



Village Tech Schools

**Financial Statements with Compliance Report
and Supplemental Information
August 31, 2020**

Village Tech Schools Certificate of Board

Village Tech Schools
Name of Charter Holder

45-5607359
Federal Employer ID Number

Village Tech Schools
Name of Charter School

DALLAS
County

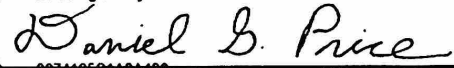
057-847
Co. Dist. Number

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Village Tech Schools was reviewed and (check one) approved ___ disapproved for the year ended August 31, 2020, at a meeting of the governing body of said charter school on the 21st day of January 2021.

DocuSigned by:

1A25E9EAC0924ED

Signature of Board Secretary

DocuSigned by:

0074165C1A8A436...

Signature of Board President

Village Tech Schools

Contents

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Compliance Report:	17
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 <i>Government Auditing Standards</i>	18
Supplemental Information Required by Texas Education Agency:	20
Schedule of Capital Assets	21
Budgetary Comparison Schedule	22
Schedule of Expenses	23

Independent Auditors' Report

To the Board of Directors of
Village Tech Schools

Report on the Financial Statements

We have audited the accompanying financial statements of Village Tech Schools (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards 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 auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Village Tech Schools as of August 31, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the accompanying table of contents is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial statements. The supplemental 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021 on our consideration of Village Tech Schools' internal control over financial reporting and on 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 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 Village Tech Schools' internal control over financial reporting and compliance.


A Limited Liability Partnership

Arlington, Texas
January 21, 2021

Village Tech Schools
Statement of Financial Position
August 31, 2020

Assets

Current assets:

Cash and cash equivalents	\$ 2,450,393
Due from government agencies	573,878
Other receivables	13,636
Prepaid expenses	19,699
Other assets	38,547

Total current assets	3,096,153
-----------------------------	------------------

Noncurrent assets:

Restricted cash and cash equivalents	1,864,999
Property and equipment, net	26,362,315

Total noncurrent assets	28,227,314
--------------------------------	-------------------

Total assets	\$ 31,323,467
---------------------	----------------------

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 22,104
Accrued expenses	374,207
Interest payable	60,525
Deferred revenue	866
Note payable, current portion	24,828
Bonds payable, current portion	500,000

Total current liabilities	982,530
----------------------------------	----------------

Noncurrent liabilities:

Note payable, net	497,785
Bonds payable, net	26,408,085

Total noncurrent liabilities	26,905,870
-------------------------------------	-------------------

Total liabilities	27,888,400
--------------------------	-------------------

Net assets:

Without donor restrictions	609,310
With donor restrictions	2,825,757

Total net assets	3,435,067
-------------------------	------------------

Total liabilities and net assets	\$ 31,323,467
-----------------------------------------	----------------------

See notes to financial statements.

Village Tech Schools
Statement of Activities
Year Ended August 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Local support:			
5740 Other revenues from local sources	\$ 368,109	\$ -	\$ 368,109
5750 Revenues from cocurricular, enterprising services or activities	37,975	-	37,975
Total local support	406,084	-	406,084
State program revenue:			
5810 Foundation school program act revenues	-	10,289,686	10,289,686
5820 State program revenues distributed by TEA	-	176,079	176,079
Total state program revenue	-	10,465,765	10,465,765
Federal program revenue:			
5920 Federal revenues distributed by TEA	-	254,388	254,388
Total federal program revenue	-	254,388	254,388
Net assets released from restrictions-			
Satisfaction of program restrictions	10,575,864	(10,575,864)	-
Total revenue and support	10,981,948	144,289	11,126,237
Expenses:			
Program services:			
11 Instruction	4,911,667	-	4,911,667
13 Curriculum development and instructional staff development	369,991	-	369,991
21 Instructional leadership	40,756	-	40,756
23 School leadership	614,561	-	614,561
31 Guidance, counseling and evaluation services	323,228	-	323,228
33 Health services	57,903	-	57,903
34 Student (pupil) transportation	4,409	-	4,409
35 Food services	183,256	-	183,256
36 Extracurricular activities	92,709	-	92,709
41 General administration	561,157	-	561,157
51 Facilities maintenance and operations	1,436,977	-	1,436,977
52 Security and monitoring services	8,952	-	8,952
53 Data processing services	173,611	-	173,611
61 Community services	15,647	-	15,647
71 Debt service	1,619,356	-	1,619,356
81 Fundraising	161,684	-	161,684
Total expenses	10,575,864	-	10,575,864
Increase in net assets	406,084	144,289	550,373
Net assets at beginning of year	203,226	2,681,468	2,884,694
Net assets at end of year	\$ 609,310	\$ 2,825,757	\$ 3,435,067

See notes to financial statements.

Village Tech Schools
Statement of Cash Flows
Year Ended August 31, 2020

Cash flows from operating activities:	
Increase in net assets	\$ 550,373
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	351,597
Amortization	106,850
Changes in assets and liabilities:	
Due from government agencies	309,180
Other receivables	(11,565)
Prepaid expenses	72,823
Accounts payable	(50,517)
Accrued expenses	(51,486)
Interest payable	22,347
Deferred revenue	(8,725)
	1,290,877
Cash flows from investing activities:	
Purchases of property and equipment	(3,381,605)
	(3,381,605)
Cash flows from financing activities:	
Principal payments on note payable	(23,052)
Principal payments on bonds payable	(480,000)
	(503,052)
Net decrease in cash and cash equivalents	(2,593,780)
Cash and cash equivalents at beginning of year	6,909,172
Cash and cash equivalents at end of year	\$ 4,315,392
Reconciliation of cash and restricted cash and cash equivalents reported within the statement of financial position to the statement of cash flows:	
Cash and cash equivalents	\$ 2,450,393
Restricted cash and cash equivalents	1,864,999
	\$ 4,315,392
Total cash and cash equivalents shown in the statement of cash flows	\$ 4,315,392
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	\$ 1,512,506

See notes to financial statements.

Village Tech Schools

Notes to Financial Statements

1. Organization and Nature of Activities

Village Tech Schools (School) is a nonprofit corporation established under an open enrollment charter granted by the State of Texas Board of Education. The original charter was issued for a period of five years starting 2013 and is subject to review and renewal periodically. The charter was renewed for another 10 years until July 31, 2028. The board of directors comprised of five (5) members governs the School. The board of directors is selected pursuant to the bylaws of the School and has the authority to make decisions, appoint the chief executive officer of the School, and significantly influence operations. The board of directors has the primary accountability for the fiscal affairs of the School.

The School provides an alternative learning environment for students with a mission that through great teachers working together, they are forging students who are character driven, challenge ready and community focused. The School operates one campus in Duncanville under a single charter and does not conduct any non-charter activities.

The School is part of the public school system of the State of Texas (State) and is therefore entitled to distribution from the State's Foundation School Program (FSP) and Available School Fund (ASF). The School does not have the authority to impose ad valorem taxes or to charge tuition.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The School prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The accounting system is organized under the *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter School Chart of Accounts*, a module of the Texas Education Agency Financial Accountability Resource Guide.

Net assets and revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor or grantor-imposed restrictions even though their use may be limited in other respects, such as by contract or board designation.

Net assets with donor restrictions - Net assets subject to donor or grantor stipulations that will be met by actions of the School and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Village Tech Schools

Notes to Financial Statements

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist of cash, restricted cash equivalents and due from government agencies. The School places cash and restricted cash equivalents, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. At August 31, 2020, the School's cash was partially covered by federal depository insurance and the remaining balance was fully collateralized by securities held by the School's agent in the School's name. The School has not experienced any losses on such accounts. Accounts due from government agencies are unsecured and are primarily due from the Texas Education Agency (TEA). The School continually evaluates the collectability of accounts receivable and maintains allowances as necessary. No provision has been made for uncollectible accounts receivable as of the statement of financial position date, given that none have been identified.

For the year ended August 31, 2020, the School received 96% of its total revenue and support from TEA and the federal government. Any unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the School to continue to provide the current level of services to its students.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents is limited as to use under the terms of the bond indenture. The restricted cash and cash equivalents represents amounts restricted for construction activity and debt service requirements for bonds.

Property and Equipment

Property and equipment purchased by the School are recorded at cost. Donated assets are reported at the fair market value. Interest expense on debt issued for construction projects is capitalized until the project is placed in service. Depreciation is provided on the straight-line method based upon the estimated useful lives of 5 to 39 years. Expenditures for maintenance and repairs are expensed when incurred; significant renewals and betterments are capitalized. Property and equipment acquired with public funds received for the operation of the School constitute public property pursuant to Chapter 12 of the Texas Education Code.

For depreciable property and equipment, or resources to be used to acquire depreciable property and equipment, the donor or grantor restriction expires over the assets' useful life, as required by the TEA.

The School reviews the carrying value of long-lived assets to determine if facts and circumstances suggest that they may be impaired. The School did not recognize an impairment loss during the year ended August 31, 2020.

Village Tech Schools

Notes to Financial Statements

Revenues and Support

The School considers all government grants and contracts to be contributions. The School recognizes revenue from government grants and contracts, as eligible expenditures are incurred. Revenues from the State are earned based on students' daily attendance. Advances from government agencies are recorded as deferred revenues if the monies are conditioned on an action or future event. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as receivables. Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of any noncompliance with the terms of the grant or contract. Contributions of donated noncash assets are recorded at the estimated fair value in the period received. The related expense is recognized as the item is used.

Contributed Services

The School recognizes contribution revenue for certain services received at the fair value of those services provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the School. No donated services were utilized that met the criteria to be recorded as revenue in the School's financial statements.

Debt Issuance Costs

Costs of obtaining bond financing are recorded as financing costs and are deferred as a direct deduction from the carrying amount of that debt liability and amortized using the interest method over the related bond period. Amortization expense is included in debt service in the accompanying statement of activities.

Federal Income Taxes

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and has not been classified as a private foundation as defined in the Code. Income generated from activities unrelated to the School's exempt purposes is subject to tax under Code Section 511. The School had no unrelated business income for the year ended August 31, 2020. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the School's tax return and recognition of a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the School, and has concluded that as of August 31, 2020, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Village Tech Schools

Notes to Financial Statements

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification. The School considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the School's financial position and changes in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. The new standard is effective for the School for the fiscal year beginning September 1, 2022. The School is currently assessing the impact that adopting this new guidance will have on the financial statements.

Adoption of Accounting Standards

The School adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) September 1, 2019, using the full retrospective method. Based on the School's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Adoption of this ASU had no impact on total beginning net assets but resulted in additional disclosures.

The School adopted the amendments of ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to Topic 606 and (2) determining whether a contribution is conditional. ASU 2018-08 was adopted using the full retrospective method and had no impact on total beginning net assets but resulted in additional disclosures.

Village Tech Schools
Notes to Financial Statements

3. Restricted Cash and Cash Equivalents

As a result of issuing the series 2017A, 2017B and 2018 bonds, the School is required to maintain separate bank accounts held by the bond trustee that are restricted for construction and debt-related matters. The balance of restricted cash and cash equivalents at August 31, 2020 totaled \$2,364,999. Cash on the statement of financial position includes the current portion of restricted cash totaling \$500,000.

4. Property and Equipment

Property and equipment consist of the following as of August 31, 2020:

Buildings and improvements	\$ 25,171,527
Land	2,077,145
Furniture and equipment	581,657
Vehicles	<u>62,879</u>
Total property and equipment	27,893,208
Less accumulated depreciation	<u>(1,530,893)</u>
Property and equipment, net	<u>\$ 26,362,315</u>

Depreciation expense for the year ended August 31, 2020 totaled \$351,597.

5. Long-Term Debt

The following is a summary of changes in the School's long-term debt for the year ended August 31, 2020:

	Beginning balance	Additions	Reductions	Current maturities of long-term debt	Long-term debt net of current maturities	Ending balance
Bonds payable:						
Series 2017A	\$18,620,000	\$ -	\$ -	\$ -	\$ 18,620,000	\$18,620,000
Series 2017B	1,565,000	-	(350,000)	365,000	850,000	1,215,000
Series 2018	<u>8,385,000</u>	-	<u>(130,000)</u>	<u>135,000</u>	<u>8,120,000</u>	<u>8,255,000</u>
Total bonds payable	28,570,000	-	(480,000)	500,000	27,590,000	28,090,000
Discounts on bonds	(275,100)	-	13,258	-	(261,842)	(261,842)
Debt issuance costs	<u>(1,013,666)</u>	-	<u>93,593</u>	-	<u>(920,073)</u>	<u>(920,073)</u>
Total bonds payable, net	27,281,234	-	(373,149)	500,000	26,408,085	26,908,085
Note payable:						
First Cedar Hill	<u>545,665</u>	-	<u>(23,052)</u>	<u>24,828</u>	<u>497,785</u>	<u>522,613</u>
Total note payable	545,665	-	(23,052)	24,828	497,785	522,613
Total	<u>\$27,826,899</u>	\$ -	\$ (396,201)	\$ 524,828	\$ 26,905,870	\$27,430,698

Village Tech Schools

Notes to Financial Statements

Bonds Payable

In November 2017, the School completed a transaction in which the Newark Higher Education Finance Corporation (NHEFC) issued \$18,620,000 Education Revenue Bonds Series 2017A and \$1,895,000 Education Revenue Bonds Series 2017B and loaned the proceeds to the School. The School entered into two loan agreements with NHEFC for the proceeds of the bond issue, which are held by the bond trustee, BOK Financial. The bonds were issued as education revenue bonds, and have interest rates ranging from 4.375% to 5.5%, maturing in varying amounts through August 2047, and are collateralized by a deed of trust. The School is required to use the bond proceeds to pay off existing debt, pay debt issuance costs, fund a debt reserve fund and provide funds for the acquisition, improvement, construction, renovation and equipping of educational facilities.

In December 2018, the School completed a transaction in which the Arlington Higher Education Finance Corporation (AHEFC) issued \$8,385,000 Education Revenue Bonds Series 2018 and loaned the proceeds to the School. The School entered into a loan agreements with AHEFC for the proceeds of the bond issue, which are held by the bond trustee, BOK Financial. The bonds were issued as education revenue bonds, and have an interest rate of 5.25% maturing in varying amounts through August 2048, and are collateralized by a deed of trust. The School is required to use the bond proceeds to pay debt issuance costs and capitalized interest and provide funds for the acquisition, improvement, construction, renovation and equipping of educational facilities.

The loan agreements and supplemental master trust indentures for each of the above issuances establishes a debt service coverage ratio, which stipulates that available revenues for each fiscal year must be equal to at least 1.10 times the annual debt service of the School until the individual bond or notes have been paid in full. During the year ended August 31, 2020, the School was in compliance with this covenant and all other applicable financial covenants contained in the supplemental master trust indentures and loan agreements.

Village Tech Schools
Notes to Financial Statements

The required debt service payments to satisfy the requirements of the 2017A, 2017B and 2018 bonds are as follows for the years ending August 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 500,000	\$ 1,426,519	\$ 1,926,519
2022	535,000	1,399,356	1,934,356
2023	560,000	1,370,294	1,930,294
2024	590,000	1,339,869	1,929,869
2025	615,000	1,312,094	1,927,094
2026-2030	3,545,000	6,106,563	9,651,563
2031-2035	4,500,000	5,150,131	9,650,131
2036-2040	5,765,000	3,883,744	9,648,744
2041-2045	7,415,000	2,237,406	9,652,406
2046-2050	4,065,000	360,363	4,425,363
Total	<u><u>\$28,090,000</u></u>	<u><u>\$24,586,339</u></u>	<u><u>\$52,676,339</u></u>

Note Payable

The School has a \$562,000 note agreement with a bank, bearing interest at 7%. Payments totaling \$5,051 are due monthly until maturity on November 1, 2033. The loan is collateralized by real property. As of August 31, 2020, the balance outstanding on the loan is \$522,613.

Maturities of the note payable are as follows for the years ending August 31:

2021	\$ 24,828
2022	26,622
2023	28,547
2024	30,611
2025	32,824
Thereafter	<u>379,181</u>
Total	<u><u>\$ 522,613</u></u>

Interest expense on long-term debt for the year ended August 31, 2020 totaled \$1,619,356.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions are available to pay expenditures as allowed by Section 45.105(c) of the Texas Education Code.

Village Tech Schools
Notes to Financial Statements

7. Multi-employer Defined Benefit Pension Plan

Plan Description

The School's full-time employees participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. TRS is a cost-sharing, multi-employer, defined benefit pension plan. All risks and costs are not shared by the School, but are the liability of the State.

Funding Policy

Plan members contributed 7.7% of their annual covered salary in 2020. The School contributes 7.5% for new members of the first 90 days of employment, and the State contributes 7.5%. Additionally, the School makes a 1.5% non-OASDI payment for all TRS eligible employees. The School contributions do not represent more than 5% of the TRS' total contributions. For the year ended August 31, 2020, the School contributed \$419,756 to TRS.

The risks of participating in a multi-employer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is not withdrawal penalty for leaving TRS.

Total TRS plan assets as of the most recent fiscal year ended for TRS of August 31, 2019 were \$181.8 billion. Accumulated benefit obligation as of August 31, 2019 was \$210 billion. The plan was 86.6% funded as of August 31, 2019.

8. Health Care Coverage

During the year ended August 31, 2020, eligible employees of the School were covered by the Sana Benefits Employee Health Insurance Plan. The School contributed \$275 per month per employee for the period from September 1, 2019 to August 31, 2020 to the plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Village Tech Schools
Notes to Financial Statements

9. Liquidity and Availability of Resources

Financial assets available for general expenditures within one year from August 31, 2020 are as follows:

Cash and cash equivalents	\$ 4,315,392
Due from government agencies	573,878
Other receivables	<u>13,636</u>
Total financial assets	4,902,906
Less financial assets not available for general expenditure	
Cash contractually restricted for debt service	<u>(2,364,999)</u>
Total financial assets available for general expenditure	<u><u>\$ 2,537,907</u></u>

The School relies on state aid and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing activities of education, as well as the conduct of services undertaken to support those activities, to be general expenditures.

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

10. Uncertainties

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID- 19, as a pandemic. As a result of the global coronavirus pandemic of 2020, the financial picture for schools has seen an unanticipated change. Given the uncertainty in the economic outlook, there may be short and long-term implications for the instruction, student experience and operations. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020 the Coronavirus Aid, Relief, and Security Act (CARES) was signed into law. The CARES Act created the Elementary and Secondary School Emergency Relief Fund (ESSER) specifically for emergency aid grants to public school districts for expenses related to the disruption of campus operations due to COVID-19 and also direct aid to cover costs associated with the significant changes to the delivery of instruction due to COVID-19.

The School's allotment totaled \$20,356 under this program. The ESSER allotment for the 2020-2021 school year is in place of the final Foundation School Program (FSP) allotment for the 2019-2020 school year; therefore the School has reduced FSP revenue for the year ended August 31, 2020 accordingly.

Village Tech Schools
Notes to Financial Statements

11. Leases

The School has non-cancelable operating leases for storage and portable buildings expiring through 2023. Lease expense related to these leases totaled \$509,550 for the year ended August 31, 2020.

The following is a schedule of future minimum lease payments under these operating lease agreements for the years ending August 31:

2021	\$ 388,160
2022	84,604
2023	<u>2,313</u>
	<u>\$ 475,077</u>

12. Contingencies

The School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

13. Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or management and general or fundraising. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the School exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets and time. Management and general activities are not directly identifiable with specific program or fundraising activities.

Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefited. Salaries and related costs are charged directly either to program services, fundraising or administration based on actual time worked in each area. Information technology costs, depreciation, interest expense, and occupancy costs are allocated based on whether the costs are associates with instructional campuses (program services) or with administrative buildings.

Village Tech Schools

Notes to Financial Statements

	Payroll Costs	Professional and Contracted Services	Supplies and Materials	Other Operating Costs total	Debt	Total
Program Services:						
Instructional and instructional related services	\$ 4,361,882	\$ 324,539	\$ 496,422	\$ 264,755	\$ 921,094	\$ 6,368,692
Instructional and school leadership	40,451	-	-	1,324	4,694	46,469
Support services - Direct student based	391,702	75,022	158,303	65,153	132,071	822,251
Support services - Nondirect student based	115,657	889,823	69,981	131,763	277,400	1,484,624
Ancillary services	7,250	7,199	1,198	1,087	5,006	21,740
Total program services	4,916,942	1,296,583	725,904	464,082	1,340,265	8,743,776
Support Services:						
Instructional and school leadership	531,227	61,408	17,644	31,320	124,527	766,126
Administrative support services	313,135	206,940	6,453	55,996	98,410	680,934
Support services - Nondirect student based	105,310	30,577	10,215	15,640	31,061	192,803
Fundraising	59,433	46,040	55,300	6,359	25,093	192,225
Total support services	1,009,105	344,965	89,612	109,315	279,091	1,832,088
Total expenses	\$ 5,926,047	\$ 1,641,548	\$ 815,516	\$ 573,397	\$ 1,619,356	\$ 10,575,864

14. Subsequent Events

The School has evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.

Compliance Report

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*

To the Board of Directors of
Village Tech Schools

We have audited, in accordance with U.S. generally accepted auditing standards 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 Village Tech Schools (School) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, 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 the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas
January 21, 2021

**Supplemental Information Required by
Texas Education Agency**

Village Tech Schools
Schedule of Capital Assets
August 31, 2020

Description	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 2,450,393	\$ -
1510 Land	-	2,077,145	-
1520 Buildings and improvements	-	25,171,527	-
1531 Vehicles	-	62,879	-
1539 Furniture and equipment	-	581,657	-
	<u>\$ -</u>	<u>\$ 30,343,601</u>	<u>\$ -</u>

Village Tech Schools
Budgetary Comparison Schedule
Year Ended August 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance from</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue and support:				
Local support:				
5740 Other revenue from local sources	\$ 536,114	\$ 368,109	\$ 368,109	\$ -
5750 Revenue from cocurricular	93,500	37,975	37,975	-
State program revenue:				
5810 Foundation School Program Act Entitlements	10,992,787	10,289,686	10,289,686	-
5820 State program revenue distributed by TEA	163,213	176,079	176,079	-
Federal program revenue:				
5920 Federal revenue distributed by TEA	251,724	254,388	254,388	-
Total revenue and support	12,037,338	11,126,237	11,126,237	-
Expenses:				
11 Instruction	5,337,137	4,911,667	4,911,667	-
13 Curriculum development and instructional staff development	398,061	369,991	369,991	-
21 Instructional leadership	44,143	40,756	40,756	-
23 School leadership	624,738	614,561	614,561	-
31 Guidance, counseling and evaluation services	363,824	323,228	323,228	-
33 Health services	59,371	57,903	57,903	-
34 Student transportation	-	4,409	4,409	-
35 Food services	181,440	183,256	183,256	-
36 Extracurricular activities	127,704	92,709	92,709	-
41 General administration	519,831	561,157	561,157	-
51 Facilities maintenance and operations	1,775,892	1,436,977	1,436,977	-
52 Security	28,175	8,952	8,952	-
53 Data processing services	159,121	173,611	173,611	-
61 Community services	42,602	15,647	15,647	-
71 Debt service	1,596,909	1,619,356	1,619,356	-
81 Fundraising	218,722	161,684	161,684	-
Total expenses	11,477,670	10,575,864	10,575,864	-
Increase in net assets	559,668	550,373	550,373	-
Net assets at beginning of year	2,884,694	2,884,694	2,884,694	-
Net assets at end of year	\$ 3,444,362	\$ 3,435,067	\$ 3,435,067	\$ -

Village Tech Schools
Schedule of Expenses
Year Ended August 31, 2020

<u>Object Code</u>	<u>Description</u>	<u>Amount</u>
6100	Payroll costs	\$ 5,926,047
6200	Professional and contracted services	1,641,548
6300	Supplies and materials	815,516
6400	Other operating expenses	573,397
6500	Debt service	1,619,356
		<u>\$10,575,864</u>