

South Texas Educational Technologies, Inc.



**Annual Financial Report
For the fiscal year ended
August 31, 2021**

**Raul Hernandez & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

5402 Holly Rd. Suite 102 Corpus Christi, TX 78411 Office: (361) 980-0428 Fax: (361) 980-1002

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended August 31, 2021

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

**TABLE OF CONTENTS
AUGUST 31, 2021**

Certificate of Board	1
--------------------------------	---

Independent Auditors' Report	2
--	---

Financial Section:

Statement of Financial Position	4
---	---

Statement of Activities	5
-----------------------------------	---

Statement of Functional Expenses.	6
---	---

Statement of Cash Flows	7
-----------------------------------	---

Notes to the Financial Statements.	8
--	---

Supplemental Information Individual Charter School:

Statement of Financial Position	25
---	----

Statement of Activities	26
-----------------------------------	----

Statement of Cash Flows	27
-----------------------------------	----

Schedule of Capital Assets.	28
-------------------------------------	----

Schedule of Expenses.	29
-------------------------------	----

Budgetary Comparison Schedule	30
---	----

Compliance and Internal Control Section:

Independent Auditors' 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	31
--	----

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	33
---	----

Schedule of Findings and Questioned Costs.....	35
Schedule of Prior Audit Findings.	36
Corrective Action Plan	37
Schedule of Expenditures of Federal Awards.....	38
Notes to the Schedule of Expenditures Of Federal Awards.....	39

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.
(COUNTY-DISTRICT NUMBER: 108-802)
CERTIFICATE OF BOARD

We, the undersigned, certify that the attached Annual Financial and Compliance Report of South Texas Educational Technologies, Inc. was reviewed and (check one)_____approved disapproved for the year ended August 31, 2021, at a meeting of the governing body on the _____ day of January, 2022.

Signature of Board Secretary

Signature of Board President

NOTE: If the governing body of the charter holder does not approve the independent auditor's report, it must forward a written statement discussing the reason(s) for not approving the report.

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Raul Hernandez & Company, P. C.

Certified Public Accountants
5402 Holly Rd, Suite 102
Corpus Christi, Texas 78411
Office (361)980-0428 Fax (361)980-1002

INDEPENDENT AUDITORS' REPORT

Board of Directors
South Texas Educational Technologies, Inc.
Weslaco, Texas

Members of the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of South Texas Educational Technologies, Inc. (a non-profit organization) which comprise the statement of financial position as of August 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of 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 auditors' judgment, including 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 of 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 South Texas Educational Technologies, Inc. as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of South Texas Educational Technologies, Inc., taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, along with the other supplementary information, is likewise presented for purposes of additional analysis and is 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2022, on our consideration of South Texas Educational Technologies, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 South Texas Educational Technologies, Inc.'s internal control over financial reporting and compliance.

Raul Hernandez + Company, P.C.

Corpus Christi, TX

January 18, 2022

FINANCIAL SECTION

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SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Statement of Financial Position

August 31, 2021

Exhibit A-1

ASSETS

Current Assets

Cash & Cash Equivalent	\$	3,307,132
Receivables		629,772
Inventories		8,240
Other Assets		7,313
Total Current Assets		<u>3,952,457</u>

Property & Equipment, Net	12,972,777
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Other Assets

Restricted Cash	55,091
Bond Issuance Costs	287,399
Total Other Assets	<u>342,489</u>

Total Assets17,267,723**LIABILITIES and NET ASSETS**

Current Liabilities

Accounts Payable	339,578
Accrued Liabilities	21,483
Current Portion of Long Term Debt	667,244
Paycheck Protection Program	-
Total Current Liabilities	<u>1,028,306</u>

Long-Term Debt	<u>7,654,947</u>
Total Liabilities	<u>8,683,253</u>

NET ASSETS

Without Donor Restrictions	4,105,169
With Donor Restrictions	<u>4,479,301</u>
Total Net Assets	<u>8,584,470</u>

Total Liabilities and Net Assets\$ 17,267,723

The accompanying notes to financial statements form an integral part of the statement.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Statement of Activities

For the Year Ended August 31, 2021

Exhibit A-2

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Local Support			
Interest and Other Income	210,286	-	\$ 210,286
Contributions	19,677	-	19,677
Total Local Support	229,963	-	229,963
State Program Revenues			
Foundation School Program	-	11,320,826	11,320,826
Other State Aid	-	271,770	271,770
Total State Program Revenue		11,592,596	11,592,596
Federal Program Revenues			
Child Nutrition	-	830,485	830,485
Special Education Grant	-	164,711	164,711
Special Education Preschool Grant	-	2,040	2,040
ESSER Grants	-	544,964	544,964
Project Rise	-	147,826	147,826
Student Support and Academic Enrichment	-	10,500	10,500
Title I Grant to Local Educational Agencies	-	528,323	528,323
Teacher and School Leader Incentive Grant	-	52,651	52,651
Summer School LEP	-	65,184	65,184
Title III Limited English Proficient	-	61,133	61,133
Federal Subsidy	-	124,355	124,355
E-Rate	-	30,855	30,855
Payroll Protection Program	-	1,373,400	1,373,400
Total Federal Programs Revenues	-	3,936,427	3,936,427
Net Assets Released From Restrictions			
Restrictions Satisfied by Payments	15,529,023	(15,529,023)	-
Total Revenue and Other Support	15,758,985	-	15,758,985
EXPENSES			
Program Services			
Instruction and Instructional Related Services	7,201,116	-	7,201,116
Instructional & School Leadership	857,223	-	857,223
Support Services	-	-	-
Administrative Support Services	805,203	-	805,203
Ancillary Services	351,443	-	351,443
Support Services-Non Student Based	2,995,634	-	2,995,634
Support Services - Student	1,250,380	-	1,250,380
Debt	513,124	-	513,124
Total Expenses	13,974,122	-	13,974,122
Changes in Net Assets	1,784,863	-	1,784,863
Net Assets Beginning of Year	2,950,229	4,479,301	7,429,530
Prior Period Adjustment	(629,924)		(629,924)
Net Assets End of Year	4,105,169	4,479,301	8,584,470

The accompanying notes to financial statements form an integral part of the statement.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Statement of Functional Expenses

For the Year Ended August 31, 2021

Exhibit A-3

	Program Activities		Support Activities		Totals
	Program Services	General Administration	Fundraising		
EXPENSES					
Salaries & Wages	\$ 5,903,093	\$ 2,020,782	\$ -	\$	7,923,875
Benefits	890,300	153,032	-		1,043,331
Payroll Taxes	145,277	56,595	-		201,872
Total Payroll Expenses	6,938,670	2,230,408	-		9,169,078
Rental Expense	39,721	230,534	-		270,255
Contract Labor	195,498	157,877	-		353,375
Maintenance and Repairs	-	42,392	-		42,392
Utilities	-	482,368	-		482,368
De[reciation	-	669,735	-		669,735
Supplies	990,009	868,582	-		1,858,591
Travel	11,702	32,242	-		43,945
Instructional Material	12,741	-	-		12,741
Insurance & Bonding	-	336,016	-		336,016
Professional Fees and Dues	28,016	194,487	-		222,503
Other	-	513,124	-		513,124
Total Non-Payroll Expenses	1,277,688	3,527,356	-		4,805,044
Total Expenses	\$ 8,216,358	\$ 5,757,764	\$ -	\$	13,974,122

The accompanying notes to financial statements form an integral part of the statement.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Statement of Cash Flows

For the Year Ended August 31, 2021

Exhibit A-4

Cash Flows From Operating Activities

Change in Net Assets	\$ 1,784,863
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	669,735
Prior Period Adjustments	(629,924)
(Increase) Decrease in	
Due from State	(3,205)
Inventories	(1,296)
Other Assets	277,484
Increase (Decrease) in	
Accounts Payable	81,306
Accrued Salaries	15,633
Payroll Taxes	(65,011)
	<u>2,129,586</u>

Cash Flows From Investing Activities

Purchase of Furniture, Fixtures & Equipment	(839,434)
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Cash Flows From Financing Activities

Accrued Interest Payable	(33)
Issuance of Debt	(1,373,400)
Loan Issuance Cost	32,526
Principal Payments	(978,691)
	<u>(2,319,598)</u>

Net Increase (Decrease) in Cash	(1,029,446)
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Cash at Beginning of Year	4,391,669
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Cash at End of Year	3,362,223
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Summary of Cash	
Cash & Cash Equivalent	3,307,132
Restricted Cash	55,091
Total Cash	<u>\$ 3,362,223</u>

The accompanying notes to financial statements form an integral part of the statement.

NOTES TO THE FINANCIAL STATEMENTS

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements

For the Fiscal Year Ended August 31, 2021

NOTE 1 – ORGANIZATION

The South Texas Educational Technologies, Inc. (the Charter School's), which was established November 12, 1997, is a private, non-profit community-based organization exempt from taxation under 26 U.S.C., Section 501(c)(3). It operates as a single charter school.

The South Texas Educational Technologies, Inc (STET, Inc.) offers Montessori way of teaching in elementary schools. The Charter School operates under an open enrollment charter school granted by the Texas State Board of Education. The charter was issued for a period of ten years and it is renewed until year 2023. The South Texas Educational Technologies, Inc is part of the public school system of the state and is entitled to distribution from the State available school fund. The School provides educational services to students in grades K through 8th. The South Texas Educational Technologies, Inc. charter holder and charter school board members, officers and administration are in compliance with the education requirements as of August 31, 2021. On March 1, 2015 the Texas Education Agency approved the name of the charter from South Texas Educational Technologies, Inc. to utilize the DBA Horizon Montessori Public Schools for correspondence and reporting with the Texas Education Agency.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting system is organized under *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter School Chart of Accounts*, a Module of the Texas Education Agency Financial Accountability Resource Guide. The significant accounting policies are as follows:

BASIS OF ACCOUNTING

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

BASIS OF PRESENTATION

The combined general-purpose financial statements include the accounts of South Texas Educational Technologies, Inc. All significant intercompany accounts and transactions have been eliminated in the combined general-purpose financial statements

The financial statements of the School have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the School to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Association management and the board of directors.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements For the Fiscal Year Ended August 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

During the current year, the School adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which requires the School to recognize revenue when it transfers control of promised goods or services. Revenue is recognized in an amount that reflects the consideration the School expects to receive in exchange for those goods or services. The ASU also requires School to disclose sufficient quantitative and qualitative information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Management has determined that this ASU did not impact the School's financial statements.

ESTIMATES

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

CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, cash and cash equivalents are comprised of cash on hand, in banks and certificates of deposit.

PROPERTY AND EQUIPMENT

In accordance with the Texas Education Agency-Resource Guide Supplement for Charter Schools, property and equipment are recorded at cost or, if donated, at the estimated fair market value on the date received, which is then treated as cost. Property and equipment with an individual cost of \$5,000 or more and an estimated useful life of greater than one year are capitalized. Expenditures for additions, major renewals and betterments are capitalized, and repairs and maintenance are charged to expense as incurred. Depreciation is provided for over the estimated useful lives of the assets on a straight line basis.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements

For the Fiscal Year Ended August 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the range of lives by asset category follows:

Buildings and improvements	10 - 30 years
Leasehold improvements	5 - 10 years
Vehicles	5 years
Furniture and equipment	3 - 10 years

REVENUES

Revenues from the state's available school fund are based on reported attendance. State foundations revenues are public funds held in trust by the charter holder for the benefit of the students of the charter school and as such are reported as temporarily restricted revenues.

Governmental grant contracts that are entered into by the School are recognized as revenue when services are rendered or when the expenses in connection with those services are incurred.

CONTRIBUTIONS

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

DONATED SERVICES AND ASSETS

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

PERSONAL LEAVE

All employees earn five days state sick leave per academic year and five local days of personal leave per year. However, employees may accumulate state sick leave days.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements For the Fiscal Year Ended August 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX STATUS

The Charter School is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the School is not a private foundation within the meaning of Section 509(a).

FUNCTIONAL EXPENSES

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and Effort
Benefits	Time and Effort
Payroll Taxes	Time and Effort
Rental Expense	Square Footage
Contracted Services	Full Time Equivalent
Maintenance and Repair	Time and Effort
Utilities	Square Footage
Depreciation	Square Footage
Supplies	Time and Effort
Travel	Time and Effort
Instructional Materials	Time and Effort
Insurance and Bonding	Square Footage
Professional Fees and Dues	Full Time Equivalent
Other	Time and Effort

FAIR VALUE MEASUREMENT OF FINANCIAL STATEMENTS

The requirements of Fair Value Measurements and Disclosures of the FASB Accounting Standards Codification (ASC) apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB also establishes a fair value hierarchy that categorizes the inputs used in valuation methodologies into three levels.

Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and the reflect the assumptions that market participants would use when pricing the asset or liability.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements
For the Fiscal Year Ended August 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability. A three-tier hierarchy categorizes the inputs used to measure fair value as follows:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The School does not have any financial instruments that apply to this three-tier hierarchy.

NOTE 3 -- AVAILABILITY AND LIQUIDITY

The following represents the Charter School Financial Assets at August 31, 2021:

Description	Amount
Cash & Cash Equivalent	\$ 3,219,854
Receivables	591,386
Inventories	8,240
Other Assets	62,404
Total Financial Assets	\$ 3,881,883
Less: Amounts not available to be used within one year:	
Net Assets with Donor Restrictions	4,479,301
Less: Net Assets with Purpose Restrictions to be used in less than a year:	-
Quasi endowment established by the Board	-
	4,479,301
Financial Assets Available to meet general expenses over the next twelve months	\$ (597,418)

As part of the Charter School's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due by maintaining a significant portion of its assets in cash.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements For the Fiscal Year Ended August 31, 2021

NOTE 4 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at August 31, 2021

Description	Amount
Cash	\$ 3,022,621
Certificate of Deposit and Money Market	284,511
Restricted Cash	55,091
Total	<u>\$ 3,362,223</u>

Restricted cash is a reserve for bonded debt payments

NOTE 5 – CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Charter School to concentrations of credit risk, as defined by Statement of Financial Accounting Standards (FASB) No. 105, consist principally of cash. The Charter School maintains its cash in a bank deposit account, which is insured up to 102% of its carry value. STET, has not experience any losses in such account.

NOTE 6 – INVESTMENTS

Investments are measured at fair value in accordance with SFAS 157 and consisted of the following at August 31, 2021:

Description	Amount
Certificate of Deposit and Money Market	284,469
Regions Money Market	42
Total	<u>\$ 284,511</u>

Interest income during the years ended August 31, 2021 was \$14,219.14.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements For the Fiscal Year Ended August 31, 2021

NOTE 7 – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment during the year ended August 31, 2021 were as follows:

	Balance at Beginning of Year	Additions	Disposals and Transfers	Balance End of Year
Land and Improvements	2,585,232			2,585,232
Buildings & Improvements	11,219,680			11,219,680
Vehicles	654,802			654,802
Furniture and Equipment	1,182,957	574,702		1,757,659
Constuction in Progress	308,424	264,733		573,157
Total	15,951,095	839,435	-	16,790,530
Less: Accumulated Depreciation	(3,148,018)	(669,734)		(3,817,752)
Total	12,803,077	169,701	-	12,972,778

Depreciation expense for the year ended August 31, 2021 was \$669,734.

Capitalized property and equipment acquired with public funds received by the Charter School constitute public property pursuant to Chapter 12 of the Texas Educational Code. These assets are specifically identified on the Schedule of Capital Assets for Individual Charter School.

NOTE 8 – PENSION PLAN

Pension Disclosure

Plan Description

The Academy participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements
For the Fiscal Year Ended August 31, 2021

NOTE 8 – PENSION DISCLOSURE (continued)

Detailed information about TRS' fiduciary net position is available in a separately issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Name of Plan: Teacher Retirement System of Texas

Plan Number: N/A

Zone status: Unknown

1. Total Plan Assets	\$	184,361,871
2. Accumulated Benefit Obligations		209,719,687
3. The plan is 76.8% funded		

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

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.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements For the Fiscal Year Ended August 31, 2021

NOTE 8 – PENSION DISCLOSURE (continued)

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound.

Contributions

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 12 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee and employer contribution rates for fiscal years 2020 thru 2025.

Contribution Rates

	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
2021 Employer Contributions	\$ 206,467.94	
2021 Member Contributions	\$ 547,237.22	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements For the Fiscal Year Ended August 31, 2021

NOTE 8 – PENSION DISCLOSURE (continued)

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees: and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

The charter school did not contribute to any other defined benefit pension plans.

NOTE 9 – HEALTH CARE COVERAGE

During the year ended August 31, 2021 employees of the Charter were covered by a health insurance plan. The Charter contributed \$372 per month per employee. Employees, at their option, authorized payroll withholdings to pay contributions for dependents.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements For the Fiscal Year Ended August 31, 2021

NOTE 10 – BOND ISSUANCE COSTS

The costs of bond issuance are being amortized over a 15-year period. Bond issuance costs at August 31, 2021 consisted of the following:

	<u>Bond Cost</u>	<u>Accumulated Amortization</u>	<u>Unamortized Bond Cost</u>	<u>Current Year Amortization</u>
Mile 1 Issuance	11,243	(2,044)	9,199	1,022
Series 2014A Bond Issuance	228,504	(44,226)	184,278	22,113
Series 2016A Bond Issuance	112,706	(18,784)	93,922	9,392
Total	<u>\$ 352,453</u>	<u>\$ (65,054)</u>	<u>\$ 287,399</u>	<u>\$ 32,527</u>

NOTE 11 – BONDS PAYABLE

Changes during the year ended August 31, 2021 in bonds payable are as follows:

	<u>Interest Rate</u>	<u>Balance 9/1/2020</u>	<u>Retirements</u>	<u>Additions</u>	<u>Balance 8/31/2021</u>	<u>Current Portion</u>
Series 2014A Bond Issuance	5.50%	3,780,834	190,695	-	3,590,139	186,855
Series 2016A Bond Issuance	3.41%	1,060,252	190,093	-	870,159	193,562
Premium/Discount		50,598	3,067	-	47,531	3,067
Deferred Loss on refunding bonds		(41,157)	(2,366)	-	(38,791)	(2,366)
Total		<u>\$ 4,850,527</u>	<u>\$ 381,489</u>	<u>\$ -</u>	<u>4,469,038</u>	<u>\$ 381,118</u>
Less Current Portion					<u>(381,118)</u>	
Net Long-Term Bonds Payable					<u>\$ 4,087,920</u>	

Interest expense for the year ended August 31, 2021 was \$238,703..

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements For the Fiscal Year Ended August 31, 2021

NOTE 11 – BONDS PAYABLE (Continued)

Series 2014 A Bonds

On December 30, 2014, the Charter School issued \$4,600,000 of Education Revenue Bonds, Series 2014A. Proceeds of the bonds were for construction and future debt service. The Series 2014A bonds mature monthly, starting 2014 until 2034 with a stated interest rate of 5.5%. Interest on the Series A bond is due monthly.

The Charter School is required to maintain a debt service reserve fund, which currently is equal to the maximum annual principal and interest requirements of the 2014 bonds. The Series 2014A bonds are subject to optional redemption, in whole or in part prior to scheduled maturity on any Business Day, at the option of the Company, at a price of par plus interest accrued thereon to the redemption date.

Debt service requirements for bonds payable are as follows for the years ending August 31:

Tax Credit

	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u>	<u>Totals</u>
2022	185,975	196,326	175,486	382,301
2023	196,614	185,687	172,852	382,301
2024	207,375	174,926	135,170	382,301
2025	219,727	162,574	135,170	382,301
2026	232,298	149,802	135,170	382,301
Thereafter	2,548,149	654,963	541,788	3,203,112
	<u>\$ 3,590,138</u>	<u>1,524,278</u>	<u>1,295,636</u>	<u>\$ 5,114,616</u>

Series 2016A Bond

On August 26, 2016 the Charter School refinanced the Series2011A Bond that was held with Lone Star National Bank and administered by Wells Fargo with Regions Bank.

The Charter School is required to maintain a debt service reserve fund, which currently is equal to the maximum annual principal and interest requirements of the 2016 bonds. The Series 2016A bonds are subject to optional redemption with not less than 30 days or more than 60 days prior to the redemption date.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements For the Fiscal Year Ended August 31, 2021

NOTE 11 – BONDS PAYABLE (Continued)

Section 5.1 of the Series 2011 A “Series 2016A”, bond covenants establishes a debt service coverage ratio which stipulates that available revenues for each fiscal year (without excluding any discretionary expenses actually incurred in such fiscal year) must be equal to at least 1.10

Time’s the annual debt service requirements of the Charter School as of the end of the end of the first fiscal year after the date of issuance of the bonds and thereafter until the bonds have been paid in full. During the year ended August 31, 2021, the Charter School was in compliance with this covenant and all other applicable covenants contained in the loan agreement.

	Principal	Interest	Totals
2022	193,562	36,666	230,228
2023	200,267	19,961	220,228
2024	207,204	13,024	220,228
2025	214,381	5,847	220,228
Thereafter	54,746	311	55,057
	<u>\$ 870,160</u>	<u>\$ 75,809</u>	<u>\$ 945,969</u>

NOTE 12 – NOTES PAYABLE

Notes payable consisted of the following at August 31 2021:

Description	Date Acquired	Term	End Date	Original Principal	Interest	Total
2018 Navigator	4/1/2018	48 months	4/1/2022	63,350	9,768	73,119
2018 Ford Transit Van	6/1/2018	60 months	6/1/2023	120,365	14,931	135,296
Pearland Property	4/30/2018	60 months	4/20/2023	3,865,715	783,024	4,648,739
Property Mile 1	12/18/2015	60 months	12/18/2020	293,250	42,461	335,711
Refinance Series 2011A Bond	8/26/2016	60 months	7/26/2021	131,782	18,033	149,815
Property Sugarcane	10/25/2018	60 months	10/25/2023	200,000	44,116	244,116
	Grand Totals			\$ 4,674,463	\$ 912,334	5,586,796

Description	9-1-2020 Balance	Principal Payment	Interest Payment	8-31-2021 Balance	Current Portion
2018 Navigator	40,684	14,864	973	25,820	14,864
2018 Ford Transit Van	71,651	24,209	2,851	47,443	22,071
Pearland Property	3,802,085	294,223	208,017	3,507,862	199,023
Property Mile 1	160,249	160,249	2,218	-	-
Refinance Series 2011A Bond	29,565	29,565	898	-	-
Property Sugarcane	183,627	10,027	8,928	173,600	10,537
Total	4,287,861	\$ 533,137	\$ 223,884	3,754,724	\$ 246,496
		Less Current Portion		(246,496)	
		Long Term Notes Payable		\$ 3,508,228	

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements
For the Fiscal Year Ended August 31, 2021

NOTE 13 – CAPITAL LEASES PAYABLE

Capital Leases Payable consist of the following as of August 31, 2021::

Description	Date Acquired	Term	End Date	Original Principal	Interest	Total
6 new high capacity cisco routers	5/1/2018	60 months	8/28/2023	56,762	10,685	67,447
62 Hewlet packard computers	10/16/2016	42 months	6/15/2019	38,433	1,091	39,524
20 laptops	9/24/2019	36 months	12/4/2022	15,616	-	15,616
150 HP Pro 600	8/28/2019	60 months	8/28/2024	115,362	20,788	136,150
100 lenova laptops	3/28/2019	36 months	8/31/2021	64,791	2,229	67,020
30 acer computers	2/15/2018	60 months	3/15/2021	17,537		17,537
Grand Totals				\$ 308,501	\$ 34,793	\$343,294

Description	9-1-2020 Balance	Principal Payment	Interest Payment	8-31-2021 Balance	Current Portion
6 new high capacity cisco routers	34,057	11,352	2,137	22,705	11,352
62 Hewlet packard computers	-	11,293	312	-	-
20 laptops	11,712	5,205	-	6,507	5,205
150 HP Pro 600	92,290	23,072	4,158	69,217	23,072
100 lenova laptops	21,597	21,597	743	-	-
30 acer computers	2,839	2,839	-	-	-
	162,495	75,358	7,349	98,429	39,630

Less: Current Portion	(39,630)
Long Term Balance	\$ 58,799

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements
For the Fiscal Year Ended August 31, 2021

NOTE 14 – OPERATING LEASES

Effective September 1, 2015 South Texas Educational Technologies, Inc. entered into a lease with Mr. Alim U. Ansari, related party, for the rental of a school building facility for the campus Horizon Montessori at 1222 W. Sugar Cane Drive, Weslaco, Texas until August 31, 2020. This lease agreement was renewed on September 1, 2020, for the next five years. The school agreed to pay monthly payments of \$ 14,000 plus all the expenses. Annual rental expense under this lease agreement was \$ 168,000. This constitutes a related party transaction as noted in note 18.

NOTE 15 – LONG-TERM DEBT

Combined maturities for all long-term debt principal are as follows for the years ending August 31

	<u>Bonds Payable</u>	<u>Total Maturities</u>
2022	379,537	379,537
2023	396,881	396,881
2024	414,579	414,579
2025	434,108	434,108
2026	287,044	287,044
There after	<u>2,548,149</u>	<u>2,548,149</u>
Total \$	<u><u>4,460,298</u></u>	<u><u>\$ 4,460,298</u></u>

NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with Donor Restrictions consisted of the following at August 31:

	<u>2021</u>
Child Nutrition Fund	\$ 560,115
Campus Activity Fund	79,762
Foundation School Fund	<u>3,434,329</u>
Total	<u><u>\$ 4,074,206</u></u>

NOTE 17 – COMMITMENTS AND CONTINGENCIES

The charter School receives funds through federal programs, which are governed by various rules and regulation of the grantor. Expenses charges to the grant program are subject to audit and adjustment by the grantor agency. In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been made in the accompanying financial statements for such contingencies.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements For the Fiscal Year Ended August 31, 2021

NOTE 18 – RELATED PARTY TRANSACTIONS

The CEO also entered into a ten-year operating lease agreement with the South Texas Educational Technologies, Inc for the lease of a school building on Sugar Cane Drive. South Texas Educational Technologies, Inc. has adopted a policy regarding transactions between the charter school, the charter holder, and the related parties.

NOTE 19 – SUPPLEMENTARY FINANCIAL INFORMATION

South Texas Educational Technologies, Inc. operates a single charter school and does not conduct any non-charter activities; accordingly several of the financial schedules as prescribed by the *Special Supplement to the Financial Accountability System Resource Guide, Nonprofit Charter Schools* have been satisfied with the exhibits as presented in the general purpose financial statements.

NOTE 20 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 18, 2022 the date which the financial statements were available to be issued.

The 2020 COVID-19 (Coronavirus) pandemic continues to disrupt businesses in America and the entire World. The School is striving to be highly attuned and is maintaining a heightened state of readiness for the principal risks and increased uncertainties ahead. Given the potential for rapid spreading of the virus, management will be evaluating the current and potential effects on its operations and financial reporting.

The COVID 19 vaccines were released for children between five to twelve years old. The School can be positively affected by this event.

NOTE 21 – RECONCILIATION OF REVENUES FROM FEDERAL PROGRAMS

The Charter School received revenues from federal programs for the year August 31, 2021 as follows:

Description	Amount
Federal Expendures total per SEFA	\$ 2,354,378
Federal Revenues total per financial statements	3,942,699
Differnce	(1,588,322)
USDA Commodities	59,712
Federal Subsidy	124,355
E-Rate	30,855
Payroll Protection Program	1,373,400
Balance	\$ -

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements For the Fiscal Year Ended August 31, 2021

NOTE 22 – PAYCHECK PROTECTION PROGRAM LOAN

On May 14, 2020, the Charter School entered into an unsecured Small Business Administration (SBA) Paycheck Protection Program (PPP) Loan with Lone Star National Bank in the amount of \$1,373,400. Due to the loan being recommended for forgiveness by the financial institution based on the application, the Charter School chose to recognize the amount as a current liability on last year financial statements. As of August 31, 2021, the loan has been forgiven, and the amount has been recognized as federal revenue in the financial statements.

NOTE 22 – PRIOR PERIOD ADJUSTMENTS

On September 20, 2021 and October 8, 2021, The Texas Education Agency made a final settlement reduction to the Foundation payments for \$247,317 and \$163 respectively. This reduction in state foundation revenue is reported as a prior period adjustment since it was for 2019-2020 school year.

A receivable from the state for foundation payments in the amount of \$374,300 was recorded. The amount has been entered as a reduction to net assets as a prior period adjustment since it corresponds to prior year.

The following federal funds net assets amount were closed as prior period adjustments since amounts were carried from prior years.

Fund	Description	Amount
211	ESEA Title I Part A	\$ (2,084)
224	IDEA Part B Formula	(473)
225	IDEA Part B Preschool	2,051
287	Project Rise	(967)
289	ESEA Title IV Part A - SSAEP	(6,667)
	Total	<u>(8,140)</u>

SPECIFIC PURPOSE FINANCIAL STATEMENTS

HORIZON MONTESSORI PUBLIC SCHOOLS

Statement of Financial Position

August 31, 2021

Exhibit B-1

ASSETS

Current Assets

Cash in Bank	\$	3,022,621
Certificate of Deposit		284,511
Due from State		614,904
Inventories		8,240
Other Assets		22,181
Total Current Assets		<u>3,952,457</u>

Property and Equipment

Land		2,585,232
Building and Improvements		11,219,680
Furniture and Equipment		1,757,658
Vehicles		654,802
Construction in Progress		573,157
Less: Accumulated Depreciation		<u>(3,817,752)</u>
Property and Equipment Net		12,972,777

Other Assets

Restricted Cash		55,091
Bond Issuance Costs		287,399
Total Other Assets		<u>342,489</u>

Total Assets

17,267,723

LIABILITIES and NET ASSETS

Current Liabilities

Accounts Payable	\$	140,006
Accrued Wages Payable		97,348
Payroll Liabilities Payable		112,444
Accrued Interest Payable		11,263
Current Portion of Long Term Debt		667,244
Paycheck Protection Program		-
Total Current Liabilities		<u>1,028,306</u>

Long-Term Liabilities

Bonds Payable		4,087,920
Loan Payable		3,508,228
Capital Lease Payable		58,799
Total Long-Term Liabilities		<u>7,654,947</u>

Total Liabilities

8,683,253

NET ASSETS

Without Donor Restrictions		4,105,169
With Donor Restrictions		<u>4,479,301</u>
Total Net Assets		8,584,470

Total Liabilities and Net Assets

\$ 17,267,723

HORIZON MONTESSORI PUBLIC SCHOOLS

Statement of Activities

For the Year Ended August 31, 2021

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Local Support			
5740 Tuition, Rent and Afterschool	\$ 53,096	\$ -	\$ 53,096
5750 Food Sales	54,748		54,748
5748 Other Revenues from Local Sources- Locally Defined	4,593		4,593
5749 Other Revenues from Local Sources	117,525		117,525
Total Local Support	229,963	-	229,963
State Program Revenues			
5810 Foundation School Program	-	11,320,826	11,320,826
5820 State Program Revenues Distributed by the Texas Education Agency	-	271,770	271,770
5830 Revenues from Texas Government Agencies	-	-	-
Total State Program Revenue	-	11,592,596	11,592,596
Federal Program Revenues			
5920 Federal Revenues Distributed by the Texas Education Agency	-	2,098,491	2,098,491
5930 Federal Revenues Not Distributed by the Texas Education Agency	-	1,837,936	1,837,936
Total Federal Programs Revenues	-	3,936,427	3,936,427
Net Assets Released From Restrictions:			
Restrictions Satisfied by Payments	15,529,023	(15,529,023)	-
Total Revenue and Other Support	15,758,985	-	15,758,985
EXPENSES			
Program Services			
11 Instruction	7,128,869		7,128,869
12 Instructional Resources & Media Services	59,920		59,920
13 Curriculum Development and Instructional Staff Development	12,326		12,326
21 Instructional Leadership	140,308		140,308
23 School Leadership	716,915		716,915
31 Guidance, Counseling and Evaluation	192,955		192,955
33 Health Services	142,358		142,358
34 Transportation	-		-
35 Food Services	865,990		865,990
36 Co-Curricular/Extracurricular Activities	49,077		49,077
41 General Administration	805,203		805,203
51 Plant Maintenance and Operations	2,630,915		2,630,915
52 Security & Monitoring Services	1,720		1,720
53 Data Processing	362,999		362,999
61 Community Services	351,443		351,443
71 Debt	513,124		513,124
81 Fund Raising	-		-
Total Expenses	13,974,122	-	13,974,122
Changes in Net Assets	1,784,863	-	1,784,863
Net Assets Beginning of Year	2,950,229	4,479,301	7,429,530
Prior Period Adjustments	(629,924)	-	(629,924)
Net Assets End of Year	4,105,169	4,479,301	8,584,470

HORIZON MONTESSORI CHARTER SCHOOL

Statement of Cash Flows

For the Year Ended August 31, 2021

Exhibit B-3

Cash Flows From Operating Activities

Change in Net Assets	\$ 1,784,863
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	669,735
Prior Period Adjustments	(629,924)
(Increase) Decrease in	
Due from State	(3,205)
Inventories	(1,296)
Other Assets	277,484
Increase (Decrease) in	
Accounts Payable	81,306
Accrued Salaries	15,633
Payroll Taxes	(65,011)
	<u>2,129,586</u>

Cash Flows From Investing Activities

Purchase of Furniture, Fixtures & Equipment	(839,434)
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Cash Flows From Financing Activities

Accrued Interest Payable	(33)
Issuance of Debt	(1,373,400)
Loan Issuance Cost	32,526
Principal Payments	(978,691)
	<u>(2,319,598)</u>

Net Increase (Decrease) in Cash	(1,029,446)
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Cash at Beginning of Year	4,391,669
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Cash at End of Year	3,362,223
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Summary of Cash	
Cash in Bank	3,022,621
Restricted Cash	55,091
Certificate of Deposit	284,511
Total Cash	<u>\$ 3,362,223</u>

Supplemental Information

Cash Paid for Interest	\$ 469,701
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HORIZON MONTESSORI PUBLIC SCHOOLS

Schedule of Capital Assets

August 31, 2021

Exhibit C-1

	Ownership Interest			
	Local	State	Federal	Total
1510 Land	\$ -	\$ 2,585,232	\$ -	\$ 2,585,232
1520 Building and Improvements	-	11,219,680	-	11,219,680
1531 Vehicles	-	654,801	-	654,802
1539 Furniture and Equipment	1,757,658	-	-	1,757,658
1580 Construction in Progress	573,157	-	-	573,157
Total Property and Equipment	\$ 2,330,816	\$ 14,459,713	\$ -	\$ 16,790,529

HORIZON MONTESSORI PUBLIC SCHOOLS

Statement of Expenses

August 31, 2021

Exhibit D-1

EXPENSES

6100 Payroll Costs	\$	9,169,078
6200 Professional and Contracted Services		1,148,389
6300 Supplies and Materials		1,871,333
6400 Other Operating Costs		1,272,198
6500 Interest Expense		513,124
Total Payroll Expenses	\$	<u>13,974,122</u>

HORIZON MONTESSORI PUBLIC SCHOOLS

Budgetary Comparison Schedule

For the Year Ended August 31, 2021

	Budgeted Amounts		Actual	Exhibit E-1 Variance From Final Budget
	Original	Final	Amount	
REVENUE AND OTHER SUPPORT				
Local Support				
5740 Tuition, Rent and Afterschool	\$ 73,245	\$ 73,245	\$ 53,096	\$ 20,149
5750 Food Sales	93,820	93,820	54,748	39,072
5748 Other Revenues from Local Sources- Locally Defined			4,593	(4,593)
5749 Other Revenues from Local Sources	249,480	249,480	117,525	131,955
Total Local Support	416,545	416,545	229,963	186,582
State Program Revenues				
5810 Foundation School Program	12,316,324	11,505,258	11,320,826	184,432
5820 State Program Revenues Distributed by the Texas Education Agency	-		271,770	(271,770)
5830 Revenues from Texas Government Agencies	-		-	-
Total State Program Revenue	12,316,324	11,505,258	11,592,596	(87,338)
Federal Program Revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	1,951,200	1,951,200	2,098,491	(147,291)
5930 Federal Revenues Not Distributed by the Texas Education Agency	235,000	235,000	1,837,936	(1,602,936)
Total Federal Programs Revenues	2,186,200	2,186,200	3,936,427	(1,750,227)
Total Revenue and Other Support	14,919,069	14,108,003	15,758,985	(1,650,982)
EXPENSES				
Program Services				
11 Instruction	6,721,806	7,275,717	7,128,869	146,848
12 Instructional Resources & Media Services	77,131	78,780	59,920	18,860
13 Curriculum Development and Instructional Staff Development	41,843	41,843	12,326	29,517
21 Instructional Leadership	158,732	158,732	140,308	18,424
23 School Leadership	591,515	718,515	716,915	1,600
31 Guidance, Counseling and Evaluation	257,318	257,318	192,955	64,363
33 Health Services	145,278	145,278	142,358	2,920
34 Transportation	-	-	-	-
35 Food Services	839,017	866,017	865,990	27
36 Co-Curricular/Extracurricular Activities	71,515	71,515	49,077	22,438
41 General Administration	1,135,023	825,023	805,203	19,820
51 Plant Maintenance and Operations	2,338,989	2,632,003	2,630,915	1,088
52 Security & Monitoring Services	103,414	3,414	1,720	1,694
53 Data Processing	323,317	428,917	362,999	65,918
61 Community Services	238,106	352,602	351,443	1,159
71 Debt	420,000	515,000	513,124	1,876
81 Fund Raising	20,161	20,161	-	20,161
Total Expenses	13,483,165	14,390,835	13,974,122	416,713
Changes in Net Assets	1,435,904	(282,832)	1,784,863	(2,067,695)
Net Assets Beginning of Year	7,429,530	7,429,530	7,429,530	-
Prior Period Adjustments	(629,924)	(629,924)	(629,924)	-
Net Assets End of Year	8,235,510	6,516,774	8,584,470	(2,067,695)

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AND
INTERNAL CONTROL SECTION

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Raul Hernandez & Company, P. C.

Certified Public Accountants
5402 Holly Rd, Suite 102
Corpus Christi, Texas 78411
(361)980-0428 Fax (361)980-1002

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed In Accordance with Government Auditing Standards**

Board of Directors
South Texas Educational Technologies, Inc.

We have audited, 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, the financial statements of South Texas Educational Technologies, Inc. (a non-profit organization) which comprise the statement of financial position as of August 31, 2021, and 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 18, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Texas Educational Technologies, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Texas Educational Technologies, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of South Texas Educational Technologies, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered 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 South Texas Educational Technologies, Inc.'s financial statements are free of 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 organization'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 organization's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

Raul Hernandez & Company, P.C.

Corpus Christi, TX

January 18, 2022

Raul Hernandez & Company, P.C.

Certified Public Accountants

5402 Holly Rd, Suite 102

Corpus Christi, Texas 78411

Office (361)980-0428 Fax (361)980-1002

**Independent Auditors' Report on Compliance for Each Major Federal Program and on
Internal Control over Compliance Required by the Uniform Guidance**

Board of Directors

South Texas Educational Technologies, Inc.

Report of Compliance for Each Major Federal Program

We have audited South Texas Educational Technologies, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Texas Educational Technologies, Inc.'s major federal programs for the year ended August 31, 2021. South Texas Educational Technologies, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each South Texas Educational Technologies, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Texas Educational Technologies, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Texas Educational Technologies, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, South Texas Educational Technologies, Inc. complied, in all material respects, with the 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 South Texas Educational Technologies, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Texas Educational Technologies, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 South Texas Educational Technologies, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control 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 internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of South Texas Educational Technologies, Inc. as of and for the year ended August 31, 2021, and have issued our report thereon dated January 18, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance 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 of 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Raul Hernandez & Company, P.C.

Corpus Christi, TX

January 18, 2022

South Texas Educational Technologies, Inc.

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2021

I. Summary of Auditors' Results

- | | |
|---|------------|
| 1. Type of auditors' report issued on the financial statements of the auditee | Unmodified |
| 2. Significant deficiencies in internal controls disclosed by the audit of the financial statements | None |
| a. Significant deficiencies that were material weaknesses | None |
| 3. Noncompliance material to the financial statements of the auditee disclosed by the audit of the financial statements | None |
| 4. Significant deficiencies in internal controls over major programs disclosed by the audit of the financial statements | None |
| a. Significant deficiencies that were material weaknesses | None |
| 5. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| 6. Type of auditors' report issued on compliance for major programs | Unmodified |
| 7. Findings disclosed by the audit of the financial statements which the auditor is required to report | None |
| 8. Major Programs: | |
| National School Breakfast Program (10.553) | |
| National School Lunch Program (10.555) | |
| 9. The dollar threshold used to distinguish between Type A and Type B programs | \$ 750,000 |
| 10. Auditee qualified as a low-risk auditee | Yes |

II. Findings related to the Financial Statements which are required to be reported in accordance with generally accepted government auditing standards.

A. Questioned Costs: \$ 0.

III. Findings and questioned costs for state and federal awards.

None identified

**South Texas Educational Technologies, Inc.
Schedule of Prior Audit Findings**

For the Fiscal year ended August 31, 2021

I. Status of Prior Year Findings:

None

**South Texas Educational Technologies, Inc.
Corrective Action Plan**

For the Fiscal year ended August 31, 2021

N/A

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2021

Grant Program	Federal CFDA Number	Pass Through Entity Identify Number	Federal Expenditures
United States Department of Education			
Passed Through State Department of Education			
ESEA Title I Part A 2020	84.010A	20610101108802	52,040
ESEA Title I Part A 2021	84.010A	21610101108802	476,283
ESEA Title II Part A - Teacher and Principle Training and Recruiting 2021	84.367A	21694301108802	52,651
ESEA Title III Part A - Limited English Proficient 2020	84.365A	20671001108802	26,358
ESEA Title III Part A - Limited English Proficient 2021	84.365A	21671001108802	34,775
ESEA Title IV Part A - SSAEP 2020	84.365A	20610101108802	30,692
ESEA Title IV Part A - SSAEP 2021	84.365A	21610101108802	34,492
IDEA Part B Formula 2021	84.027A	216600011088026000	164,711
IDEA Part B Preschool 2021	84.173A	216610011088026610	2,040
Project Rise	84.374A	287	147,826
Instructional Continuity		17610740108802	10,500
ARP ESSER I Grant	84.425D	20521001108802	271,214
CRRSA ESSER III Grant	84.425D	21521001108802	273,750
<i>Total United States Department of Education</i>			<u>1,577,332</u>
Passed Through State Department of Education			
National School Lunch	10.555	71302001	391,867
School Breakfast Program	10.553	71402001	199,812
Child and Adult Care Food Program	10.558		179,094
<i>Total State Department of Education</i>			<u>770,773</u>
Total Expenditures of Federal Awards			<u>2,348,105</u>

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended August 31, 2021

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of South Texas Educational Technologies, Inc. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Summary of Significant Accounting Policies:

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

Sub-recipients:

During the twelve months ended August 31, 2021, the Charter School had no sub-recipients.

Federal Loans and Loan Guarantees:

During the twelve months ended August 31, 2021, the Charter School had no outstanding federal loans payable or loan guarantees.

Federally Funded Insurance:

During the twelve months ended August 31, 2021, the Charter School had no federally funded insurance.

Noncash awards:

During the twelve months ended August 31, 2021, the Charter School did not receive noncash-assistance under the National School Lunch Program.

Indirect Cost Rate:

The Uniform Guidance allows an organization to elect a 10% de minimis indirect cost rate. For the twelve month period ended August 31, 2021, the Charter School did not elect to use this rate.

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