

**CALVIN NELMS  
CHARTER HIGH SCHOOL, INC.  
DBA  
CALVIN NELMS CHARTER SCHOOL**

**Audit Report**

**August 31, 2014**

**TONJA BARNEBEE CPA, PC  
Certified Public Accountant**

**(972) 875-9900  
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**900 W. Ennis Ave, Ste. 103  
Ennis, Texas 75119**



Calvin Nelms Charter High School, Inc.  
DBA Calvin Nelms Charter School  
For the Years Ended August 31, 2014 and 2013

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Calvin Nelms Charter High School, Inc.  
DBA: Calvin Nelms Charter School  
Federal Employer Identification Number: 76-0600747  
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Calvin Nelms Charter Schools was reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2014, at a meeting of the governing body of the charter holder on the 10 day of December, 2014

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

  
\_\_\_\_\_  
Signature of Board President

**NOTE:** If the governing body of the Calvin Nelms Charter High School, Inc., DBA: Calvin Nelms Charter School, does not approve the independent auditor's report, it must forward a written statement discussing the reason(s) for not approving the report.

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## **FINANCIAL SECTION**

# TONJA BARNEBEE CPA, PC

## Certified Public Accountant

Ennis 972-875-9900

900 W. Ennis Ave., Ste. #103  
Ennis, TX 75119

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Calvin Nelms Charter High School, Inc.

DBA: Calvin Nelms Charter School

#### **Report on the Financial Statements**

I have audited the accompanying financial statements of Calvin Nelms Charter High School, Inc. DBA: Calvin Nelms Charter School, (a nonprofit corporation), which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities, and cash flows for the years 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Calvin Nelms Charter High School, Inc., DBA: Calvin Nelms Charter School, as of August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### **Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenses, schedule of capital assets and schedule of findings and questioned cost are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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*, I have also issued my report dated December 1, 2014, on my consideration of Calvin Nelms Charter High School, Inc.'s, DBA: Calvin Nelms Charter School internal control over financial reporting and on my 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 my 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 Calvin Nelms Charter High School, Inc., DBA: Calvin Nelms Charter School's internal control over financial reporting and compliance.

Tonja Barnebee CPA, P.C.

*Tonja Barnebee CPA, P.C.*

Ennis, Texas  
December 1, 2014

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**Calvin Nelms Charter High School, Inc.**  
**DBA: Calvin Nelms Charter School**  
**Statements of Financial Position**  
**As of August 31, 2014 and 2013**

| <u>Assets</u>                                | <u>2014</u>         | <u>2013</u>         |
|--|---------------------|---------------------|
| <b>Current Assets</b>                        |                     |                     |
| Cash and cash equivalents                    | \$ 359,985          | \$ 500,295          |
| Accounts receivable                          | 51,980              | 23,514              |
| Current portion of note receivable           | 12,000              |                     |
| Inventory                                    | 863                 | 863                 |
| <b>Total Current Assets</b>                  | <b>424,828</b>      | <b>524,672</b>      |
| Capital Assets, net                          | 2,719,891           | 2,859,310           |
| Note receivable, net                         | 104,000             | -                   |
| <b>Total Assets</b>                          | <b>\$ 3,248,719</b> | <b>\$ 3,383,982</b> |
| <br><u><b>Liabilities and Net Assets</b></u> |                     |                     |
| <b>Current Liabilities</b>                   |                     |                     |
| Accounts payable                             | \$ 86,444           | \$ 70,885           |
| Accrued liabilities                          | 67,419              | 52,073              |
| Current portion of long-term debt            | 85,077              | 81,374              |
| <b>Total current liabilities</b>             | <b>238,940</b>      | <b>204,332</b>      |
| Long-Term Debt, net                          | 1,032,523           | 1,117,600           |
| <b>Total Liabilities</b>                     | <b>\$ 1,271,463</b> | <b>\$ 1,321,932</b> |
| <b>Net Assets</b>                            |                     |                     |
| Investment in Capital Assets, net of debt    | 1,601,939           | 1,660,336           |
| Temporarily restricted                       | -                   | 2,973               |
| Unrestricted                                 | 375,317             | 398,741             |
| <b>Total Net Assets</b>                      | <b>\$ 1,977,256</b> | <b>\$ 2,062,050</b> |
| <b>Total Liabilities and Net Assets</b>      | <b>\$ 3,248,719</b> | <b>\$ 3,383,982</b> |

The accompanying notes are an integral part of these financial statements

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**Calvin Neims Charter High School, Inc**  
**DBA: Calvin Neims Charter School**  
**Statements of Activities**  
**For the Years Ended August 31, 2014 and 2013**

|   | 2014         |                        | 2013         |                        |
|---|--------------|------------------------|--------------|------------------------|
|   | Unrestricted | Temporarily Restricted | Unrestricted | Temporarily Restricted |
| Revenues  |              |                        |              |                        |
| Local Support:                                    |              |                        |              |                        |
| 5700 Other Revenues from Local Sources            | \$ 85,764    | \$ -                   | \$ 49,541    | \$ -                   |
|   |              |                        |              | 49,541                 |
| State Program Revenues                            |              |                        |              |                        |
| 5800 Foundation School Program                    | -            | 2,346,962              | -            | 1,880,616              |
| 5800 Other State Aid                              | -            | 40,051                 | -            | 66                     |
| Total State Program Revenues                      | 85,764       | 2,387,013              | -            | 1,880,681              |
|   |              |                        |              | 1,880,681              |
| Federal Program Revenues:                         |              |                        |              |                        |
| 5900 IDEA - Part B Formula                        | -            | 40,317                 | -            | 42,147                 |
| Total Federal Program Revenues                    | -            | 40,317                 | -            | 42,147                 |
|   |              |                        |              | 42,147                 |
| Net Assets Released from Restrictions:            |              |                        |              |                        |
| Restrictions Satisfied by Payments                | 2,427,330    | (2,427,330)            | 1,993,174    | (1,993,174)            |
|   |              |                        |              | -                      |
| Total Revenues                                    | \$ 2,513,094 | \$ -                   | \$ 2,042,715 | \$ (70,346)            |
|   |              |                        |              | 1,972,369              |
| Expenses  |              |                        |              |                        |
| Program Services:                                 |              |                        |              |                        |
| 11 Instruction and Instructional-Related Services | 1,129,638    | -                      | 1,018,184    | -                      |
| 13 Curriculum and Staff Development               | 33,993       | -                      | 5,505        | -                      |
| 23 Instructional and School Leadership            | 162,647      | -                      | 76,140       | -                      |
|   |              |                        |              | 1,018,184              |
| Support Services:                                 |              |                        |              |                        |
| 31 Guidance, Counseling and Evaluation            | 125,900      | -                      | 121,179      | -                      |
| 34 Student Transportation                         | 101,024      | -                      | 82,773       | -                      |
| 35 Food Service                                   | 71,742       | -                      | 58,646       | -                      |
| 36 Co curricular/Extracurricular Activities       | 33,289       | -                      | 40,662       | -                      |
| 41 Administrative Support Services                | 283,495      | -                      | 270,884      | -                      |
| 51 Support Services - Non Student Based           | 375,728      | -                      | 259,671      | -                      |
| 52 Security and Monitoring Services               | 2,400        | -                      | 3,540        | -                      |
| 53 Data Processing Services                       | 15,904       | -                      | 14,793       | -                      |
| 72 Interest Expense                               | 64,730       | -                      | 41,197       | -                      |
|   |              |                        |              | 121,179                |
| Total Expenses                                    | \$ 2,400,490 | \$ -                   | \$ 1,993,174 | \$ -                   |
|   |              |                        |              | 1,993,174              |
| Loss on Sale                                      | (197,398)    | -                      | (650)        | -                      |
|   |              |                        |              | (650)                  |
| Change in Net Assets                              | (84,794)     | -                      | 48,691       | (70,346)               |
| Prior Period Adjustment                           | 2,973        | (2,973)                | -            | -                      |
|   |              |                        |              | (21,455)               |
| Net Assets, beginning of year                     | 2,059,077    | 2,973                  | 2,010,186    | 73,319                 |
|   |              |                        |              | 2,083,505              |
| Net Assets, ending of year                        | \$ 1,977,256 | \$ -                   | \$ 2,059,077 | \$ 2,973               |
|   |              |                        |              | 2,062,050              |

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

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**Calvin Nelms Charter High School, Inc.**  
**DBA: Calvin Nelms Charter School**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2014 and 2013**

|   | <u>2014</u>       | <u>2013</u>       |
|---|-------------------|-------------------|
| <b>Cash Flows from Operating Activities:</b>              |                   |                   |
| Foundation School Program Payments                        | \$ 2,346,813      | \$ 1,874,538      |
| Grant Payments  | 40,051            | 42,147            |
| Local Sources   | 74,284            | 44,741            |
| Payments to Vendors for Goods and Services Rendered       | (674,051)         | (532,058)         |
| Payment to Charter School Personnel for Services Rendered | (1,466,624)       | (1,292,562)       |
| Interest Payments   | (64,730)          | (41,197)          |
| Net Cash Provided (Used) by Operating Activities          | <u>255,723</u>    | <u>95,609</u>     |
| <b>Cash Flows from Investing Activities:</b>              |                   |                   |
| Proceeds from Sale of Assets                              | 11,500            | 4,800             |
| Purchase of Equipment                                     | (326,808)         | (79,856)          |
| Net Cash (Used) Provided by Investing Activities          | <u>(315,308)</u>  | <u>(75,056)</u>   |
| <b>Cash Flows from Financing Activities:</b>              |                   |                   |
| Payments on Long-term Debt                                | (80,725)          | (70,670)          |
| Net Cash (Used) Provided by Financing Activities          | <u>(80,725)</u>   | <u>(70,670)</u>   |
| Net Increase (Decrease) in Cash                           | (140,310)         | (50,117)          |
| Cash at Beginning of Year                                 | 500,295           | 550,412           |
| Cash at Ending of Year                                    | <u>\$ 359,985</u> | <u>\$ 500,295</u> |
| <b>Reconciliation of Change in Net Assets to Net Cash</b> |                   |                   |
| Provided by Operating Activities:                         |                   |                   |
| Change in Net Assets                                      | \$ (84,794)       | \$ (21,455)       |
| Adjustments to Reconcile change in net assets to          |                   |                   |
| Net Cash Provided by Operating Activities:                |                   |                   |
| Depreciation  | 141,670           | 135,229           |
| Loss from sale  | 197,398           |                   |
| (Increase) Decrease in Assets:                            |                   |                   |
| Accounts Receivable                                       | (40,466)          | (6,143)           |
| Increase (Decrease) in Liabilities                        |                   |                   |
| Accounts Payable  | 13,706            | 21,726            |
| Accrued Liabilities                                       | 28,209            | (33,748)          |
| Net Cash Provided by Operating Activities                 | <u>\$ 255,723</u> | <u>\$ 95,609</u>  |

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

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Calvin Nelms Charter High School, Inc.  
DBA: Calvin Nelms Charter School  
Notes to the Financial Statements  
For the Years Ended August 31, 2014 and 2013

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Calvin Nelms Charter High School, Inc., DBA: Calvin Nelms Charter School, ("the corporation") is a Texas non-profit corporation. The corporation is governed by a Board of Directors comprised of five members. The Board is selected pursuant to the bylaws of the corporation, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of the corporation.

Since the corporation received funding from the local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

Calvin Nelms Charter High School, Inc., DBA: Calvin Nelms Charter School, was organized to provide educational services to at-risk students and their programs, services, activities and functions are governed by the corporation's board of directors. The corporation operates a single charter school and did not conduct any other charter or non-charter activities.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP) applicable to non-profit organizations.

Net assets and revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the corporation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - net assets required to be maintained in perpetuity with only the income to be used for the corporation's activities due to donor-imposed restrictions.

Use of Estimates

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



### Contributions

The corporation accounts for contributions as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### Cash and Cash Equivalents

For financial statements purposes, the corporation considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

### Concentration of credit and market risk

Financial instruments, which potentially subject the Corporation to concentrations of credit risk, consist of cash. The Corporation maintains its cash in bank deposit accounts. The amount if any that exceeds federally insured limits, the financial institution pledges financial instruments in the Corporation's behalf. Management believes it is not exposed to any significant credit risk on cash.

### Inventory

Inventory is stated at cost and consist of office supplies, at years ended August 31, 2014 and 2013 the amount of inventory was \$863.

### Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the corporation as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to twenty years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

### Federal Income Tax

The Corporation is a not-for profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation is exempt from taxes on income other than unrelated business income, if any. For the years ending August 31, 2014 and 2013 the Corporation did not have any unrelated business income. Accordingly, the Corporation has not recorded any provision for income taxes.

Management is not aware of any violation of its tax status as an exempt organization, nor of any exposure to unrelated business income tax.

The Corporation files form 990 as a tax-exempt organization. Internal Revenue Code Section 6501 (a) provides the general rule that the amount of any tax shall be assessed within three years after the tax return is filed. The Code provides that a return is deemed filed on the due date if it is filed early but is deemed filed on the date filed if it is filed late. As of August 31, 2012 through 2014 fiscal year tax returns are open for examination by the Internal Revenue Service.

Concentration of Risk

The Corporation is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; error and omissions; and injuries to employees and students. These risk are covered by commercial insurance purchased from independent third parties. There have been no claims that have exceeded commercial insurance coverage for the past three years.

The corporation receives 95% of their revenues through state programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. The programs administered by the corporation have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, the corporation funds may be subject to refund if so determined by the Texas Education Agency of the grantor agency.

Note 2: Capital Assets

Capital assets at August 31, 2014 and 2013, being depreciated were as follows:

|   | 2014        | 2013        |
|---|-------------|-------------|
| Buildings and improvements                | \$2,953,316 | \$3,116,941 |
| Vehicles and equipment                    | 556,664     | 477,745     |
| Total property and equipment              | 3,509,980   | 3,594,686   |
| Less accumulated depreciation             | (961,170)   | (885,977)   |
| Total of capital assets being depreciated | 2,548,810   | 2,708,709   |

Capital assets at August 31, 2014 and 2013, not being depreciated were as follows:

|   |              |              |
|---|--------------|--------------|
| Land  | 150,601      | 150,601      |
| Construction in Progress                      | 20,480       | -            |
| Total of capital assets not being depreciated | 171,081      | 150,601      |
| Capital Assets, net                           | \$ 2,719,891 | \$ 2,859,310 |

Capital assets acquired with public funds received by the corporation for the operation of Calvin Nelms Charter Schools constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.



### Note 3: Accounts Receivable

Temporarily restricted net assets for the years ending August 31, 2014 and 2013 of accounts receivable consisted of the following:

|   | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|
| Foundation School Program Act Revenues (Due from State) | <u>\$ -</u> | <u>\$ -</u> |

following:

|  |                  |                  |
|--|------------------|------------------|
| Foundation School Program Act Revenues (Due from State)        | \$ 51,980        | \$ 23,514        |
| Other Accounts Receivable (Current portion of note receivable) | <u>12,000</u>    | <u>-</u>         |
| Total Accounts Receivable                                      | <u>\$ 63,980</u> | <u>\$ 23,514</u> |

### Note 4: Note Receivable

A note receivable was issued from a non-profit organization to the Corporation for \$119,000 in July 2014, from sale of building. The note is for 10 years at no interest with payments of \$1,000 due monthly. Amount received in 2014 \$3,000.

The note receivable is recorded at present value as follows:

| <u>Year ended August 31,</u> | <u>Principal</u>  | <u>Total</u>      |
|------------------------------|-------------------|-------------------|
| 2015                         | \$ 12,000         | \$ 12,000         |
| 2016                         | 12,000            | 12,000            |
| 2017                         | 12,000            | 12,000            |
| 2018                         | 12,000            | 12,000            |
| 2019                         | 12,000            | 12,000            |
| 2020-2024                    | <u>56,000</u>     | <u>56,000</u>     |
|                              | 116,000           | 116,000           |
| Less current portion         | <u>(12,000)</u>   | <u>(12,000)</u>   |
|                              | <u>\$ 104,000</u> | <u>\$ 104,000</u> |



#### Note 5: Long-Term Debt

Long-term debt at August 31, 2014 and 2013 consists of the following:

Note payable to a bank for original amount of \$428,101, in 2004, in 2011 the note was refinanced to a fixed interest rate of 5.10%. Principal and interest are due monthly installments varying between \$3,334 and \$4,939, commencing February 2011. Final payment is due October 8, 2019. The note is secured by a first lien on land and building of the corporation.

|  | 2014              | 2013              |
|--|-------------------|-------------------|
| Beginning Balance                      | \$ 278,402        | \$ 323,930        |
| Less current portion of long-term debt | (47,208)          | (45,528)          |
| Total long-term debt                   | <u>\$ 231,194</u> | <u>\$ 278,402</u> |

Note payable to a bank for original amount of \$956,346, convert to long term note in April 2009, 6.09% principal and interest due monthly installments of \$7,282, commencing April 2008. Final payment is due April, 2019. The note is secured by a first lien on land and building of the corporation.

|  | 2014              | 2013              |
|--|-------------------|-------------------|
| Beginning Balance                      | \$ 839,198        | \$ 875,044        |
| Less current portion of long-term debt | (37,869)          | (35,846)          |
| Total long-term debt                   | <u>\$ 801,329</u> | <u>\$ 839,198</u> |

Future maturities on long-term debt at August 31, 2014 are as follows:

| Year ended August 31, | Principal           | Interest          | Total               |
|-----------------------|---------------------|-------------------|---------------------|
| 2015                  | \$ 85,077           | \$ 59,679         | \$ 144,756          |
| 2016                  | 90,311              | 55,330            | 145,641             |
| 2017                  | 95,141              | 50,099            | 145,240             |
| 2018                  | 100,231             | 45,169            | 145,400             |
| 2019                  | 732,791             | 24,575            | 757,366             |
| 2020                  | 14,049              | -                 | 14,049              |
|                       | <u>\$ 1,117,600</u> | <u>\$ 234,852</u> | <u>\$ 1,352,452</u> |

#### Note 6: Pension Plan Obligations

##### Plan Description

The corporation contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the corporation, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communication Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications Heading.

##### Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follow: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.4% of the member's annual compensation and a state contribution rate of not less then 6.8% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a 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 1 year, the period would be increased by such action. State law provides for a member contribution of 6.4% for fiscal year 2014, 2013 and 2012, and a state contribution rate of 6.58% for fiscal years 2014, 2013 and 2012. The corporation's employees' contributions to the System for the years ending August 31, 2014, 2013 and 2012 were \$77,337, \$68,960 and \$76,392, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the corporation for salaries above the statutory minimum for the years ending August 31, 2014, 2013 and 2012 were \$4,505, \$3,154 and \$4,705 respectively, equal to the required contributions for each year.

#### Note 7: Health Care Coverage

During the years ended August 31, 2014 and 2013 employees of the corporation were covered by a Health Insurance Plan (the Plan). The corporation contributed \$ 225.00 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers. Health insurance cost for 2014 and 2013 were as follows: \$32,400 and \$31,950

#### Note 8: Commitments and Contingencies



The corporation 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 the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the corporation have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, the corporation funds may be subject to refund if so determined by the Texas Education Agency of the grantor agency.

Note 9: Prior Period Adjustment

A prior period adjustment was made for \$ 2,073, for reclassification purposes. The adjustment was made between temporality restricted and unrestricted net assets. The reclassification did not change the beginning total amount of net assets

Note 10: Litigation

No reportable litigation was pending against the Corporation at August 31, 2014 and 2013.

Note 11: Subsequent Event

There were no subsequent events determined by management subsequent to the Statements of Financial Position and through December 1, 2014, which approximates the date the financial statements are available to be issued.

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**T.E.A. REQUIRED SCHEDULES  
AND  
SUPPLEMENTARY INFORMATION**

**Calvin Nelms Charter High School, Inc.**  
**DBA: Calvin Nelms Charter School**  
**Schedule of Expenses**  
**As of August 31, 2014 and 2013**

| Expenses       |                                      | Totals              | Totals              |
|----------------|--------------------------------------|---------------------|---------------------|
|                |                                      | 2014                | 2013                |
| 6100           | Payroll Costs                        | \$ 1,481,966        | \$ 1,334,693        |
| 6200           | Professional and Contracted Services | 344,441             | 248,951             |
| 6300           | Supplies and Materials               | 268,993             | 145,287             |
| 6400           | Other Operating Cost                 | 240,361             | 223,046             |
| 6500           | Debt                                 | 64,729              | 41,197              |
| 8949           | Other                                | -                   | -                   |
| Total Expenses |                                      | <u>\$ 2,400,490</u> | <u>\$ 1,993,174</u> |

|                                  | Ownership Interest 2014. |           |            | Ownership Interest 2013 |           |            |              |
|----------------------------------|--------------------------|-----------|------------|-------------------------|-----------|------------|--------------|
|                                  | Local                    | State     | Federal    | Local                   | State     | Federal    | Total        |
| 1110 Cash                        | \$ 359,985               | \$ -      | -          | \$ 497,322              | \$ 2,973  | \$ -       | \$ 500,295   |
| 1510 Land and Improvements:      | 150,601                  | -         | -          | 150,601                 | -         | -          | 150,601      |
| 1520 Buildings and Improvements: | 2,829,026                | -         | 124,290    | 2,992,651               | -         | 124,290    | 3,116,941    |
| 1531 Vehicles:                   | 317,135                  | -         | -          | 336,137                 | -         | -          | 336,137      |
| 1539 Furniture and Equipment:    | 155,934                  | 46,309    | 36,286     | 120,648                 | 46,309    | 36,286     | 141,608      |
| 1590 Construction in Progress    | 20,480                   | -         | -          | -                       | -         | -          | -            |
| Total Property and Equipment     | \$ 3,834,161             | \$ 46,309 | \$ 160,576 | \$ 4,035,724            | \$ 49,282 | \$ 160,576 | \$ 4,245,582 |



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Calvin Nelms Charter High School, Inc.  
DBA: Calvin Nelms Charter School  
Budgetary Comparison Schedule  
For the Years Ended August 31, 2014 and 2013

|   | 2014                |                     |                     |                            | 2013                |                     |                     |                            |
|---|---------------------|---------------------|---------------------|----------------------------|---------------------|---------------------|---------------------|----------------------------|
|   | Budgeted Amounts    |                     | Actual Amounts      | Variance from Final Budget | Budgeted Amounts    |                     | Actual Amounts      | Variance from Final Budget |
|   | Original            | Final               |                     |                            | Original            | Final               |                     |                            |
| <b>Revenues</b>   |                     |                     |                     |                            |                     |                     |                     |                            |
| Local support:  |                     |                     |                     |                            |                     |                     |                     |                            |
| 5740 Other Revenues from Local Sources                          | \$ 69,920           | \$ 69,920           | \$ 85,764 ✓         | \$ 15,844                  | \$ 30,000           | \$ 37,632           | \$ 49,541           | \$ 11,909                  |
| State Program Revenues  |                     |                     |                     |                            |                     |                     |                     |                            |
| 5800 State Program Revenues                                     | 2,195,414           | 2,195,414           | 2,387,013           | 191,599                    | 1,744,092           | 1,873,962           | 1,880,661           | 6,719                      |
| Federal program revenues:                                       |                     |                     |                     |                            |                     |                     |                     |                            |
| 5920 Federal Revenues Distributed by the Texas Education Agency | 40,317              | 40,317              | 40,317 ✓            | *                          | 40,000              | 40,000              | 42,147              | 2,147                      |
| <b>Total Revenues</b>   | <u>2,305,651</u>    | <u>2,305,651</u>    | <u>2,513,094</u>    | <u>207,443</u>             | <u>1,814,092</u>    | <u>1,951,594</u>    | <u>1,972,369</u>    | <u>20,775</u>              |
| <b>Expenses</b>   |                     |                     |                     |                            |                     |                     |                     |                            |
| 11 Instruction and Instructional-Related Services               | 1,145,437           | 1,075,000           | 1,129,638           | (54,638)                   | 892,872             | 1,024,000           | 1,018,184           | 5,816                      |
| 13 Curriculum and Staff Development                             | 2,551               | 30,000              | 33,993              | (3,993)                    | 1,661               | 5,000               | 5,505               | (505)                      |
| 23 Instructional and School Leadership                          | 149,760             | 152,000             | 162,647             | (10,647)                   | 115,291             | 78,000              | 76,140              | 1,860                      |
| 31 Guidance, Counseling and Evaluation                          | 117,093             | 125,317             | 125,900             | (583)                      | 104,008             | 118,000             | 121,179             | (3,179)                    |
| 34 Student Transportation                                       | 106,350             | 132,000             | 101,024             | 30,976                     | 66,000              | 76,000              | 82,773              | (6,773)                    |
| 35 Food Service   | -                   | 74,000              | 71,742              | 2,258                      | 27,000              | 62,000              | 58,646              | 3,354                      |
| 36 Co curricular/Extracurricular Activities                     | 34,204              | 34,600              | 33,289              | 1,311                      | 17,754              | 49,000              | 40,662              | 8,338                      |
| 41 Administrative Support Services                              | 270,167             | 285,000             | 283,495             | 1,505                      | 327,689             | 274,900             | 270,884             | 4,016                      |
| 51 Support Services - Non Student Based                         | 228,096             | 500,000             | 375,728             | 124,272                    | 131,853             | 258,897             | 259,671             | (774)                      |
| 52 Security and Monitoring Services                             | 5,550               | 5,550               | 2,400               | 3,150                      | 11,468              | 6,400               | 3,540               | 2,860                      |
| 53 Data Processing Services                                     | 15,500              | 16,500              | 15,904              | 596                        | 12,600              | 15,000              | 14,793              | 207                        |
| 71 Interest Expense   | 112,897             | 75,000              | 64,730              | 10,270                     | 45,000              | 45,000              | 41,197              | 3,803                      |
| <b>Total Expenses</b>   | <u>2,187,615</u>    | <u>2,504,967</u>    | <u>2,400,490</u> ✓  | <u>104,477</u>             | <u>1,753,196</u>    | <u>2,012,197</u>    | <u>1,993,174</u>    | <u>19,023</u>              |
| Gain (Loss) on sale of Capital Assets                           | -                   | (200,000)           | (197,398) ✓         | 2,602                      | -                   | -                   | (650)               | -                          |
| Change in Net Assets  | 118,036             | (399,316)           | (84,794)            | 314,522                    | 60,896              | (60,603)            | (21,455)            | 39,148                     |
| Net Assets, beginning of year                                   | <u>2,062,701</u>    | <u>2,062,701</u>    | <u>2,062,050</u>    | -                          | <u>2,063,505</u>    | <u>2,063,505</u>    | <u>2,083,505</u>    | -                          |
| Net Assets, ending of year                                      | <u>\$ 2,180,737</u> | <u>\$ 1,663,385</u> | <u>\$ 1,977,256</u> | <u>\$ 314,522</u>          | <u>\$ 2,144,401</u> | <u>\$ 2,022,902</u> | <u>\$ 2,062,050</u> | <u>\$ 39,148</u>           |



# TONJA BARNEBEE CPA, PC

## Certified Public Accountant

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### 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 of  
Calvin Nelms Charter High School, Inc.

DBA: Calvin Nelms Charter School

I 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 Calvin Nelms Charter High School, Inc. DBA: Calvin Nelms Charter School, (a nonprofit organization), which comprise the statements of financial position as of August 31, 2014 and 2013, 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 my report thereon dated December 1, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Calvin Nelms Charter High School, Inc., DBA: Calvin Nelms Charter 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 My opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Calvin Nelms Charter High School, Inc., DBA: Calvin Nelms Charter School's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

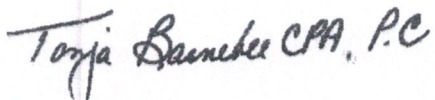
#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Calvin Nelms Charter High School, Inc., DBA: Calvin Nelms Charter School's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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, this communication is not suitable for any other purpose.

Tonja Barnebee CPA, P.C.

A handwritten signature in cursive script that reads "Tonja Barnebee CPA, P.C.".

Ennis, Texas  
December 1, 2014