

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Year Ended August 31, 2020  
with Comparative Totals for 2019**



# ARISTOI CLASSICAL ACADEMY, INC.

## FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended August 31, 2020

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**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, 2020, at a meeting of the governing body of said charter school on the 20<sup>th</sup> day of January 2021.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board 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, 2020 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the Academy’s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, 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, and schedule of capital assets, as required by the Texas Education Agency is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2021, 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 20, 2021



**GENERAL PURPOSE FINANCIAL STATEMENTS**

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**ARISTOI CLASSICAL ACADEMY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

	<b>August 31,</b>	
<b>Assets</b>	<b>2020</b>	<b>2019</b>
Current Assets:		
Cash and Cash Equivalents	\$ 4,541,277	\$ 2,918,759
Due from Texas Education Agency	927,888	851,026
Other Receivables	-	322
Other Assets	9,700	9,700
Restricted Cash	1,532,480	1,440,179
Total current assets	7,011,345	5,219,986
Noncurrent Assets:		
Property and Equipment, net	10,997,471	11,278,902
Total noncurrent assets	10,997,471	11,278,902
Total Assets	\$ 18,008,816	\$ 16,498,888
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 58,914	\$ 6,942
Accrued interest payable	411,750	411,750
Payroll deductions and withholdings	98,934	7,107
Accrued salaries payable	187,064	199,127
Paycheck Protection Program loan	1,034,348	-
Current portion of bonds payable	125,000	-
Total Current Liabilities	1,916,010	624,926
Bonds payable net of discount, issue costs and current portion	10,291,742	10,395,672
Total Liabilities	12,207,752	11,020,598
<b>Net Assets:</b>		
Without donor restrictions	1,784,941	1,609,394
With donor restrictions	4,016,123	3,868,896
Total Net Assets	5,801,064	5,478,290
Total Liabilities and Net Assets	\$ 18,008,816	\$ 16,498,888

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

**ARISTOI CLASSICAL ACADEMY, INC.**

**STATEMENTS OF ACTIVITIES**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>August 31,</b>	
			<b>2020</b>	<b>2019</b>
<b>Revenues</b>				
Local Support:				
Earnings from deposits and investments	\$ 24,775	\$ -	\$ 24,775	\$ 42,128
Gifts and bequests	39,978	-	39,978	106,475
Other revenues from local sources	110,794	-	110,794	212,689
Food Service Activity		81,970	81,970	111,059
Total Local Support	175,547	81,970	257,517	472,351
<b>State Program Revenues:</b>				
Per Capita and Foundation School				
Program Act Revenues	-	8,386,194	8,386,194	7,980,914
State Program Revenues Distributed by Texas Education Agency	-	148,338	148,338	31,054
Total State Program Revenues		8,534,532	8,534,532	8,011,968
<b>Federal Program Revenues:</b>				
ESEA Title I, Part A	-	45,157	45,157	49,206
ESEA Title II, Part A	-	21,931	21,931	3,088
National School Breakfast and Lunch	-	71,301	71,301	89,955
ESEA Title III, Part A	-	1,640	1,640	1,752
IDEA Part B, Formula	-	104,436	104,436	117,874
IDEA Part B, Pre-School	-			696
Public Charter Schools	-	369,713	369,713	-
Emergency and Secondary School Emergency Relief Fund (ESSER)	-	16,030	16,030	-
Instructional Continuity	-	2,631	2,631	-
Title IV, Part A, Subpart 1	-	42,794	42,794	35,019
Total Federal Program Revenues	-	675,633	675,633	297,590
<b>Net Assets Released from Restrictions:</b>				
Restrictions satisfied by payments	9,145,108	(9,145,108)	-	-
<b>Total Revenues</b>	<b>9,320,655</b>	<b>147,027</b>	<b>9,467,682</b>	<b>8,781,909</b>

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

**ARISTOI CLASSICAL ACADEMY, INC.**

**STATEMENTS OF ACTIVITIES (continued)**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>August 31,</u>	
			<u>2020</u>	<u>2019</u>
<b>Expenses</b>				
Instruction	\$ 4,913,231	\$ -	\$ 4,913,231	\$ 4,148,067
Instructional Resources and Media Services	4,838	-	4,838	4,498
Curriculum Development and Instructional Staff Development	88,035	-	88,035	62,097
Instructional Leadership	77,740	-	77,740	52,926
School Leadership	680,720	-	680,720	606,482
Guidance, Counseling & Evaluation Services	77,530	-	77,530	75,343
Health Services	79,646	-	79,646	67,929
Student (Pupil) Transportation	2,854	-	2,854	3,900
Food Services	239,513	-	239,513	208,663
Extracurricular Activities	31,905	-	31,905	47,351
General Administration	434,911	-	434,911	344,338
Facilities Maintenance and Operations	1,312,194	-	1,312,194	1,088,636
Security and Monitoring Services	33,404	-	33,404	7,267
Data Processing Services	188,413	-	188,413	92,461
Debt Services	847,620	-	847,620	847,621
Fund Raising	132,554	-	132,554	133,142
<b>Total Expenses</b>	<u>9,145,108</u>	<u>-</u>	<u>9,145,108</u>	<u>7,790,721</u>
<b>Operating Expenses</b>				
Change in Net Assets from operations	175,547	147,027	322,574	991,188
<b>Net Operating Assets, beginning of year</b>	<u>1,609,394</u>	<u>3,868,896</u>	<u>5,478,290</u>	<u>4,487,102</u>
<b>Net Operating Assets, end of year</b>	<u>1,784,941</u>	<u>4,015,923</u>	<u>5,800,864</u>	<u>5,478,290</u>
<b>Non-Operating Revenues (Expenses)</b>				
Gain (loss) on sale of real and personal property	-	200	200	-
<b>Non-Operating Revenues (Expenses)</b>	<u>-</u>	<u>200</u>	<u>200</u>	<u>-</u>
<b>Total Change in Net Assets</b>	175,547	147,227	322,774	991,188
<b>Net Assets, beginning of year</b>	<u>1,609,394</u>	<u>3,868,896</u>	<u>5,478,290</u>	<u>4,487,102</u>
<b>Net Assets, end of year</b>	<u>\$ 1,784,941</u>	<u>\$ 4,016,123</u>	<u>\$ 5,801,064</u>	<u>\$ 5,478,290</u>

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

**ARISTOI CLASSICAL ACADEMY, INC.**

**STATEMENTS OF CASH FLOWS**

	<b>August 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Foundation school program payments	\$ 8,594,968	\$ 7,777,295
Grant payments	389,997	239,130
Other state and local revenue payments	406,177	503,405
Payments to vendors for goods and services rendered	(2,170,560)	(1,761,167)
Payments to charter school personnel for services rendered	(5,645,843)	(4,868,490)
Interest payments	(826,550)	(826,550)
Net cash provided in operating activities	748,189	1,063,623
<b>Cash flows from investing activities:</b>		
Purchase of Land	-	(1,700)
Building and Leasehold Improvements	(50,635)	(803,596)
Purchase of Vehicle	(13,420)	-
Purchase of Equipment	-	(21,637)
Net cash used in investing activities	(64,055)	(826,933)
<b>Cash flows from financing activities:</b>		
Proceeds from Paycheck Protection Program Loan	1,034,348	-
Net cash provided (used) by financing activities	1,034,348	-
Net Change in cash and cash equivalents	1,718,482	236,690
Beginning cash and cash equivalents	4,358,938	4,122,248
Ending cash and cash equivalents	\$ 6,077,420	\$ 4,358,938
Unrestricted cash and cash equivalents	\$ 4,541,277	\$ 2,918,759
Restricted cash and cash equivalents	1,532,480	1,440,179
	\$ 6,073,757	\$ 4,358,938
<b>Reconciliation of change in net assets to net cash provided (used) by operating activities:</b>		
Increase (decrease) in net assets	\$ 322,574	\$ 991,188
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	370,418	359,087
(Increase) decrease in:		
Due from Texas Education Agency	(76,862)	(262,079)
Other receivables	322	-
Increase (decrease) in operating liabilities:		
Accounts payable	51,973	(44,383)
Accrued salaries payable and related liabilities	79,764	19,810
Net cash provided by operating activities	\$ 748,189	\$ 1,063,623

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

## 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 April 2, 2014 and will expire on July 31, 2021.

On July 1, 2017, a charter amendment to increase the maximum student enrollment from 880 to 1,128 was approved.

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.

## ARISTOI CLASSIC ACADEMY, INC.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### Note 1 - Summary of Significant Accounting Policies (continued)

##### *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.

##### *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, 2020.



**ARISTOI CLASSIC ACADEMY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

***Prepaid Expenses***

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

***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, 2020, net assets without donor restrictions totaled \$1,784,941.

*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, 2020, net assets with donor restrictions totaled \$4,016,123.

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.

**ARISTOI CLASSIC ACADEMY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

***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 publically 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.

**Note 2 - Capital Assets**

Capital assets at August 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 3,805,755	\$ 3,805,756
Building and leasehold improvements	9,120,014	9,069,378
Furniture and playground equipment	250,193	184,383
Vehicles	21,144	7,724
Computer and Office Equipment	-	65,810
<b>Total Property and Equipment</b>	<u>13,197,106</u>	<u>13,133,051</u>
Less Accumulated Depreciation	<u>(2,199,635)</u>	<u>(1,854,149)</u>
Property and Equipment, Net	<u>\$ 10,997,471</u>	<u>\$ 11,278,902</u>

Depreciation expense for the fiscal years ended August 31, 2020 and August 31, 2019, was \$349,348 and \$338,016, 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.

**ARISTOI CLASSIC ACADEMY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**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, 2020, the carrying amount of the Academy's cash deposits was \$4,541,276, and the bank's balance was \$4,789,815,. In addition, the carrying amount and the bank balance of the Academy's restricted cash was \$1,532,480. 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, 2020.

Approximately 89% of the Academy's total revenue for fiscal year 2020 was provided by the State funding for the Per Capita and State Foundation Aid.

**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. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800- 223- 8778, or by downloading the report form the TRS Internet website, [www.trns.state.tx.us](http://www.trns.state.tx.us), under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district ("ISD") may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The TRS Comprehensive Annual Financial Report available dated August 31, 2018 and August 31, 2019 indicated the following:

<b>TRS Pension Fund</b>	<b>TRS Plan Fiduciary Total Plan Assets</b>	<b>TRS Plan Fiduciary Net Position</b>	<b>Total Pension Liability</b>	<b>Net Pension Liability</b>	<b>Percent Funded</b>
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. Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 85<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2019 and 2020 would remain the same. The member contribution rate for 2020 and 2019 was 7.70%. Employer and state contributions were both 7.50% and 6.80% for 2020 and 2019, respectively.

	<b>Contribution Rates</b>	
	<b>Plan Fiscal Year</b>	
	<b>2019</b>	<b>2020</b>
Member	7.70%	7.70%
Employer	6.80%	7.50%
Non-Employer Contributing Entity (State)	6.80%	7.50%

The Academy’s employee contributions to the system for the year ended August 31, 2020 and August 31, 2019 were \$49,840 and \$34,311, respectively and were equal to the required contributions for the year. Total covered payroll for 2020 and 2019 was \$5,150,855 and \$4,410,989, respectively. Amounts paid as Non-OASDI for 2020 and 2019 were \$74,867 and \$66,149, respectively.

	<b>Contributions</b>	<b>TRS Contributions</b>
	<b>Required and Made</b>	<b>Made During the</b>
	<b>During the</b>	<b>Fiscal Year</b>
	<b>Measurement Year</b>	<b>Fiscal Year</b>
Total Covered Payroll	\$4,410,989	\$5,150,855
Member (Employee)	339,566	384,315
Charter School	20,827	95,007
Non-OASDI Surcharge	66,149	74,867

**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 Comprehensive Annual Financial Report available dated August 31, 2019.

<b>TRS Care Other Post- Employment Benefits (OPEB)</b>	<b>Total Plan Assets</b>	<b>TRS-Care Plan Fiduciary Net Position</b>	<b>Total OPEB Liability</b>	<b>Net OPEB Liability</b>	<b>Percent Funded</b>
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 Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; 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.

<b>TRS-Care Plan Premium Rates</b>			
		<b>Medicare</b>	<b>Non-Medicare</b>
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

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 the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

<b>TRS-Care Plan Premium Rates</b>			
	<b>TRS-Care 1 Basic Plan</b>	<b>TRS-Care 2 Optional Plan</b>	<b>TRS-Care 3 Optional Plan</b>
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

\*or surviving spouse

**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.

**ARISTOI CLASSIC ACADEMY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

***D. Contributions (continued)***

	Contribution Rates	
	2020	2019
Active Employee	0.65%	0.65%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

In fiscal year 2020, the Academy contributed a total of \$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. In fiscal year 2019, the Academy contributed \$34,311 of which, \$1,243 was for federally funded employees. Employees contributed a total of \$28,662. Covered payroll for TRS-Care for fiscal year 2019 was \$4,410,989.

**Note 6 - Health Care Coverage**

During the years ended August 31, 2020 and August 31, 2019, 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 2020. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

**Note 7 - Bonds Payable**

During the 2020 fiscal year, long-term debt consisted of the following revenue bonds payable:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Education Revenue Bonds, Series 2016 A	\$ 10,980,000	\$ -	\$ -	\$ 10,980,000	\$ 125,000
Bond issuance costs	(413,074)	-	14,849	(398,225)	-
Bond discount	(171,254)	-	6,221	(165,033)	-
	<u>\$ 10,395,672</u>	<u>\$ -</u>	<u>\$ 21,070</u>	<u>\$ 10,416,742</u>	<u>\$ 125,000</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, 2020. The total revenue bonds payable as of fiscal year 2020 was \$10,980,000. Taxable Education Revenue Bond Series 2016B was paid off in fiscal year 2018.

**ARISTOI CLASSIC ACADEMY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 7 - Bonds Payable (continued)**

<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	\$ 10,980,000
	<u>\$ 10,980,000</u>			<u>\$ 10,980,000</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 2020, the bond issuance costs and bond discount balances were \$398,225 and \$165,033, 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 1<sup>st</sup> and September 1<sup>st</sup> to the Issuer.

Bond payment requirements to maturity are as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 125,000	\$ 818,813	\$ 943,813
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
2026-2030	1,050,000	3,660,003	4,710,003
2031-2035	1,500,000	3,186,750	4,686,750
2036-2040	2,155,000	2,508,563	4,663,563
2041-2045	3,085,000	1,536,563	4,621,563
2046-2047	2,465,000	285,938	2,750,938
	<u>\$ 10,980,000</u>	<u>\$ 15,166,882</u>	<u>\$ 26,146,882</u>

During the 2020 fiscal year, the Academy did not have any draws. The projected draw down schedule which included draws from prior year is as follows:

<u>Draw Date</u>	<u>Series A Draw</u>	<u>Series B Draw</u>	<u>Tax-Exempt Series A Balance</u>
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 2020, 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, 2020 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, 2020, 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, 2017	70
August 31, 2018	85
August 31, 2019 and thereafter	90

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

Amounts due from the Texas Education Agency at August 31, 2020 and 2019, consisted of the following:

	<b>2020</b>	<b>2019</b>
State Foundation Aid	\$ 576,323	\$ 785,097
Title I, Part A	7,404	27,495
IDEA, Part B Formula	6,182	-
Title III, Part A	1,640	-
Child Nutrition	-	6,012
Public Charter Schools	221,792	-
Emergency and Secondary School Emergency Relief Fund (ESSER)	16,030	-
Instructional Continuity	2,631	-
Title IV, Part A, Subpart 1	2,424	2,402
Instructional Materials Allotment	93,462	30,020
	\$ 927,888	\$ 851,026

**Note 9 - Operating Leases**

The Academy leases property, modular portable classrooms and office equipment. The related operating lease expense for the fiscal year ended August 31, 2020, and August 31, 2019, totaled \$318,835 and \$286,872, respectively.

The future minimum rental payments required under non-cancellable lease agreements as of August 31, 2020, are as follows:

<b>Year</b>	<b>Amount</b>
2021	\$ 493,936
2022	489,555
2023	231,133
Total	\$ 1,214,624

**ARISTOI CLASSIC ACADEMY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**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, 2020, and August 31, 2019, the Charter Holder earned \$8,386,194 and \$7,975,031, 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, 2020 and 2019 are as follows:

	<u>As of August 31, 2020</u>	<u>As of August 31, 2019</u>
Federal Funds	\$ 11,603	\$ 69,247
State Funds	<u>4,004,520</u>	<u>3,799,649</u>
Total With Donor Restrictions	<u>\$ 4,016,123</u>	<u>\$ 3,868,896</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, 2020</u>	<u>For the Year Ended August 31, 2019</u>
State Funds	\$ 7,299,654	\$ 7,374,421
Federal Funds	<u>1,845,454</u>	<u>416,300</u>
Total Restrictions released	<u>\$ 9,145,108</u>	<u>\$ 7,790,721</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					Total
		Payroll Costs	Contracted Services	Supplies and Materials	Other Operating Costs	Debt (Interest and fees)	
11	Instruction	\$ 4,078,010	\$ 200,641	\$ 609,736	\$ 24,844	\$ -	\$ 4,913,231
12	Instructional resources and media services	-	-	4,088	750	-	4,838
13	Curriculum development and instructional staff development	38,272	17,163	85	32,515	-	88,035
21	Instructional leadership	77,740	-	-	-	-	77,740
23	School leadership	659,274	3,436	16,929	1,081	-	680,720
31	Guidance, counseling and evaluation services	70,808	5,188	1,534	-	-	77,530
33	Health services	62,026	508	17,112	-	-	79,646
34	Student Transportation	-	-	131	2,723	-	2,854
35	Food service	165,697	230	73,163	423	-	239,513
36	Cocurricular/Extracurricular activities	14,346	2,470	5,142	9,947	-	31,905
41	General administration	314,891	84,284	10,532	25,204	-	434,911
51	Plant maintenance and operations	60,962	719,478	103,794	427,960	-	1,312,194
52	Security and monitoring services	-	31,879	1,525	-	-	33,404
53	Data processing services	82,003	45,965	60,445	-	-	188,413
71	Debt service	-	-	-	-	847,620	847,620
81	Fund Raising	101,578	19,124	9,364	2,488	-	132,554
		<u>\$ 5,725,607</u>	<u>\$ 1,130,366</u>	<u>\$ 913,580</u>	<u>\$ 527,935</u>	<u>\$ 847,620</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	\$ 4,835,025
Receivables	576,323
Total	<u>\$ 5,411,348</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.

## ARISTOI CLASSIC ACADEMY, INC.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### **Note 16 - Related Party**

One of the Academy board members also serves as a teacher of the Academy. 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.

#### **Note 17 – Paycheck Protection Program Loan**

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 not 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. No contribution revenue has been recorded for the year ended August 31, 2020. The Academy tends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

#### **Note 18 - Management’s Review of Subsequent Events**

Management has evaluated subsequent events through January 20, 2021, which is the date the financial statements were available to be issued.

#### Texas Education Agency’s Response to COVID-19

On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in Texas in response to the COVID-19, which disaster declaration he has subsequently extended. In addition, certain local officials, including the County Judge of Harris County, also declared a local state of disaster.

Subsequent to the Governor’s disaster declaration, students in Texas did not receive in person instruction for the remainder of the 2019-2020 school year. TEA instituted an ADA hold harmless for the last two six-week attendance reporting periods of the 2019-2020 school year as follows: the average daily attendance (ADA) as calculated through the end of the fourth six-weeks will be adjusted to account for historical differences in rates of attendance from the first four six-week periods and the last two six-week periods. Once ADA is adjusted or historical rates of attendance, TEA will then reduce ADA in an amount necessary to ensure each LEA receives total state and CARES funding equal to the amount that would have been available through the Foundation School Program plus an amount to cover equitable services for private schools.

TEA instituted an ADA hold harmless for the first two six-week attendance reporting periods of the 2020-2021 school year as follows: if an LEA’s Refined ADA counts during those first two six-week reporting periods are less than the ADA hold harmless projections (described in the paragraph below), the first two six-week attendance reporting periods for 2020–2021 will be excluded from the calculation of ADA and student FTEs for FSP funding purposes and will be replaced with the ADA hold harmless projections. For purposes of the hold harmless calculation, TEA will not consider each six weeks attendance period

**ARISTOI CLASSIC ACADEMY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 18 - Management's Review of Subsequent Events (continued)**

independent of each other. TEA will replace attendance numbers for each eligible LEA's 2020-2021 first two six-week attendance periods with projected ADA and student FTE numbers calculating using a three-year average trend of final numbers from the 2017-2018 through the 2019-2020 school years, unless this projection is both 15% higher and 100 ADA higher than the 2020-2021 LPE projections. In the latter case, 2020-2021 LPE counts will be used.

TEA will make available an ADA hold harmless for the third six weeks attendance reporting period, on the condition that LEAs allow on-campus instruction throughout the entire third six weeks period, as further described below. The ADA hold harmless methodology will be identical to the methodology used for the first two six weeks attendance reporting periods, except that the third six weeks will be examined independent of the first two six weeks attendance reporting periods. Specifically, if an LEA's refined ADA counts during the third six weeks attendance reporting period is less than the ADA hold harmless projections (described in the prior question and available online), the third six-weeks attendance reporting period for 2020-2021 will be excluded from the calculation of ADA and student FTEs for FSP funding purposes and will be replaced with the ADA hold harmless projections. As noted above, this ADA hold harmless methodology will only apply to attendance-based counts and will not apply to enrollment-based FSP allotments such as the state compensatory education allotment and the dyslexia allotment.

The full extent of the ongoing impact of COVID-19 on the Charter School's 2020-21 fiscal year and longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies related to COVID-19, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted.

No changes were made, or are necessary to be made, to the financial statements, as a result of this evaluation.

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**SUPPLEMENTARY INFORMATION**

**ARISTOI CLASSICAL ACADEMY, INC.**

**SCHEDULES OF EXPENSES**

		<b>August 31,</b>	
		<b>2020</b>	<b>2019</b>
	<b>Expenses</b>		
6100	Payroll Costs	\$ 5,725,607	\$ 4,888,300
6200	Professional and Contract Services	1,130,366	1,006,173
6300	Supplies and Materials	913,580	521,047
6400	Other Operating Costs	527,935	527,580
6500	Debt	847,620	847,621
	Total Expenses	<u>\$ 9,145,108</u>	<u>\$ 7,790,721</u>



**ARISTOI CLASSICAL ACADEMY, INC.**

**SCHEDULE OF CAPITAL ASSETS**

**For the Year Ended August 31, 2020**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1510	Land and improvements	\$ -	\$ 3,805,756	\$ -
1520	Building & leasehold improvements	-	9,120,013	-
1531	Vehicles	-	21,144	-
1539	Furniture and equipment	-	250,193	-
	Total Property & equipment	<u>\$ -</u>	<u>\$ 13,197,106</u>	<u>\$ -</u>

**ARISTOI CLASSICAL ACADEMY, INC.**

**BUDGETARY COMPARISON SCHEDULE**

**For the Year Ended August 31, 2020**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
<b>Revenues</b>				
Local Support:				
5700	\$ 455,900	\$ 410,810	\$ 257,517	\$ (153,293)
5800	8,401,361	8,401,361	8,534,532	133,171
5900	703,516	693,598	675,633	(17,965)
	<u>9,560,777</u>	<u>9,505,769</u>	<u>9,467,682</u>	<u>(38,087)</u>
<b>Expenses</b>				
11	4,820,582	4,820,582	4,913,231	(92,649)
12	5,000	5,000	4,838	162
				Curriculum Development and Instructional
13	84,555	84,555	88,035	(3,480)
21	78,281	78,281	77,740	541
23	650,600	650,600	680,720	(30,120)
31	77,106	77,106	77,530	(424)
33	82,758	82,758	79,646	3,112
34	5,600	5,040	2,854	2,186
35	285,285	285,285	239,513	45,772
36	70,239	70,239	31,905	38,334
41	486,807	486,807	434,911	51,896
51	1,284,696	1,396,350	1,312,194	84,156
52	31,434	33,334	33,404	(70)
53	202,234	202,234	188,413	13,821
71	876,750	876,750	847,620	29,130
81	178,360	163,360	132,554	30,806
	<u>9,220,287</u>	<u>9,318,281</u>	<u>9,145,108</u>	<u>173,173</u>
7951	-	-	200	200
	340,490	187,488	322,774	135,286
	<u>5,478,290</u>	<u>5,478,290</u>	<u>5,478,290</u>	<u>-</u>
	<u>\$ 5,818,780</u>	<u>\$ 5,665,778</u>	<u>\$ 5,801,064</u>	<u>\$ 135,286</u>

**ARISTOI CLASSICAL ACADEMY, INC.**

**BUDGETARY COMPARISON SCHEDULE (continued)**

**For the Year Ended August 31, 2020**

**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 Charter School provides the following explanations for each of the variances noted:

Object 5700	Decrease in local revenues due to decrease in food service activity as result of school cafeteria closure from March 2020 until year end.
Function 34	Decrease in student transportation due to reduced need for student transportation as a result of stay at home order.
Function 35	Decrease in food service due to COVID-19. The school cafeteria was closed from March 2020 until year end. Classes were being held online.
Function 36	Decrease in cocurricular/extracurricular activities due to COVID-19 pandemic. Activities were canceled in the Spring semester.
Function 41	Decrease in general administration due to COVID-19 pandemic.
Function 81	Decrease in fundraising activities due to COVID-19 pandemic. Activities were canceled in the Spring semester.

**Corrective Action Plan**

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

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**COMPLIANCE AND INTERNAL CONTROLS**

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**REPORT OF INDEPENDENT AUDITORS 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, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2021.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

To the Board of Directors  
Aristoi Classical Academy, Inc.

### **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*.

### **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 20, 2021