financial statements of Aristoi Classical Academy, Inc. (the "Academy") were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The Academy is a not-for-profit organization incorporated in the State of Delaware in 1996 and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Academy is governed by a Board of Directors comprised of seven members. The members of the Board of Directors are appointed in accordance with provisions contained in the bylaws of the Academy. The Board of Directors has the authority to make decisions, appoint the administrator of the Academy, and significantly influence operations. The Board of Directors has primary accountability for the fiscal affairs of the Academy.

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

Corporate Operations

The Academy provides educational services in the City of Katy to students in grades Kindergarten through the 12th grade. In 2013, the Commissioner of Education approved the addition of grade 9 and in 2014 approved the addition of grades 10-12. The programs, services, activities, and functions are governed by the Charter Holder's Board of Directors. In 1996, the Texas State Board of Education 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. The Academy 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 Academy does not have the authority to impose ad valorem taxes on its district or to charge tuition.

The Academy's charter was approved for renewal on July 31, 2021 and will expire on July 31, 2031.

Effective July 1, 2019, a charter amendment for purposes of High-Quality Campus Designation was approved. A new charter school campus under its existing open-enrollment charter is called Aristoi Classical Academy-Cypress serving students in kindergarten through twelve (12) grade.

On July 1, 2020, a charter amendment to increase the maximum student enrollment from 1128 to 2,256 was approved.

Basis of Accounting and Presentation

The accompanying general purpose financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most sensitive estimate affecting the Academy's financial statements was the depreciation of capital assets and functional allocation of expenses.

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Contributions

The Academy accounts for contributions in accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC Topic 958-605, contributions are recorded as support with or without 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 with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, with donor restrictions are reclassified to 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 Academy considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

State Foundation School Program revenues are recognized based on the reported student attendance. State and Federal grant revenues are recognized when services are rendered. Contributions and other revenues are recognized when received or unconditionally promised by a third party.

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the Academy as assets with an individual cost of more than \$5,000 and a useful life over one year. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to thirty-nine years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expenses 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. The Academy had no donated capital assets at August 31, 2021.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as either without donor restrictions or with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. As of August 31, 2021, net assets without donor restrictions totaled \$3,016,403.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) 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. As of August 31, 2021, net assets with donor restrictions totaled \$3,414,288.

In accordance with state law, a charter holder is entitled to receive state aid for the charter school based on student attendance; however, before the charter holder may reclassify state aid from net assets with donor restrictions to net assets without donor restrictions, it must meet a two part test.

1. First, the charter school must demonstrate that it expended state aid for the benefit of its students.
2. Second, the charter school must expend state aid consistent with TEC, §45.105(c).

As described in Note 11, the majority of Academy's revenue is comprised of state aid from the Texas Education Agency.

Functional Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. The Texas Education Agency mandates a specific account coding that requires open enrollment charter schools to record expenses to a unique combination of function and object. Generally, the Academy records its expenses based on direct allocation by assigning each expense to a functional category based on direct usage. See Note 13 for more information.

Income Taxes

The Academy is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("the Code") and comparable State of Texas law. The Academy did not conduct any unrelated business activities in the current fiscal year. Therefore, the Academy has made no provision for federal income taxes in the accompanying financial statements. The Academy has also been classified as a publicly supported Academy, which is not a private foundation under Section 509(a) of the Code. Accordingly, contributions to the Academy are tax deductible within the limitations prescribed by the Code.

The Academy applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Academy believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

On February 25, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). The Academy adopted the ASU on September 1, 2020 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The 2020 balances have been adjusted for this standard. Refer to the Prior Period Adjustment note for more detail.

Note 2 - Capital Assets

Capital assets at August 31, 2021 and 2020, were as follows:

	2021	2020
Land	\$ 3,805,755	\$ 3,805,755
Building and leasehold improvements	9,615,570	9,120,014
Furniture and playground equipment	250,193	250,193
Vehicles	17,282	21,144
Right-to-Use Asset	3,869,877	-
Total Property and Equipment	17,558,677	13,197,106
Less Accumulated Depreciation and Amortization	(4,302,160)	(2,199,635)
Property and Equipment, Net	<u>\$ 13,256,517</u>	<u>\$ 10,997,471</u>

Depreciation expense for the fiscal years ended August 31, 2021 and August 31, 2020, was \$355,873 and \$349,348, respectively.

Capital assets acquired with public funds received by the Academy for the operation of Aristoi Classical Academy constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

Note 3 - Concentration of Credit and Business Risk

The Academy maintains demand deposits with a U.S. local banking institution. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Academy will not be able to recover its deposits. The Academy maintains deposits at a federally insured bank and strives to minimize its exposure to custodial credit risk. At August 31, 2021, the carrying amount of the Academy’s cash deposits was \$4,958,256 and the bank’s balance was \$5,159,311. In addition, the carrying amount and the bank balance of the Academy’s restricted cash was \$1,537,292. All deposits at the banking institution were fully insured by the Federal Deposit Insurance Corporation’s (FDIC) or secured by a collateral from the financial institution as of August 31, 2021.

Approximately 80% of the Academy’s total revenue for fiscal year 2021 was provided by the State funding for the Per Capita and State Foundation Aid.

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Defined Benefit Pension Plans

A. Plan Description

The Academy contributes to the Teacher Retirement System of Texas ("TRS"), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. TRS administers the 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.

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district ("ISD") may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The TRS Annual Comprehensive Financial Report available dated August 31, 2019 and August 31, 2020 indicated the following:

TRS Pension Fund	Total Plan Assets	TRS Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability	Percent Funded
2020	\$ 184,361,870,581	\$ 165,416,245,243	\$ 218,974,205,084	\$ 53,557,959,841	75.54%
2019	181,800,159,205	157,978,199,075	209,961,325,288	51,983,126,213	75.24%
2018	176,942,453,923	154,568,901,833	209,611,328,793	55,042,426,960	73.74%
2017	165,379,342,000	147,361,922,120	179,336,534,819	31,974,612,699	82.17%
2016	152,925,647,000	134,008,637,473	171,797,150,487	37,788,513,014	78.00%

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Defined Benefit Pension Plans (continued)

B. Funding Policy

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the 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. Actuarial implications of the funding provided in the manner are determined by the System’s actuary. Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025. The member contribution rate for 2021 and 2020 was 7.70%. Employer and state contributions were both 7.50% for 2021 and 2020.

	Contribution Rates	
	Plan Fiscal Year	
	<u>2020</u>	<u>2021</u>
Member	7.70%	7.70%
Employer	7.50%	7.50%
Non-Employer Contributing Entity (State)	7.50%	7.50%

The Academy’s employee contributions to the system for the year ended August 31, 2021 and August 31, 2020 were \$32,926 and \$95,007, respectively and were equal to the required contributions for the year. Total covered payroll for 2021 and 2020 was \$6,131,866 and \$5,150,855, respectively. Amounts paid as Non-OASDI for 2021 and 2020 were \$84,931 and \$74,867, respectively.

	Contributions Required	TRS Contributions Made
	and Made During the	During the Fiscal Year
	<u>Measurement Year</u>	<u>During the Fiscal Year</u>
Total Covered Payroll	\$5,150,855	\$6,131,866
Member (Employee)	384,315	468,967
Charter School	95,007	32,926
Non-OASDI Surcharge	74,867	84,931

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Defined Other Post-Employment Benefit Plan

A. Plan Description

The Academy participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

Similar to the TRS Pension Plan discussed in Note C, 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 OPEB plans. Assets contributed to a multi-employer OPEB plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The TRS Annual Comprehensive Financial Report available dated August 31, 2020.

TRS Care Other Post- Employment Benefits (OPEB)	TRS-Care Plan					Percent Funded
	Total Plan Assets	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability		
2020	\$ 2,146,681,144	\$ 1,996,317,932	\$ 40,010,833,815	\$ 38,014,515,883	4.99%	
2019	1,475,508,564	1,292,022,349	48,583,247,239	47,291,224,890	2.66%	
2018	1,001,649,953	798,574,633	50,729,490,103	49,930,915,470	1.57%	
2017	526,397,969	399,535,986	43,885,784,621	43,486,248,635	0.91%	

B. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Defined Other Post-Employment Benefit Plan (continued)

C. Benefits Provided

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

D. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates. Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2021	2020
Active Employee	0.65%	0.65%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

In fiscal year 2021, the Academy contributed a total of \$46,551 of which, \$1,194 was for federally funded employees. Employees contributed a total of \$36,247. Covered payroll for TRS-Care for fiscal year 2021 was \$6,131,866. In fiscal year 2020, the Academy contributed \$49,840 of which, \$12,406 was for federally funded employees. Employees contributed a total of \$35,786. Covered payroll for TRS-Care for fiscal year 2020 was \$5,150,855.

Note 6 - Health Care Coverage

During the years ended August 31, 2021 and August 31, 2020, employees of the charter school were covered by a Health Insurance Plan (the Plan). The Academy contributed \$225 per month per employee to the Plan from September 2013 to August 2021. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Bonds Payable

During the 2021 fiscal year, long-term debt consisted of the following revenue bonds payable:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Education Revenue Bonds, Series 2016 A	\$ 10,980,000	\$ -	\$ (125,000)	\$ 10,855,000	\$ 135,000
Bond issuance costs	(398,225)	-	14,850	(383,375)	-
Bond discount	(165,033)	-	6,222	(158,811)	-
	<u>\$ 10,416,742</u>	<u>\$ -</u>	<u>\$ (103,928)</u>	<u>\$ 10,312,814</u>	<u>\$ 135,000</u>

In February 2016, the Aristoi Classical Academy entered into a bond agreement with Pottsboro Higher Education Finance Corporation (the "Issuer") and secured bond financing pursuant to Chapter 53 of the Texas Education Code to authorize the issuance of "Qualified Tax Exempt" Education Revenue Bonds Series 2016A not to exceed \$11,130,000. In fiscal year 2016, the total amount of \$4,750,000 was drawn down in Series 2016A bonds and \$100,000 of Taxable Education Revenue Bonds Series 2016B. In fiscal year 2017, \$1,095,000 and \$2,355,000 for a total amount of \$3,450,000 were drawn down in Series 2016A bonds. In fiscal year 2018, \$2,780,000 was drawn down in Series 2016A bonds. No draws were made during fiscal year end August 31, 2021. The total revenue bonds payable as of fiscal year 2021 was \$10,855,000. Taxable Education Revenue Bond Series 2016B was paid off in fiscal year 2018.

<u>Series</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
Education Revenue Bond Series 2016 A	\$ 10,980,000	7.50%	September 1, 2047	\$ 10,855,000
	<u>\$ 10,980,000</u>			<u>\$ 10,855,000</u>

The Bond Series 2016A listed above was issued in prior year at a discount and the Academy incurred bond issuance costs. In fiscal year 2021, the bond issuance costs and bond discount balances were \$383,375 and \$158,811, respectively. The discount and the bond issuance costs are amortized over the life of the bond.

Proceeds from the issuance of Bonds during fiscal year 2016 were used to purchase land in Katy, Texas, and pay related bond issuance costs. The Bonds were secured by a first lien on the land and buildings of the Charter Holder.

Monthly payments for the bond are held by the U.S. Bank (Trustee). The Trustee pays interest due each March 1st and September 1st to the Issuer.

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Bonds Payable (continued)

Bond payment requirements to maturity are as follows:

Year Ending August 31	Principal	Interest	Total
2022	\$ 135,000	\$ 809,063	\$ 944,063
2023	145,000	798,563	943,563
2024	155,000	787,313	942,313
2025	165,000	775,313	940,313
2026	180,000	762,375	942,375
2027-2031	1,130,000	3,578,253	4,708,253
2032-2036	1,610,000	3,070,125	4,680,125
2037-2041	2,315,000	2,340,938	4,655,938
2042-2046	3,320,000	1,296,375	4,616,375
2047-2051	1,700,000	129,750	1,829,750
	<u>\$ 10,855,000</u>	<u>\$ 14,348,068</u>	<u>\$ 25,203,068</u>

During the 2021 fiscal year, the Academy did not have any draws. The projected draw down schedule which included draws from prior year is as follows:

Draw Date	Series A Draw	Series B Draw	Tax-Exempt Series A Balance
3/17/2016	\$ 4,750,000	\$ 100,000	\$ 4,750,000
11/18/2016	1,095,000	-	5,845,000
5/26/2017	2,355,000	-	8,200,000
9/8/2017	2,780,000	-	10,980,000

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Bonds Payable (continued)

Bond Covenants

During the fiscal year 2021, the Academy was in compliance with the required Bond Covenants. The Academy is subject to the following covenants resulting from the bond issue:

Debt Service Coverage Ratio: Available Revenues for each Fiscal Year must be equal to at least 120% of the Annual Debt Service Requirements of the Company as of the Fiscal Year ending August 31, 2021 and annually thereafter until the Bonds have been paid in full.

Liquidity Requirement: For so long as the Bonds are Outstanding, the Academy shall budget and maintain operating reserves for each Fiscal Year beginning with the Fiscal Year ended August 31, 2021, in an amount equal to the required number of Days' Cash on Hand for the period set forth below:

<u>For the Fiscal Year Ending</u>	<u>Days' Cash on Hand Required</u>
August 31, 2018	85
August 31, 2019 and thereafter	90

Note 8 - Due from State and Other Governments and Due to State

Amounts due from the Texas Education Agency at August 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
State Foundation Aid	\$ 699,264	\$ 576,323
Title I, Part A	14,788	7,404
IDEA, Part B Formula	49,885	6,182
Title II, Part A	14,386	-
Title III, Part A	-	1,640
Child Nutrition	7,872	-
Public Charter Schools	-	221,792
Emergency and Secondary School		
Emergency Relief Fund (ESSER) COVID-19	1,243	16,030
ARP ESSER III COVID-19	15,397	-
Instructional Continuity	-	2,631
Title IV, Part A, Subpart 1	150	2,424
Blended Learning	23,385	-
Instructional Materials Allotment	68,604	93,462
	<u>\$ 894,974</u>	<u>\$ 927,888</u>

Amount due to the Texas Education Agency at August 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
State Foundation Aid	\$ 117,538	\$ -

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Financing Leases

The Academy leases property, modular portable classrooms and office equipment. Lease agreements are renewed and will expire in 2030, 2022, and 2023 respectively. The discount rate used to calculate the interest is 5%, the Academy's incremental borrowing rate. The future minimum lease payments are as follows:

<u>Year</u>	<u>Payments</u>
2022	\$ 1,392,320
2023	231,630
2024	240,124
2025	252,128
2026	264,736
Thereafter	<u>1,115,664</u>
Total minimum lease payments	3,496,602
Less amount representing interest	<u>(520,554)</u>
Finance lease obligation	<u>\$ 2,976,048</u>

Note 10 - Commitments and Contingencies

The Academy receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily in 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 school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

Note 11 - State Aid

Charter schools in the State of Texas participate in the State foundation program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period, and at the close of the year, actual attendance is calculated by the TEA and the attendance reports are subject to audit by the TEA and final State foundation program earnings may be adjusted as a result of any such audit. During the period ended August 31, 2021, and August 31, 2020, the Charter Holder earned \$10,191,011 and \$8,386,194, respectively, of Per Capita and State Foundation Aid funds (before any possible TEA enrollment and attendance audit).

Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions as of August 31, 2021 and 2020 are as follows:

	<u>As of August 31, 2021</u>	<u>As of August 31, 2020</u>
Federal Funds	\$ 2,691	\$ 11,603
State Funds	3,411,597	4,004,520
Total With Donor Restrictions	<u>\$ 3,414,288</u>	<u>\$ 4,016,123</u>

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

	<u>For the Year Ended August 31, 2021</u>	<u>For the Year Ended August 31, 2020</u>
State Funds	\$ 10,328,293	\$ 7,299,654
Federal Funds	1,159,822	1,845,454
Total Restrictions released	<u>\$ 11,488,115</u>	<u>\$ 9,145,108</u>

ARISTOI CLASSIC ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 13 - Functional Expenses

The Academy’s expenses are coded directly to the functional category as established by the Texas Education Agency. Below expenses are reflected by functional category and natural classification or object class.

Expense by Functional Category		Expenses by Object Class					August 31,	
		Payroll Costs	Contracted Services	Supplies and Materials	Other Operating Costs	Debt (Interest and fees)	2021	2020
11	Instruction	\$ 4,657,285	\$ 383,309	\$ 745,830	\$ 1,824	\$ -	\$ 5,788,248	\$ 4,913,231
12	Instructional resources and media services	-	-	24,645	-	-	24,645	4,838
13	Curriculum development and instructional staff development	52,399	16,855	2,968	56,975	-	129,197	88,035
21	Instructional leadership	65,279	-	-	-	-	65,279	77,740
23	School leadership	935,292	24,884	23,583	1,264	-	985,023	680,720
31	Guidance, counseling and evaluation services	80,401	27,967	360	-	-	108,728	77,530
33	Health services	103,607	1,308	12,984	-	-	117,899	79,646
34	Student Transportation	-	-	-	-	-	-	2,854
35	Food service	157,555	21,784	146,792	406	-	326,537	239,513
36	Cocurricular/Extracurricular activities	18,860	3,910	15,536	3,880	-	42,186	31,905
41	General administration	352,640	77,523	30,418	82,454	-	543,035	434,911
51	Plant maintenance and operations	107,346	569,041	146,190	1,053,247	-	1,875,824	1,312,194
52	Security and monitoring services	-	70,179	1,621	-	-	71,800	33,404
53	Data processing services	116,646	95,920	94,982	-	-	307,548	188,413
71	Debt service	-	-	-	-	954,033	954,033	847,620
81	Fund Raising	113,283	8,053	21,317	5,480	-	148,133	132,554
		<u>\$ 6,760,593</u>	<u>\$ 1,300,733</u>	<u>\$ 1,267,226</u>	<u>\$ 1,205,530</u>	<u>\$ 954,033</u>	<u>\$ 11,488,115</u>	<u>\$ 9,145,108</u>

Note 14 - Liquidity and Availability

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

Cash and cash equivalents	\$ 5,114,844
Receivables	704,564
Total	<u>\$ 5,819,408</u>

Per the Texas Education Agency, Foundation School Program revenues should be classified as revenue with donor restrictions. However, the funds do not have a time restriction, but must be used for education purposes in accordance with State law. As such, there are cash and receivables that are due from the State and are available for use for educational purposes.

Note 15 - Charter Holder Operations

The charter holder only operated a single charter school and did not conduct any other charter or non-charter activities.

Note 16 - Related Party

One of the Academy teachers served as a Board member of the Academy until April 2021. The board member has signed a conflict of interest affidavit and has indicated abstinence from voting on any items related to teacher salaries and financial benefits.

ARISTOI CLASSIC ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 17 - Paycheck Protection Program Loan

In fiscal year 2020, the Academy was granted a \$1,034,348 loan under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully granted by the Federal government. The Academy is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Academy has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Academy maintains employment levels during its (eight- or 24-week) covered period and uses the funds for certain payroll, rent, and utility expenses. In July 2021, the Academy received a forgiveness payment for the PPB loan from the SBA. The requested forgiveness amount of \$1,034,348 was recorded as a federal revenue for the year ended August 31, 2021.

Note 18 - Prior Period Adjustment

In reviewing the lease agreements for the implementation of ASU 2016-02 *Leases* (Topic 842), the lease agreements related to mobile portable buildings with lease commencement date of February 1, 2017 which was classified as an operating lease in prior years should have been treated as a finance lease. As such, the right-to-use Asset (\$1,841,962), related amortization (\$1,135,876), and finance lease liability (\$1,303,838) resulted in a prior period adjustment of \$597,752. The beginning balance as of September 1, 2020 before the prior period adjustment was \$5,801,064. The restated balance reflected in the statement of activities is \$5,203,312.

Note 19 - Management’s Review of Subsequent Events

Management has evaluated subsequent events through January 24, 2022, which is the date the financial statements were available to be issued.

As of September 2, 2021, the Texas Education Agency (TEA) informed local education agencies (LEAs) that it has no plans to issue missed school day waivers due to COVID-19 during the 2021-2022 school year when the LEA or its campuses are closed. Each LEA will need to plan to make up time for school closures during the school year and may need to add additional instructional days and/or minutes to their calendar to meet the 75,600 operational minute requirement. LEAs have reported to the TEA that attendance rate declines continue to occur due to COVID-19. As a result, the TEA is exploring options to ensure school systems will not experience significant financial difficulties. Additionally, LEAs had varying daily rates of attendance during the 2020-2021 school year due to the impact of virtual learning options. Once the TEA receives this local information in a PEIMS upload this fall, it will be equipped to analyze, understand, and determine potential changes to the rules around waivers, particularly low attendance waivers. As of the date of this report, the Academy has not determined the impact.

SUPPLEMENTARY INFORMATION

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULES OF EXPENSES

		August 31,	
		<u>2021</u>	<u>2020</u>
	Expenses		
6100	Payroll Costs	\$ 6,760,593	\$ 5,725,607
6200	Professional and Contract Services	1,300,733	1,130,366
6300	Supplies and Materials	1,267,226	913,580
6400	Other Operating Costs	1,205,530	527,935
6500	Debt	954,033	847,620
	Total Expenses	<u>\$ 11,488,115</u>	<u>\$ 9,145,108</u>

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULES OF CAPITAL ASSETS
For the Year Ended August 31, 2021

		Ownership Interest		
		Local	State	Federal
1510	Land and improvements	\$ -	\$ 3,805,755	\$ -
1520	Building & leasehold improvements	-	9,615,570	-
1531	Vehicles	-	17,282	-
1539	Furniture and equipment	-	250,193	-
1550	Right-to-Use Asset		3,869,877	
	Total Property & equipment	\$ -	\$ 17,558,677	\$ -

ARISTOI CLASSICAL ACADEMY, INC.
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
Revenues				
Local Support:				
5700	\$ 350,000	\$ 326,275	\$ 317,381	\$ (8,894)
5800	9,867,732	10,117,732	10,364,177	246,445
5900	935,018	939,768	2,033,711	1,093,943
Total Revenues	11,152,750	11,383,775	12,715,269	1,331,494
Expenses				
11	5,187,821	5,409,821	5,788,248	(378,427)
12	25,690	24,930	24,645	285
13	142,481	142,481	129,197	13,284
21	70,001	70,001	65,279	4,722
23	979,117	979,117	985,023	(5,906)
31	131,547	119,051	108,728	10,323
33	129,759	129,759	117,899	11,860
35	332,378	332,378	326,537	5,841
36	61,179	55,389	42,186	13,203
41	588,518	588,518	543,035	45,483
51	1,861,636	1,861,636	1,875,824	(14,188)
52	70,860	70,860	71,800	(940)
53	316,201	316,201	307,548	8,653
71	1,098,500	1,098,500	954,033	144,467
81	155,808	155,808	148,133	7,675
Total Expenses	11,151,496	11,354,450	11,488,115	(133,665)
7951	-	-	225	225
	1,254	29,325	1,227,379	1,198,054
Beginning net assets, as restated	5,203,312	5,203,312	5,203,312	-
Ending net assets	\$ 5,204,566	\$ 5,232,637	\$ 6,430,691	\$ 1,198,054

Budget Variances

In accordance with Module 10, Section 1.7.2.8 of the Financial Accountability System Resource Guide, if the original and final budgeted amounts vary by more than 10 percent of the original budgeted amounts, the charter holder must include a written statement discussing the cause of the variance(s). There were no variances above 10 percent.

If the actual and final budgeted amounts vary by more than 10 percent of the final budgeted amounts, the charter holder must include a written statement discussing the cause of the variance(s). The Academy provides the following explanations for each of the variances noted:

Object 5900	Increase in federal revenues due to forgiveness of paycheck protection program loan.
Function 36	Decrease in cocurricular/extracurricular activities due to COVID-19 pandemic. Activities were canceled in the Spring semester.
Function 71	Decrease in debt service due to actual interest and other debt related payments being lower than the anticipated amount. Principal payment was included in the budget.

Corrective Action Plan

The school will carefully review each function category to adhere to the requirements.

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
For the Year Ended August 31, 2021

Description (list each parcel separately)	Property Address	Total Assessed	Ownership	Ownership	Ownership
		Value	Interest - Local	Interest - State	Interest - Federal
Lower Campus	5618 Eleventh St., Katy, TX 77493	\$ 2,711,474	-	\$ 101,460	\$ -
Upper Campus	5610 Morton Rd., Katy, TX 77493	365,551	-	3,704,295	-
Total		\$ 3,077,025	\$ -	\$ 3,805,755	\$ -

ARISTOI CLASSICAL ACADEMY, INC.
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>
Julie Craig	The Board of Aristoi Classical Academy	Board Secretary and Employee	Financial	She is currently employed as a Special Education Director for the Academy and was a Board member until April 19, 2021. She receives salary and benefits in her capacity as an employee.	State	Monthly	\$ 64,700	N/A

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULE OF COMPENSATION AND BENEFITS
For the Year Ended August 31, 2021

<u>Related Party Name</u>	<u>Name of Relation of 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>
Julie Craig	The Board of Aristoi Classical Academy	Board Secretary and Employee	Compensation	Yearly	Salary and Benefits	State	\$ 64,700

COMPLIANCE AND INTERNAL CONTROLS



**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
Aristoi Classical Academy, Inc.
Katy, 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 Aristoi Classical Academy, Inc. (the "Academy"), 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 24, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
Aristoi Classical Academy, Inc.

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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
January 24, 2022

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

To the Board of Directors
Aristoi Classical Academy, Inc.
Katy, Texas

Report on Compliance for Each Major Federal Program

We have audited **Aristoi Classical Academy, Inc.’s** (the “Academy”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy’s major federal programs for the year ended August 31, 2021. The Academy’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Academy’s major federal program 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 the Academy’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy’s compliance.

To the Board of Directors
Aristoi Classical Academy, Inc.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Houston, Texas
January 24, 2022

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2021

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)	No

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
US Department of Education: <i>Charter School Program</i>	84.282A

Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low risk auditee?	No

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2021

II. Financial Statement Findings

None Reported

III. Federal Awards Findings And Questioned Costs

None Reported

ARISTOI CLASSICAL ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Assistance Listing Number*	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U. S. Department of Education				
Passed Through Texas Education Agency:				
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	211	84.010A	21610101101803	\$ 67,960
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	211	84.010A	20610101101803	<u>23,156</u>
<i>Total ALN 84.010</i>				<u>91,116</u>
<i>IDEA - Part B, Formula</i>	224	84.027A	216600011018036000	109,147
<i>IDEA - Part B, Formula</i>	224	84.027A	206600011018036000	24,682
<i>IDEA - Part B, Preschool</i>	225	84.173A	216610011018036000	747
<i>IDEA - Part B, Preschool</i>	225	84.173A	206610011018036000	<u>736</u>
<i>Total Special Education Cluster (ALN 84.027, 84.173)</i>				<u>135,312</u>
<i>Charter School Program</i>	258	84.282A	185901057110001	530,287
<i>ESEA, Title II, Part A, Supporting Effective Instruction</i>	255	84.367A	21694501101803	14,386
<i>ESEA, Title II, Part A, Supporting Effective Instruction</i>	255	84.367A	20694501101803	<u>1,040</u>
<i>Total ALN 84.367</i>				15,426
<i>CARES Act, Section 18003 - Elementary and Secondary School Emergency Relief Fund (ESSER) Grant (COVID-19)</i>	266	84.425D	20521001101803	22,850
<i>CRRSAA, ESSER II Prior Purchase Reimbursement Program (PPRP) (COVID-19)</i>	281	84.425D	52102135	63,000
<i>ARP, ESSER III Grant (COVID-19)</i>	282	84.425U	21528001101803	<u>15,397</u>
<i>Total ALN 84.425</i>				<u>101,247</u>
<i>Instructional Continuity</i>	276	84.377A	17610740101803	<u>7,869</u>
<i>Title IV, Part A</i>	289	84.424A	20680101101803	<u>2,925</u>
Passed Through Region IV:				
<i>Title III, Part A - English Language Acquisition</i>	263	84.365A	21671001101950	<u>836</u>
Total U. S. Department of Education				<u>885,018</u>
U. S. Department of Agriculture				
Passed Through Texas Department of Agriculture:				
<i>State Administrative Expense for Child Nutrition Programs - Storage and Delivery</i>	240	10.560	00473	2,924
Non Cash assistance (Commodities):				
<i>National School Lunch Program</i>	240	10.555	00473	10,391
<i>School Programs Emergency Operational Cost Reimbursement Program (COVID-19)</i>	240	10.555	00473	10,123
Passed Through Texas Education Agency:				
Cash assistance:				
<i>School Breakfast Program</i>	240	10.553	71402101	21,579
<i>National School Lunch Program</i>	240	10.555	71302101	<u>69,328</u>
<i>Total Child Nutrition Cluster (ALN 10.553, 10.555)</i>				<u>111,421</u>
Total U. S. Department of Agriculture				<u>114,345</u>
Total Expenditures of Federal Awards				<u>\$ 999,363</u>

*ALN formerly known as CFDA #.

ARISTOI CLASSICAL ACADEMY, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards (“SEFA”) presents federal grant activity of the Academy for the fiscal year ended August 31, 2021, and is reported on the accrual basis of accounting. The information in the SEFA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the Academy’s financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented when available. The Academy has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Relationship to Financial Report Submitted to Grantor Agencies

Amounts reflected in the financial reports filed with grantor agencies for the program may not agree with the amounts in the SEFA because of accruals made to present the SEFA on the accrual basis (which would be included in the next report filed with the agencies), as well as matching requirements not included in the SEFA and differences in programs’ year-ends.

Note 4 – Reconciliation of Basic Financial Statements

The following is a reconciliation of expenditures of federal awards and revenues on Statement of Activities :

Total shown on Schedule of Expenditures of Federal Awards	\$ 999,363
Federal revenue accounted for in the general fund:	
Paycheck Protection Program Loan Forgiveness	1,034,348
Total Federal Revenue - Statement of Activities	<u><u>\$ 2,033,711</u></u>

ARISTOI CLASSICAL ACADEMY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2021

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None Noted

ARISTOI CLASSICAL ACADEMY, INC.

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2021

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

I. Corrective Action Plan

Not Applicable