

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

Federal Employer Identification Number: 46-3897845

Certificate of Board

We, the undersigned, certify that the attached annual financial reports of the above-named charter holder were reviewed and (check one) approved disapproved for the fourteen months ended August 31, 2020, at a meeting of the Board of Directors of such charter holder on the 6th day of January, 2021.



Signature of Board Secretary



Signature of Board President

If the Board of Directors disapproved the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING
August 31, 2020

Randy Walker & Co., Certified Public Accountants

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING
August 31, 2020

Table of Contents

Certificate of Board	1
Independent Auditor's Report	2-3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-13
Supplementary Information	
Schedule of Expenses	14
Schedule of Capital Assets	15
Budgetary Comparison Schedule	16
Other Required Reporting	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
Summary of Audit Findings	19
Summary of Prior Year Audit Findings	20

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

Federal Employer Identification Number: 46-3897845

Certificate of Board

We, the undersigned, certify that the attached annual financial reports of the above-named charter holder were reviewed and (check one) approved disapproved for the fourteen months ended August 31, 2020, at a meeting of the Board of Directors of such charter holder on the 6th day of January, 2021.



Signature of Board Secretary



Signature of Board President

If the Board of Directors disapproved the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
A+ Unlimited Potential Charter School
Houston, Texas

We have audited the accompanying financial statements of A+ Unlimited Potential Charter School (the School), a nonprofit 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 fourteen months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

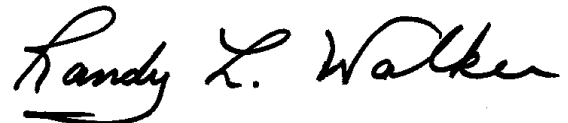
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of August 31, 2020, and the changes in its net assets and its cash flows for the fourteen months then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The specific purpose schedules on pages 14-16 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2021 on pages 17-18 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline under the first letter of the last name.

San Antonio, Texas
January 6, 2021

FINANCIAL STATEMENTS

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
August 31, 2020

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	672,417
Due from Texas Education Agency		155,922
Prepaid Expenses		30,435
Total Current Assets		858,774

LONG-TERM ASSETS

Property and Equipment, net		345
Other Asset		46,862
Total Long-Term Assets		47,207

TOTAL ASSETS \$ 905,981

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	11,488
Accrued Expenses		61,939
Total Current Liabilities		73,427
TOTAL LIABILITIES		73,427

NET ASSETS

Without Donor Restrictions		398,362
With Donor Restrictions		434,192
TOTAL NET ASSETS		832,554

TOTAL LIABILITIES AND NET ASSETS \$ 905,981

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

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
STATEMENT OF ACTIVITIES
For the Fourteen Months Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND OTHER SUPPORT			
Local Support:			
5744 Donations	\$ 338	\$ -	\$ 338
5749 Other Revenue from Local Sources	3,903	-	3,903
Total Local Support	4,241	-	4,241
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	1,615,303	1,615,303
5820 State Program Revenues Distributed by the Texas Education Agency	-	118,489	118,489
Total State Program Revenues	-	1,733,792	1,733,792
Federal Program Revenues:			
5920 Federal Revenues Distributed by the Texas Education Agency	-	164,194	164,194
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than the Texas Education Agency)	-	33,821	33,821
5940 Federal Revenues Distributed Directly from the Federal Government	-	140,040	140,040
Total Federal Program Revenues	-	338,055	338,055
Net Assets Released From Restrictions			
Restrictions Satisfied By Payments	2,009,847	(2,009,847)	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	2,014,088	62,000	2,076,088
OPERATING EXPENSES			
11 Instruction	901,798	-	901,798
13 Curriculum Development and Instructional Staff Development	13,794	-	13,794
23 School Leadership	238,230	-	238,230
31 Guidance, Counseling, and Evaluation Services	59,914	-	59,914
35 Food Services	35,750	-	35,750
41 General Administration	195,641	-	195,641
51 Plant Maintenance and Operations	451,279	-	451,279
52 Security and Monitoring Services	28,239	-	28,239
53 Data Processing	142,573	-	142,573
61 Community Service	17,833	-	17,833
99 Undistributed	27,764	-	27,764
TOTAL OPERATING EXPENSES	2,112,815	-	2,112,815
CHANGE IN NET ASSETS	(98,727)	62,000	(36,727)
NET ASSETS, Beginning of Year	497,089	372,192	869,281
NET ASSETS, End of Year	\$ 398,362	\$ 434,192	\$ 832,554

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

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
For the Fourteen Months Ended August 31, 2020

	Program	General and Administrative	Total
<u>OPERATING EXPENSES</u>			
Salaries	\$ 831,341	\$ 125,074	\$ 956,415
Benefits	74,404	14,566	88,970
Payroll Taxes	13,023	1,813	14,836
Total Payroll Expenses	918,768	141,453	1,060,221
Rental Expense	262,768	50,201	312,969
Contract Labor	195,275	27,762	223,037
Professional Fees	133,077	38,165	171,242
Supplies	133,089	10,569	143,658
Maintenance and Repair	53,749	4,687	58,436
Utilities	26,529	5,556	32,085
Instructional Materials	31,406	-	31,406
Miscellaneous	20,849	8,074	28,923
Equipment	27,764	-	27,764
Insurance and Bonding	9,543	2,386	11,929
Dues and Subscriptions	5,235	1,309	6,544
Depreciation	2,413	-	2,413
Travel	-	1,638	1,638
Educational Service Center	-	550	550
TOTAL OPERATING EXPENSES	\$ 1,820,465	\$ 292,350	\$ 2,112,815

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

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
STATEMENT OF CASH FLOWS
For the Fourteen Months Ended August 31, 2020

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Foundation School Program Payments	\$ 1,814,898
Grant Payments	291,299
Contributions and Fund-Raising Activities	140,378
Payments to Vendors for Goods and Services Rendered	(1,086,245)
Payments to Charter School Personnel for Services Rendered	<u>(1,001,370)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>158,960</u>
NET INCREASE IN CASH FLOWS	158,960
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>513,457</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 672,417</u></u>
Reconciliation of Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Change in Net Assets	\$ (36,727)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	2,413
Decrease in Assets:	
Due from the Texas Education Agency	139,340
Prepaid Expenses	9,800
(Decrease) Increase in Liabilities:	
Accounts Payable	(14,035)
Accrued Expenses	<u>58,169</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 158,960</u></u>

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

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Reporting Entity and Operations

A+UP dba A+ Unlimited Potential Charter School (the School) is a 501(c)(3) not-for-profit organization incorporated in the State of Texas in 2014. The School is governed by a Board of Directors comprised of six members. 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, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the School.

As of August 31, 2020, the School operates one campus located in Houston, Texas. Since the School receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

A+UP only operates the School and does not conduct any other charter or non-charter activities. The School was organized to provide educational services to students in 6th through 8th grade. The Board of Directors governs the programs, services, activities, and functions of the School, which operates under an open enrollment charter pursuant to Chapter 12 of the Texas Education Code. The School is part of the public-school system of the State of Texas and is therefore entitled to distributions from the State's available school fund.

The School's charter was awarded in June 2015 for a period of five years. The School's charter will be submitted for renewal during the 2020-2021 school year.

In February 2020, the Texas Education Agency (TEA) approved a change in the School's fiscal year-end from June 30 to August 31 effective with the 2020 fiscal year. Therefore, activity in the accompanying financial statements covers a period of fourteen months from July 1, 2019 – August 31, 2020.

Basis of Presentation

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

The School is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than the School's mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For financial statement purposes, the School considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Grant Funds

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are awarded, they are not recorded as revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require a refund of all or part of the unused amount.

Use of Estimates

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 disclosures 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.

Income Taxes

The School is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is also exempt from franchise income, sales and hotel taxes in the State of Texas. As of August 31, 2020, the tax years that remain subject to examination by taxing authorities begin with 2017.

Property and Equipment

Property and equipment are stated at historical cost if purchased, or at fair value if donated. Property and equipment are defined as assets with an individual cost of more than \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of three to thirty-nine years.

Contributions

The School accounts for contributions as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. 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.

Functional Allocation of Expenses

The costs of providing the services and other activities of the School have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses which are allocated on the basis of estimates of time and effort, as well as supplies, contract labor, maintenance and repair, and various other expenses which are allocated on the basis of square footage or some other reasonable basis.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the effect this new standard will have on its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In 2018, the FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for periods beginning after December 15, 2018. This pronouncement clarifies and improves the scope and the accounting guidance for contributions received and contributions made in order to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The School has adopted this new pronouncement effective July 1, 2019. The change was applied retrospectively, but there is no cumulative effect on beginning net assets as of this date.

NOTE 2 – DUE FROM TEXAS EDUCATION AGENCY

The School had \$155,922 in receivables due from TEA related to various state grants and Foundation School Program revenue at August 31, 2020. All amounts receivable are due in less than one year and are deemed by management to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

NOTE 3 – PAYCHECK PROTECTION PROGRAM LOAN

During the year ended August 31, 2020, the School received a Paycheck Protection Program (PPP) loan of \$140,040 from the Small Business Administration as part of the CARES Act passed during the year to assist small businesses and non-profits affected by measures instituted in response to the COVID-19 pandemic. The amount was expended according to the time and purpose restrictions defined by the PPP. As of August 31, 2020, it was reasonably certain the loan would be forgiven. Therefore, it has been recognized as federal revenue in the statement of activities. The School applied for forgiveness of the PPP loan in November 2020 and is awaiting approval.

NOTE 4 – OPERATING LEASES

The School rents facility space under a triple net lease agreement. The lease commenced on July 1, 2019 and is in effect until June 30, 2024. Each lease period within this term runs from 7/1 – 6/30. Lease payments vary for each lease period. For the fourteen months ended August 31, 2020, rental expense was \$312,969. Additionally, a lease deposit of \$46,862 was paid by the School for the facility lease and is classified as other asset in the statement of financial position.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2020

NOTE 4 – OPERATING LEASES (continued)

Future minimum lease payments under all agreements are as follows:

Years Ending August 31,		
2021	\$	416,511
2022		427,490
2023		438,800
2024		<u>373,716</u>
Total	\$	<u>1,656,517</u>

NOTE 5 – COMMITMENTS AND 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, funds may be subject to refund if so determined by TEA or the grantor agency.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The School adopted the provisions of ASC 820, “*Fair Value Measurements and Disclosures*” (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the School’s financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The School has no Level 2 or Level 3 assets or liabilities.

The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2020

NOTE 7 – PENSION PLAN OBLIGATIONS

Plan Description

The School contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the School, but are the liability of the state of Texas. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, *Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas*, which is subject to amendment by the Texas Legislature. TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.
- There is no withdrawal penalty for leaving the TRS system.

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$184,361,871,000
 Accumulated Benefit Obligations - \$209,719,687,047
 The plan is 76.8% funded.

There are no collective-bargaining agreements.

Funding Policy

Under provisions in state law, plan members are required to contribute 7.7% of their annual covered salary and the state of Texas contributes an amount equal to 7.5% of the School's covered payroll. The School's contributions to TRS were \$56,954 for the fourteen months ended August 31, 2020, which include \$13,612 in Non-OASDI participating surcharges. The School's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were for the following purposes at August 31, 2020:

School Start-Up Costs	\$	372,192
Special Education Fiscal Support		62,000
Total	\$	434,192

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
August 31, 2020

NOTE 9 – REGULATED INDUSTRY

A portion of the School’s activities and revenues are a result of contracts with TEA. The School's operations are concentrated in the education field. As such, the School operates in a heavily regulated environment. The operations of the School are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

NOTE 10 – HEALTH INSURANCE PLAN

During the fourteen months ended August 31, 2020, employees of the School were covered by a health insurance plan. The School contributed a maximum of \$325 for teachers and \$540 for the Superintendent (increased to \$556 in July 2020) per month per employee to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers. The School’s contributions towards health insurance were \$19,607 for the fourteen months ended August 31, 2020.

NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the School’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-stipulated restrictions.

Cash and Cash Equivalents	\$	672,417
Due from Texas Education Agency		<u>155,922</u>
Total Financial Assets		828,339
Donor Restrictions		<u>(434,192)</u>
Financial Assets Available to Meet Cash		
Needs for Expenditures Within One Year	\$	<u>394,147</u>

The School’s primary sources of cash flows are state and federal program revenues. The School has a consistent inflow of cash throughout the year to cover normal operating expenses.

NOTE 12 – SUBSEQUENT EVENTS

The School has not experienced a decline in its student enrollment in fiscal year 2021 as a result of the ongoing COVID-19 pandemic. However, the School continues to evaluate current economic conditions, and any potential financial impact cannot be reasonably estimated at this time.

In September 2020, the School received an Economic Injury Disaster Loan from the Small Business Administration in the amount of \$150,000. The loan has a 30-year term and a 2.75% interest rate. The first payment is due in September 2021.

The School has evaluated subsequent events through January 6, 2021, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
SCHEDULE OF EXPENSES
For the Fourteen Months Ended August 31, 2020

Expenses

6100	Payroll Costs	\$ 1,060,221
6200	Professional and Contracted Services	798,319
6300	Supplies and Materials	175,064
6400	Other Operating Costs	<u>79,211</u>
	Total Expenses	<u><u>\$ 2,112,815</u></u>

See independent auditor's report.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
SCHEDULE OF CAPITAL ASSETS
August 31, 2020

Capital assets acquired with public funds, which constitute public property pursuant to Chapter 12 of the Texas Education Code, are as follows:

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 482,502	\$ 189,915	\$ -
1539 Furniture and Equipment	-	-	6,205
Total Capital Assets	\$ 482,502	\$ 189,915	\$ 6,205

Reconciliation of Property and Equipment on Schedule of Capital Assets to Statement of Financial Position:

Per Schedule of Capital Assets:

1539 Furniture and Equipment	\$ 6,205
------------------------------	----------

Less Accumulated Depreciation:

	(5,860)
--	---------

Total Property and Equipment per Statement of Financial Position:

	\$ 345
--	--------

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
For the Fourteen Months Ended August 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ 74,022	\$ 4,960	\$ 4,241	\$ (719) (1)
Total Local Support	<u>74,022</u>	<u>4,960</u>	<u>4,241</u>	<u>(719)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	1,526,478	1,805,451	1,615,303	(190,148) (2)
5820 State Program Revenues Distributed by the Texas Education Agency	<u>32,569</u>	<u>141,542</u>	<u>118,489</u>	<u>(23,053) (2)</u>
Total State Program Revenues	<u>1,559,047</u>	<u>1,946,993</u>	<u>1,733,792</u>	<u>(213,201)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by the Texas Education Agency	45,000	161,047	164,194	3,147
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than the Texas Education Agency)	-	33,821	33,821	-
5940 Federal Revenues Distributed Directly from the Federal Government	<u>-</u>	<u>140,040</u>	<u>140,040</u>	<u>-</u>
Total Federal Program Revenues	<u>45,000</u>	<u>334,908</u>	<u>338,055</u>	<u>3,147</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>1,678,069</u>	<u>2,286,861</u>	<u>2,076,088</u>	<u>(210,773)</u>
EXPENSES				
11 Instructional	596,558	1,045,953	901,798	144,155
13 Curriculum Development and Instructional Staff Development	20,000	82,915	13,794	69,121
23 School Leadership	139,439	243,500	238,230	5,270
31 Guidance, Counseling, and Evaluation Services	-	60,443	59,914	529
35 Food Services	45,000	38,000	35,750	2,250
41 General Administration	323,989	199,875	195,641	4,234
51 Plant Maintenance and Operations	415,172	450,949	451,279	(330)
52 Security and Monitoring Services	-	35,000	28,239	6,761
53 Data Processing Services	59,415	144,800	142,573	2,227
61 Community Service	927	20,000	17,833	2,167
99 Undistributed	<u>-</u>	<u>42,800</u>	<u>27,764</u>	<u>15,036</u>
TOTAL EXPENSES	<u>1,600,500</u>	<u>2,364,235</u>	<u>2,112,815</u>	<u>251,420</u>
CHANGE IN NET ASSETS	<u>77,569</u>	<u>(77,374)</u>	<u>(36,727)</u>	<u>40,647</u>
NET ASSETS, Beginning of Year	<u>869,281</u>	<u>869,281</u>	<u>869,281</u>	<u>-</u>
NET ASSETS, End of Year	<u>\$ 946,850</u>	<u>\$ 791,907</u>	<u>\$ 832,554</u>	<u>\$ 40,647</u>

(1) Unfavorable variance is due to less donations and miscellaneous revenue received than budgeted.

(2) Unfavorable variance is due to the final budget amount being based on a full year of attendance, not taking into account changes in ADA calculations for COVID.

See independent auditor's report.

OTHER REQUIRED REPORTING

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
A+ Unlimited Potential Charter School
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of A+ Unlimited Potential Charter School (the School), 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 fourteen months then ended, and the related notes to the financial statements, and have issued our report thereon dated January 6, 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

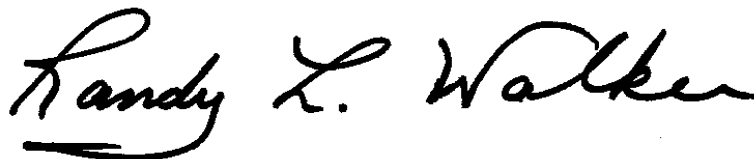
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses and/or significant deficiencies 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 handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline under the first letter of the first name.

San Antonio, Texas
January 6, 2021

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
SUMMARY OF AUDIT FINDINGS
For the Fourteen Months Ended August 31, 2020

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Noncompliance material to the financial statements	None

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Fourteen Months Ended August 31, 2020

Prior Year Findings - Financial Statement Audit

Significant Deficiencies:

2019-01 Time and Effort Support Documentation

Condition: The School did not maintain proper records for time and effort regarding employees paid from federal funds.

Criteria: The School is responsible for having an internal control process to ensure the time and effort is recorded to properly allocate payroll expenditures.

Effect: Failure to monitor compliance with time and effort records for allocation of payroll expenditures could result in noncompliance and disallowed costs.

Cause of Condition: The School moved to a new building and lost time and effort records.

Recommendation: The School should implement procedures to maintain time and effort records in electronic format as well as hardcopy to avoid losing relevant information.

Current Year Status: This finding has been corrected. Management has implemented a process of retaining all timesheets for employees paid from federal grants through both electronic and paper-tracking systems.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
2410 HAMILTON STREET
HOUSTON, TX 77004

January 6, 2021

Randy Walker & Co., Certified Public Accountants
7800 IH 10 West, Suite 505
San Antonio, TX 78230

This representation letter is provided in connection with your audit of the financial statements of A+ Unlimited Potential Charter School (the School), 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 fourteen months then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of January 6, 2021, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 18, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. The disclosures related to our accounting estimates are complete and appropriate.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

- 8) You have proposed adjusting journal entries that have been posted to School's accounts. We are in agreement with those adjustments. In this case, no representation about uncorrected misstatements is necessary.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the School is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 12) As part of your audit, you assisted with preparation of the financial statements and related notes, calculation of depreciation, and preparation of the 990 tax return. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for the financial statements, related notes, calculation of depreciation, and the 990 tax return.

Information Provided

- 13) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the School from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- 16) We have no knowledge of any fraud or suspected fraud that affects the School and involves:
- a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting the School's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 18) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 19) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 20) We have disclosed to you the names of all of the School's related parties and all the related- party relationships and transactions, including any side agreements.
- 21) The School has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you in the notes to the financial statements.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 23) A+ Unlimited Potential Charter School is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the School's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 24) We acknowledge our responsibility for presenting the schedule of expenses, schedule of capital assets, and budgetary comparison schedule in accordance with U.S. GAAP, and we believe they are fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 25) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

Signed: 
Paul Castro, Superintendent

Signed: 
Terrie Roberts, Business Manager