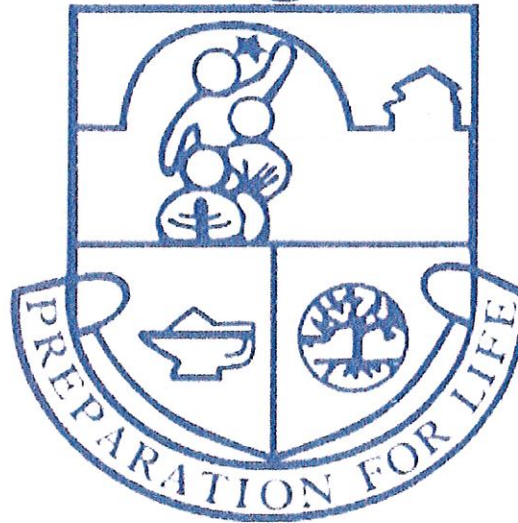


South Texas Educational Technologies, Inc.



**Annual Financial Report
For the fiscal year ended
August 31, 2020**

**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

Raul Hernandez & Company, P. C.

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

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Texas Educational Technologies, Inc. as of and for the year ended August 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered South Texas Educational Technologies, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Texas Educational Technologies, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Raul Hernandez & Company, P.C.

Corpus Christi, TX

January 21, 2021

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

Board of Directors

South Texas Educational Technologies, Inc.

Weslaco, Texas

We are engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Texas Educational Technologies, Inc. for the year ended August 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by South Texas Educational Technologies, Inc. are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during August 31, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates noted in the financial statements

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 21, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of South Texas Educational Technologies, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Raul Hernandez & Company, P.C.

January 21, 2021

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended August 31, 2020

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

**TABLE OF CONTENTS
AUGUST 31, 2020**

Certificate of Board	1
Independent Auditors' Report	2
<u>Financial Section:</u>	
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
<u>Supplemental Information Individual Charter School:</u>	
Statement of Financial Position	27
Statement of Activities	28
Statement of Cash Flows	29
Schedule of Capital Assets.	30
Schedule of Expenses.	31
Budgetary Comparison Schedule	32
<u>Compliance and Internal Control Section:</u>	
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	33
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	35

Schedule of Findings and Questioned Costs.....	37
Schedule of Prior Audit Findings.	38
Corrective Action Plan	39
Schedule of Expenditures of Federal Awards.....	40
Notes to the Schedule of Expenditures Of Federal Awards.....	41

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, 2020, at a meeting of the governing body on the 21st day of January, 2021.

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.

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2020 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, 2020, 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 21, 2021, 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 21, 2021

FINANCIAL SECTION

South Texas Educational Technologies, Inc.
Statement of Financial Position
August 31, 2020

Exhibit A-1

Assets

Current assets:	
Cash and cash equivalents	\$ 4,336,578
Receivables	611,699
Inventories	6,944
Other Assets	<u>299,665</u>
Total Current Assets	5,254,886
Property and Equipment, net	<u>12,803,077</u>
Other assets:	
Restricted Cash	55,091
Bond Issuance Costs	<u>319,925</u>
Total Other Assets	375,016
Total Assets	<u><u>\$ 18,432,979</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts Payable	\$ 58,700
Accrued Liabilities	270,466
Current portion of long-term debt	865,590
Paycheck Protection Program	<u>1,373,400</u>
Total Current Liabilities	2,568,156
Long-Term Debt	<u>8,435,293</u>
Total Liabilities	<u>11,003,449</u>
Net assets:	
Without Donor Restrictions	2,950,229
With Donor Restrictions	<u>4,479,301</u>
Total net assets	<u>7,429,530</u>
Total Liabilities and Net Assets	<u><u>\$ 18,432,979</u></u>

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

South Texas Educational Technologies, Inc.
Statement of Activities
For the Year Ended August 31, 2020

Exhibit A-2

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Local Support			
Interest and other income	78,709	-	78,709
Contributions	80,397	-	80,397
Total local support	159,106	-	159,106
State Program Revenues			
Foundation School Program	-	10,400,360	10,400,360
Other State Aid	-	4,778	4,778
Total State Program Revenue	-	10,405,138	10,405,138
Federal program revenues			
Child Nutrition		898,294	
Special Education Grant		173,686	
Special Education Preschool Grant		67,258	
ESSER Grant		106,050	
Project Rise		158,555	
Student Support and Academic Enrichment		16,170	
Title I Grants to Local Educational Agencies		399,576	
Teacher and School Leader Incentive Grant		47,678	
Summer School LEP		2,671	
Federal Subsidy		124,454	
Erate		52,783	
Total Federal program revenues	-	2,047,175	2,047,175
Net assets released from restrictions:			
Restrictions satisfied by payments	12,619,468	(12,619,468)	-
Total Revenue and Other Support	12,778,574	(167,155)	12,611,419
EXPENSES			
Program Services			
Instruction and Instructional-Related Services	6,488,284	-	6,488,284
Instructional and School Leadership	839,349	-	839,349
Support Services:			
Administrative Support Services	3,656,416	-	3,656,416
Ancillary Services	571,217	-	571,217
Support Services - Non-Student Based	1,306,415	-	1,306,415
Support Services - Student	75,999	-	75,999
Fundraising	-	-	-
Total Expenses	12,937,680	-	12,937,680
CHANGE IN NET ASSETS	(159,106)	(167,155)	(326,261)
NET ASSETS BEGINNING OF YEAR	3,109,335	4,646,456	7,755,791
NET ASSETS END OF YEAR	\$ 2,950,229	\$ 4,479,301	\$ 7,429,530

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

South Texas Education Technologies, Inc.
Statement of Functional Expenses
For the Year Ended August 31, 2020

Exhibit A-3

Expenses	Program Activities	Support Activities		Totals
	Program Services	General and Administration	Fundraising	
Salaries and Wages	\$ 5,655,509	\$ 2,101,403	\$ -	\$ 7,756,912
Benefits	669,723	331,322		1,001,045
Payroll Taxes	265,790	56,944		322,734
Total Payroll Expenses	6,591,022	2,489,669	-	9,080,691
Rental Expense	\$ 44,270	\$ 188,034	\$ -	\$ 232,304
Contract Labor		2,035	-	2,035
Maintenance and Repairs	-	410,886	-	410,886
Utilities	-	463,243	-	463,243
Depreciation	-	388,492	-	388,492
Supplies	370,544	494,553	75,999	941,096
Travel	30,749	84,867	-	115,616
Instructional Materials	54,912	-	-	54,912
Insurance and Bonding	-	197,140	-	197,140
Professional Fees and Dues	209,299	234,269	-	443,568
Other	26,837	580,860	-	607,697
Total Non-Payroll Expenses	\$ 736,611	\$ 3,044,379	\$ 75,999	\$ 3,856,989
Total Expenses	\$ 7,327,633	\$ 5,534,048	\$ 75,999	\$ 12,937,680

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

South Texas Educational Technologies, Inc.
Statement of Cash Flows
For the Year Ended August 31, 2020

Exhibit A-4

Cash Flows From Operating Activities	
Change in Net Assets	\$ (326,261)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	388,491
Prior Period Adjustment	-
(Increase) Decrease in:	
Due from State	(129,935)
Inventories	(2,940)
Other Assets	(291,349)
Increase (Decrease) in:	
Accounts Payable	(8,110)
Accrued Salaries	(19,587)
Payroll Taxes	160,539
	<u>(229,152)</u>
Cash Flows From Investing Activities	
Purchase of furniture, fixtures & equipment	(1,019,509)
	<u>(1,019,509)</u>
Cash Flows From Financing Activities	
Accrued Interest Payable	(947)
Issuance of Debt	1,373,400
Loan Issuance Cost	32,528
Principal Payments	1,432,636
	<u>2,837,617</u>
Net Increase (Decrease) in Cash	1,588,956
Cash at Beginning of Year	<u>2,802,713</u>
Cash at End of Year	<u>\$ 4,391,669</u>
Summary of Cash:	
Cash and Cash Equivalents	4,336,578
Restricted Cash	55,091
Total Cash	<u>\$ 4,391,669</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

NOTES TO THE FINANCIAL STATEMENTS

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements

For the Fiscal Year Ended August 31, 2020

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, 2020. 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, 2020

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.

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, 2020

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, 2020

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, 2020

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, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 4,336,578
Receivables	611,699
Inventories	6,944
Other Assets	<u>299,665</u>
Total financial assets	5,254,886
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 met in less than a year	-
Quasi endowment established by the board	<u>-</u>
	<u>4,479,301</u>
Financial assets available to meet general expenses	
Over the next twelve months	<u>,\$ 775,585</u>

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, 2020

NOTE 4 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at August 31:

	2020
Cash	\$ 4,057,038
Certificate of deposit and Money Market	279,540
Restricted Cash	55,091
Total	\$ <u>4,391,669</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:

	2020
Certificate of deposit, matures April 20,2021, 1.35%	\$ 279,498
Regions Money Market	42
Total	\$ <u>279,540</u>

Interest income during the years ended August 31, 2020 was \$7,661.66.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements
For the Fiscal Year Ended August 31, 2020

NOTE 7 – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment during the year ended August 31, 2020 were as follows:

	Balance at Beginning of Year	Additions	Disposals and Transfers	Balance at End of Year
Land and Improvements	\$ 2,398,672	\$ 186,560	\$	\$ 2,585,232
Buildings & Improvements	9,921,509	1,298,171		11,219,680
Vehicles	654,802			654,802
Furniture and Equipments	991,335	191,622	-	1,182,957
Construction in Progress	965,269	270,596	(927,441)	308,424
Total	14,931,587	1,946,949	(927,441)	15,951,095
Less: Accumulated Depreciation	(2,759,524)	(388,492)		(3,148,018)
Total	\$ 12,172,062	\$ 1,558,457	\$ (927,441)	\$ 12,803,077

Depreciation expense for the year ended August 31, 2020 was \$388,492.

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, 2020

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	\$	181,800,159
2. Accumulated Benefit Obligations		209,961,325
3. The plan is 75.24% 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, 2020

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>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
2020 Employer Contributions	\$ 305,462.68	
2020 Member Contributions	\$ 537,690.79	

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, 2020

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, 2020 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, 2020

NOTE 10 – BOND ISSUANCE COSTS

The costs of bond issuance are being amortized over a 15-year period. Bond issuance costs at August 31, 2020 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	(1,022)	10,221	1,022
Series 2014A Bond Issuance	228,504	(22,113)	206,391	22,113
Series 2016A Bond Issuance	112,706	(9,392)	103,314	9,392
Total	<u>\$ 352,453</u>	<u>\$ (32,527)</u>	<u>\$ 319,926</u>	<u>\$ 32,527</u>

NOTE 11 – BONDS PAYABLE

Changes during the year ended August 31, 2020 in bonds payable are as follows:

	<u>Interest Rate</u>	<u>Balance 9/1/2019</u>	<u>Retirements</u>	<u>Additions</u>	<u>Balance 8/31/20</u>	<u>Current Portion</u>
Series 2014A Bond Issuance	5.50%	3,946,653	165,819	-	3,780,834	175,910
Series 2016A Bond Issuance	3.41%	1,238,062	177,810	-	1,060,252	187,082
Premium/Discount		59,799	3,067	-	56,732	3,067
Deferred Loss on refunding bonds		(46,159)	(2,366)	-	(43,793)	(2,366)
Total		<u>\$ 5,198,355</u>	<u>\$ 344,330</u>	<u>\$ -</u>	<u>4,854,025</u>	<u>\$ 363,693</u>
Less Current Portion					(363,693)	
Net Long-Term Bonds Payable					<u>\$ 4,490,332</u>	

Interest expense for the year ended August 31, 2020 was \$393,693.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements
For the Fiscal Year Ended August 31, 2020

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 Charter School paid an insurance premium to ACA Financial Guaranty Corporation (ACA) to issue a bond insurance policy related to the Bonds. ACA guarantees the full payment required to be made on behalf of the Issuer. 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>Tax Credit Subsidy</u>	<u>Totals</u>
2021	175,910	206,390	175,432	382,300
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
Thereafter	2,795,232	804,765	676,958	3,823,010
	<u>\$ 3,780,833</u>	<u>1,730,668</u>	<u>1,471,068</u>	<u>\$ 5,734,513</u>

Series 2016A Bond

On August 26, 2016 the Charter School refinanced the Series 2011A 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 Charter School paid an insurance premium to ACA Financial Guaranty Corporation (ACA) to issue a bond insurance policy related to the Bonds. ACA guarantees the full payment required to be made on behalf of the Issuer. 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, 2020

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, 2020, the Charter School was in compliance with this covenant and all other applicable covenants contained in the loan agreement.

	Principal	Interest	Totals
2021	187,082	33,146	220,228
2022	193,562	36,666	220,228
2023	200,267	19,961	220,228
2024	207,204	13,024	220,228
Thereafter	272,137	6,158	278,925
	\$ 1,060,252	\$108,955	\$ 1,159,837

NOTE 12 – NOTES PAYABLE

Notes payable consisted of the following at August 31:

2018 Navigator-

The Charter School acquired a 2018 Navigator for \$ 83,316.00 on April 2018. It is financed by Lincoln Automotive Financial Services for four years with a down payment of \$9,768.47. Monthly payments are for \$1,319.80. A total of twelve payments from September to August 2020 were made in the amount of \$15,837.60.

	\$ 40,683.76
Less current portion	(14,719.08)
	\$ 25,964.68

2018 Ford Transit Vans-

The Charter School acquired four Ford Transit Vans for \$ 120,365.24 on June 2018. It is financed by Regions Bank for five years. Monthly payments are for \$2,254.93. A total of twelve payments from September to August 2020 were made in the amount of \$27,059.16.

	\$ 71,651.12
Less current portion	(24,208.69)
	\$ 47,442.43

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements
For the Fiscal Year Ended August 31, 2020

NOTE 12 – NOTES PAYABLE (Continued)

Pearland Property-

The Charter School acquired a property for \$ 2,000,000 on April 30, 2018. Construction expenses in the amount of \$1,865,715 were added to the loan in the year 2019-2020. It is financed through Regions Bank for 5 years with 15 year amortization and 12 months interest to begin. A total of four payments from September to August 2020 were made in totaling \$63,204.84

	\$ 3,802,085
Less current portion	<u>(199,023)</u>
	<u>\$ 3,603,062</u>

Mile 1 Property

The Charter School acquired a property located at 2900 N. Mile 1 East, in Mercedes, Texas on December 18, 2015. It is financed through Regions Bank for a total of five years. Monthly payments are \$2,215.

	\$ 160,249
Less current portion	<u>(160,249)</u>
	<u>\$ 0.00</u>

Series 2016B –Credit Agreement

On August 26, 2016 South Texas Educational Technologies Inc. entered into a credit agreement with Regions Bank in the amount of \$ 131,782. Proceeds from the credit agreement were for issuance cost to refinance Series2011A Bond as Series 2016A Bonds with Regions Bank. Series 2016B is a taxable promissory note. The Charter agreed to pay \$2,511.11 per month for 60 months.

	\$ 29,565
Less current portion	<u>(29,565)</u>
	<u>\$ 0.00</u>

1118 W. Sugar Cane Dr. Property

The Charter School acquired a property located at 1118 W. Sugar Cane Dr, in Weslaco, Texas on October 25, 2018. It is financed through Regions Bank for a total of five years. Monthly payments are \$1,582.87.

	\$ 183,626.69
Less current portion	<u>(10,066.22)</u>
	<u>\$ 173,560.47</u>

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements
For the Fiscal Year Ended August 31, 2020

NOTE 13 – CAPITAL LEASES PAYABLE

FURNITURE AND EQUIPMENT:

On November 2014 South Texas Educational Technologies, Inc, entered into a lease with VAR Resources, Inc. The School agreed to pay \$5,310 per month for 60 months totaling \$275,074 of principle payments and \$43,504 of interest. In February 2018, 30 Acer desktops were added for the McAllen computer lab. The monthly payment for the Acers is \$489.93 per month.

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 2,839		2,839
Thereafter			
	<u>\$ 2,839</u>	<u></u>	<u>\$ 2,839</u>

Interest expense for the year ended August 31, 2020 was \$4,116.28.

FURNITURE AND EQUIPMENT: 100 LAPTOPS

On May 2018 South Texas Educational Technologies, Inc, entered into a lease with VAR Resources, Inc. for 100 new teacher laptops. The School agreed to pay \$1,861.67 per month for 36 months totaling \$64,791.36 of principle payments and \$2,228.76 of interest.

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 21,597	743	22,340
Thereafter			
	<u>\$ 21,597</u>	<u>743</u>	<u>\$ 22,340</u>

Interest expense for the year ended August 31, 2020 was \$742.92.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements
For the Fiscal Year Ended August 31, 2020

NOTE 13 – CAPITAL LEASES PAYABLE (Continued)

FURNITURE AND EQUIPMENT: CISCO ROUTERS

On May 2018 South Texas Educational Technologies, Inc, entered into a lease with VAR Resources, Inc. for 6 new high-capacity Cisco Routers. The School agreed to pay \$1,124.12 per month for 60 months totaling \$56,762.40 of principle payments and \$10,684.80 of interest.

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 11,352	2,137	13,489
2022	11,352	2,137	13,489
2023	11,352	2,137	13,489
Thereafter	<u>\$ 34,056</u>	<u>\$6,411</u>	<u>\$ 40,467</u>

Interest expense for the year ended August 31, 2020 was \$2,136.96.

COMPUTER EQUIPMENT:

On October 25, 2016 South Texas Educational Technologies, Inc, entered into a lease with PCM Financial Services. The School agreed to pay \$941.05 per month for 42 months totaling \$38,433 of principle payments and \$1,091 of interest. This lease was paid off as of August 31, 2020. Interest expense for the years ended August 31, 2020 was \$311.72.

COMPUTER EQUIPMENT:

On June 28, 2019 South Texas Education Technologies, Inc. entered into a lease with Lenova Financial Services for 150 HP Pro One 600 G4 desktop computers. The School agreed to pay \$2,269.17 every month for 60 months totaling \$115,362.00 of principal payments, and a total of \$20,788.20 of interest.

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$23,072.40	\$4,157.64	\$27,230.04
2022	\$23,072.40	\$4,157.64	\$27,230.04
2023	\$23,072.40	\$4,157.64	\$27,230.04
2024	<u>\$23,072.40</u>	<u>\$4,157.64</u>	<u>\$27,230.04</u>
	<u>\$92,289.60</u>	<u>\$16,630.56</u>	<u>\$108,290.16</u>

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements

For the Fiscal Year Ended August 31, 2020

NOTE 13 – CAPITAL LEASES PAYABLE (Continued)

COMPUTER EQUIPMENT:

On September 24, 2019 South Texas Educational Technologies, Inc. entered into a lease with PCM Financial services for 20 laptops. The School agreed to pay \$433.78 per month for 36 months totaling \$15,616.08.

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 5,205.36	\$ -0-	\$ 5,205.36
2022	5,205.36	-0-	5,205.36
2023	1,301.34	-0-	1,301.34
Thereafter			
	<u>\$ 11,712.06</u>	<u>\$ -0-</u>	<u>\$ 11,712.06</u>

CAPITAL LEASE TOTALS:

Capital Lease Payable	\$162,495
Less Current Portion	<u>(64,066)</u>
Total	<u>\$ 98,429</u>

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. The school agreed to pay monthly payments of \$ 12,352 plus all the expenses. Annual rental expense under this lease agreement was \$ 148,224. Total payments for facility and other rental charges during the current year were \$ 11,919.52. This lease agreement will renew for the next five years with monthly payments of \$14,000, totaling \$168,000 per year. This constitutes a related party transaction as noted in note 18.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements
For the Fiscal Year Ended August 31, 2020

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>
2021	362,992	362,992
2022	379,537	379,537
2023	396,881	396,881
2024	414,579	414,579
There after	<u>3,287,096</u>	<u>3,287,096</u>
Total \$	<u>4,841,085</u>	<u>\$ 4,841,085</u>

NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>
Child Nutrition Fund	\$ 560,115
Campus Activity Fund	79,762
Foundation School Fund	<u>3,839,424</u>
Total	<u>\$ 4,479,301</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.

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.

SOUTH TEXAS EDUCATIONAL TECHNOLOGIES, INC.

Notes to Financial Statements

For the Fiscal Year Ended August 31, 2020

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 21, 2021 the date which the financial statements were available to be issued.

The 2020 COVID-19 (Coronavirus) pandemic has caused extensive disruptions to businesses in America and the entire World. In the face of these disruptions, the fluid situation has become difficult to assess the likely impact to not only the economy in America but also the local economy. The Charter 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.

NOTE 21 – RECONCILIATION OF REVENUES FROM FEDERAL PROGRAMS

The Charter School received revenues from federal programs for the year August 31, 2020 as follows:

Federal Expenditures total per SEFA	\$ 1,959,435
Federal revenues total per financial statements	<u>2,047,174</u>
Difference	(87,739)
Child Nutrition Decrease in Revenues	(84,372)
Federal Subsidy	118,707
E-Rate	52,784
Summer School LEP	<u>620</u>
Balance	<u>\$ -</u>

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 that will be, but has not yet been submitted to the SBA, the Charter School chose to recognize the amount as a current liability on August 31, 2020. As of August 31, 2020, the loan has yet to be forgiven, however, the total balance has been forgiven as of December 29, 2020.

SPECIFIC PURPOSE FINANCIAL STATEMENTS

Horizon Montessori Public Schools
Statement of Financial Position
August 31, 2020

Exhibit B-1

Assets

Current assets:

Cash in bank	\$ 4,057,038
Certificate of deposit	279,540
Due from state	611,699
Inventories	6,944
Other assets	299,665
Total Current Assets	<u>5,254,886</u>

Fixed Assets:

Land	2,585,232
Building and improvements	11,219,680
Furniture and Equipment	1,182,957
Vehicles	654,802
Construction in Progress	308,424
Less: Accumulated Depreciation	<u>(3,148,018)</u>
Property and Equipment, net	<u>12,803,077</u>

Other Assets:

Restricted Cash	55,091
Bond Issuance (net of accumulated amortization)	<u>319,925</u>
Total Other Assets	375,016

Total Assets

\$ 18,432,979

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 58,700
Accrued wages payable	81,715
Payroll liabilities payable	177,455
Accrued Interest payable	11,296
Current portion of long-term debt	865,590
Paycheck Protection Program	<u>1,373,400</u>
Total Current Liabilities	<u>2,568,156</u>

Long-term liabilities:

Bond payable	4,486,834
Loan payable	3,850,030
Capital lease payable	98,429
Total Long-term liabilities	<u>8,435,293</u>

Total Liabilities

11,003,449

Net assets:

Without Donor Restrictions	2,950,229
With Donor Restrictions	<u>4,479,301</u>
Total net assets	<u>7,429,530</u>

Total Liabilities and Net Assets

\$ 18,432,979

Horizon Montessori Public Schools
Statement of Activities
For the Fiscal Year Ended August 31, 2020

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Local Support			
5740 Tuition, Rent and Afterschool	\$ 78,709	\$ -	\$ 78,709
5750 Food Sales	80,397	-	80,397
5748 Other Revenues from Local Sources-Locally Defined	-	-	-
5749 Other Revenues from Local Sources	-	-	-
Total local support	159,106	-	159,106
State Program Revenues			
5810 Foundation School Program	-	10,400,360	10,400,360
5820 State Program Revenues Distributed by the Texas Education Agency	-	4,778	4,778
5830 Revenues from Texas Government Agencies	-	-	-
Total State Program Revenue	-	10,405,138	10,405,138
Federal program revenues			
5920 Federal Revenues Distributed by the Texas Education Agency	-	1,717,129	1,717,129
5930 Federal Revenues Distributed Not by Texas Education Agency	-	330,046	330,046
Total Federal Program Revenue	-	2,047,175	2,047,175
Net assets released from restrictions:			
Restrictions satisfied by payments	12,619,468	(12,619,468)	-
Total Revenue and Other Support	12,778,574	(167,155)	12,611,419
EXPENSES			
11 Instruction	6,384,586	-	6,384,586
12 Instructional Resources and Media Services	93,853	-	93,853
13 Curriculum Development and Instructional Staff Development	9,845	-	9,845
21 Instructional Leadership	100,544	-	100,544
23 School Leadership	738,805	-	738,805
31 Guidance, Counseling, and Evaluation	152,021	-	152,021
33 Health Services	144,096	-	144,096
34 Transportation	-	-	-
35 Food Services	900,867	-	900,867
36 Cocurricular/Extracurricular Activities	75,999	-	75,999
41 General Administration	913,993	-	913,993
51 Plant Maintenance and Operations	2,335,716	-	2,335,716
52 Security and Monitoring Services	81,099	-	81,099
53 Data Processing	325,608	-	325,608
61 Community Services	275,100	-	275,100
71 Debt	405,548	-	405,548
81 Fund Raising	-	-	-
Total Expenses	12,937,680	-	12,937,680
CHANGE IN NET ASSETS	(159,106)	(167,155)	(326,261)
NET ASSETS BEGINNING OF YEAR	3,109,335	4,646,456	7,755,791
NET ASSETS END OF YEAR	\$ 2,950,229	\$ 4,479,301	\$ 7,429,530

**Horizon Montessori Charter School
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2020**

Exhibit B-3

Cash Flows From Operating Activities	\$ (326,261)
Change in Net Assets	
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	388,491
(Increase) Decrease in:	
Due from State	(129,935)
(Increase) Decrease in:	
Inventories	(2,940)
Increase (Decrease) in:	
Other Assets	(291,349)
Accounts Payable	(8,110)
Accrued Wages Payable	(19,587)
Payroll Liabilities Payable	160,539
Accrued Expenses	-
Cash Flows From Operating Activities	<u>(229,152)</u>
Cash Flows From Investing Activities	
Purchase of fixed assets	(1,019,509)
	<u>(1,019,509)</u>
Cash Flows From Financing Activities	
Accrued Interest Payable	(947)
Issuance of Debt	1,373,400
Loan Issuance Cost	32,528
Principal Payments	1,432,636
	<u>2,837,617</u>
Net Increase (Decrease) in Cash	1,588,956
Cash at Beginning of Year	<u>2,802,713</u>
Cash at End of Year	<u>\$ 4,391,669</u>
Summary of Cash:	
Cash in Bank	4,057,038
Restricted Cash	55,091
Certificates of Deposit	279,540
Total Cash	<u>\$ 4,391,669</u>
Supplemental Information:	
Cash Paid for Interest	\$ 405,548

**Horizon Montessori Public Schools
Schedule of Capital Assets
August 31, 2020**

Exhibit C-1

	Ownership Interest			Total
	Local	State	Federal	
1510 Land and Improvements	\$ -	\$ 2,585,232	\$ -	\$ 2,585,232
1520 Buildings and Improvements	-	11,219,680	-	11,219,680
1531 Vehicles		654,801	-	654,801
1539 Furniture, Fixtures and Equipment	1,182,957	-	-	1,182,957
1580 Construction in Progress	308,424	-	-	308,424
Total Property and Equipment	\$ 1,491,381	\$ 14,459,714	\$ -	\$ 15,951,094

**Horizon Montessori Public Schools
Schedule of Expenses
August 31, 2020**

Exhibit D-1

Expenses

6100 Payroll Costs	\$ 9,080,692
6200 Professional and Contract Services	1,288,300
6300 Supplies and Materials	1,183,744
6400 Other Operating Costs	979,396
6500 Interest Expense	405,548
Total Expenses	<u>\$ 12,937,680</u>

**Horizon Montessori Public Schools
Budgetary Comparison Schedule
For the Year Fiscal Ended August 31, 2020**

Exhibit E-1

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE AND OTHER SUPPORT				
Local Support				
5740 Tuition, Rent, and Earnings and Temporary Investments	\$ 150,000	\$ 86,000	\$ 78,709	\$ 7,291
5750 Contributions	150,000	84,996	80,397	4,599
Total local support	<u>300,000</u>	<u>170,996</u>	<u>159,106</u>	<u>11,890</u>
State Program Revenues				
5810 Foundation School Program	11,987,592	10,780,306	10,400,360	379,946
5820 State Program Revenues Distributed by the Texas Education Agency	5,000	4,850	4,778	72
5830 Revenues from Texas Government Agencies	-	-	-	-
Total State Program Revenue	<u>11,992,592</u>	<u>10,785,156</u>	<u>10,405,138</u>	<u>380,018</u>
Federal program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	1,845,691	1,852,500	1,717,129	135,371
5930 Federal Revenues Not Distributed by the Texas Education Agency	223,000	350,000	330,046	19,954
5940 Federal Revenues Distributed from the Federal Government	-	1,373,400	-	-
Total Federal Program Revenue	<u>2,068,691</u>	<u>3,575,900</u>	<u>2,047,175</u>	<u>155,325</u>
Total Revenue and Other Support	<u>14,361,283</u>	<u>14,532,052</u>	<u>12,611,419</u>	<u>547,233</u>
EXPENSES				
11 Instruction	6,327,066	6,986,396	6,384,586	601,810
12 Instructional Resources and Media Services	77,981	94,250	93,853	397
13 Curriculum Development and Instructional Staff Development	27,698	10,775	9,845	930
21 Instructional Leadership	166,016	109,550	100,544	9,006
23 School Leadership	603,343	740,120	738,805	1,315
31 Guidance, Counseling, and Evaluation Services	257,318	165,545	152,021	13,524
33 Health Services	144,828	155,250	144,096	11,154
34 Transportation Services	-	-	-	-
35 Food Services	937,002	906,227	900,867	5,360
36 Cocurricular/Extracurricular Activities	154,000	82,500	75,999	6,501
41 General Administration	1,192,017	985,250	913,993	71,257
51 Plant Maintenance and Operations	2,479,995	2,461,100	2,335,716	125,384
52 Security and Monitoring Services	122,521	88,350	81,099	7,251
53 Data Processing	252,081	351,628	325,608	26,020
61 Community Services	346,602	278,230	275,100	3,130
71 Interest on Debt Service	420,000	408,550	405,548	3,002
81 Fundraising	20,161	-	-	-
Total Expenses	<u>13,528,629</u>	<u>13,823,721</u>	<u>12,937,680</u>	<u>886,041</u>
CHANGE IN NET ASSETS	832,654	708,331	(326,261)	(1,034,592)
NET ASSETS BEGINNING OF PERIOD	<u>7,755,791</u>	<u>7,755,791</u>	<u>7,755,791</u>	<u>-</u>
NET ASSETS END OF PERIOD	<u>\$ 8,588,445</u>	<u>\$ 8,464,122</u>	<u>\$ 7,429,530</u>	<u>\$ (1,034,592)</u>

THIS PAGE LEFT BLANK INTENTIONALLY

**COMPLIANCE
AND
INTERNAL CONTROL SECTION**

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2020, 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 21, 2021.

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 21, 2021

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, 2020. 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, 2020.

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, 2020, and have issued our report thereon dated January 21, 2021, 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 21, 2021

South Texas Educational Technologies, Inc.

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2020

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, 2020

I. Status of Prior Year Findings:

None

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

For the Fiscal year ended August 31, 2020

N/A

South Texas Educational Technologies, Inc
Schedule of Expenditure of Federal Awards
For the Year Ended August 31, 2020

Grant/Program	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
United States Department of Education			
Passed Through State Department of Education:			
ESEA Title I part A 2020	84.010A	20610101108802	\$ 399,576
IDEA Part-B Formula 2020	84.027A	206600011088026000	173,686
Title II, Part A-Teacher and Principa Training and Recruiting 2020	84.367A	20694501108802	47,678
Title III, Part A-LEP 2020	84.365A	20671001108802	67,258
Title IV, Part A-SSAEP 2020	84.424A	20680101108802	5,747
IDEA-B Preschool 2020	84.173A	206610011088026000	2,051
Project Rise	84.374A	287	158,555
SUMMER SCHOOL LEP	84.369A	69551402	
School & Safety Grant		19055301108802	16,170
ESSER Grant	84.425D	20521001108802	106,049
Total United States Department of Education			<u>976,770</u>
Passed Through State Department of Education			
National School Lunch	10.555	71302001	544,116
School Breakfast Program	10.553	71402001	362,743
Child & Adult Care Food Program	10.558		75,806
Total State Department of Education			<u>982,665</u>
Total Expenditures of Federal Awards			<u>\$ 1,959,435</u>

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

For the Fiscal Year Ended August 31, 2020

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 ten months ended August 31, 2020, the Charter School had no sub-recipients.

Federal Loans and Loan Guarantees:

During the ten months ended August 31, 2020, the Charter School had no outstanding federal loans payable or loan guarantees.

Federally Funded Insurance:

During the ten months ended August 31, 2020, the Charter School had no federally funded insurance.

Noncash awards:

During the ten months ended August 31, 2020, 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 ten month period ended August 31, 2020, the Charter School did not elect to use this rate.

THIS PAGE LEFT BLANK INTENTIONALLY

