

**CALVIN NELMS CHARTER HIGH SCHOOL  
dba CALVIN NELMS CHARTER SCHOOLS**

**FINANCIAL STATEMENTS WITH  
COMPLIANCE REPORTING**

**August 31, 2021 and 2020**

**CALVIN NELMS CHARTER HIGH SCHOOL**  
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**FINANCIAL STATEMENTS WITH COMPLIANCE REPORTING**  
**August 31, 2021 and 2020**

Table of Contents

Certificate of Board	1
Independent Auditor's Report	2-3
<b>Financial Statements</b>	
Statements of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-15
<b>Supplementary Information</b>	
Schedule of Expenses	16
Schedule of Capital Assets	17
Budgetary Comparison Schedule	18
Schedule of State Allotment Program Funds	19
Schedule of Related Party Compensation and Benefits	20
Schedule of Real Property Ownership Interest	21
<b>Other Required Reporting</b>	
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>	22-23
Summary of Audit Findings	24

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**

Federal Employer Identification Number: 76-0600747

**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 year ended August 31, 2021, at a meeting of the Board of Directors of such charter holder on the 14<sup>th</sup> day of December, 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  
Calvin Nelms Charter High School  
dba Calvin Nelms Charter Schools  
Katy, Texas

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

We have audited the accompanying financial statements of Calvin Nelms Charter High School dba Calvin Nelms Charter Schools (the School), a nonprofit organization, which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities (with comparative totals for 2020), functional expenses (with comparative totals for 2020), 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***

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, 2021 and 2020, 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***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules on pages 16-21 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 December 14, 2021 on pages 22-23 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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.

*Randy Walker & Co.*

San Antonio, Texas  
December 14, 2021

## **FINANCIAL STATEMENTS**

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,050,681	\$ 1,737,567
Due from Texas Education Agency	319,526	320,641
Other Receivables	100	100
Inventory	496	3,158
Note Receivable - current portion	12,000	12,000
Total Current Assets	<u>2,382,803</u>	<u>2,073,466</u>
<b>LONG-TERM ASSETS</b>		
Note Receivable - long-term portion	31,900	44,000
Property and Equipment - net	2,474,627	2,630,394
Total Long-Term Assets	<u>2,506,527</u>	<u>2,674,394</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,889,330</u></u>	<u><u>\$ 4,747,860</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 56,165	\$ 21,185
Accrued Expenses	139,357	132,281
Note Payable - current portion	-	42,279
PPP Loan Payable - current portion	-	201,949
Total Current Liabilities	<u>195,522</u>	<u>397,694</u>
<b>LONG-TERM LIABILITIES</b>		
Note Payable - long-term portion	-	357,847
PPP Loan Payable - long-term portion	-	142,551
Total Long-Term Liabilities	<u>-</u>	<u>500,398</u>
<b>TOTAL LIABILITIES</b>	<u>195,522</u>	<u>898,092</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	1,965,066	1,618,874
With Donor Restrictions	2,728,742	2,230,894
<b>TOTAL NET ASSETS</b>	<u>4,693,808</u>	<u>3,849,768</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,889,330</u></u>	<u><u>\$ 4,747,860</u></u>

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

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2021**  
**(with comparative totals for 2020)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2021 Total</b>	<b>2020 Total</b>
<b><u>OPERATING REVENUES AND OTHER SUPPORT</u></b>				
Local Support:				
5740 Other Revenue from Local Sources	\$ 12,432	\$ -	\$ 12,432	\$ 6,433
5751 Food Service Activity	19,685	-	19,685	25,638
5752 Athletic Activities	-	-	-	952
5755 Enterprising Services Revenue	437	-	437	6,272
5759 Cocurricular, Enterprising Services or Activities	-	806	806	8,311
Total Local Support	32,554	806	33,360	47,606
State Program Revenues:				
5810 Per Capita and Foundation School Program Act Revenues	-	3,133,481	3,133,481	3,380,317
5820 State Program Revenues Distributed by Texas Education Agency	-	-	-	98,902
Total State Program Revenues	-	3,133,481	3,133,481	3,479,219
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	-	84,556	84,556	54,439
5940 Federal Revenues Distributed Directly from the Federal Government	344,500	-	344,500	-
Total Federal Program Revenues	344,500	84,556	429,056	54,439
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	2,720,995	(2,720,995)	-	-
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<b>3,098,049</b>	<b>497,848</b>	<b>3,595,897</b>	<b>3,581,264</b>
<b><u>OPERATING EXPENSES</u></b>				
11 Instructional	1,534,509	-	1,534,509	1,764,980
13 Curriculum Development and Instructional Staff Development	53,420	-	53,420	97,262
23 School Leadership	89,561	-	89,561	129,523
31 Guidance, Counseling and Evaluation Services	197,386	-	197,386	146,609
33 Health Services	4,349	-	4,349	2,593
34 Student Transportation	143,517	-	143,517	117,475
35 Food Services	37,780	-	37,780	49,783
36 Extracurricular Activities	8,457	-	8,457	26,674
41 General Administration	244,547	-	244,547	251,467
51 Plant Maintenance and Operations	345,450	-	345,450	322,578
52 Security and Monitoring Services	11,787	-	11,787	15,164
53 Data Processing Services	54,343	-	54,343	61,848
71 Debt Service	29,039	-	29,039	30,913
<b>TOTAL OPERATING EXPENSES</b>	<b>2,754,145</b>	<b>-</b>	<b>2,754,145</b>	<b>3,016,869</b>
<b>CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITY</b>	<b>343,904</b>	<b>497,848</b>	<b>841,752</b>	<b>564,395</b>
<b><u>NON-OPERATING ACTIVITY</u></b>				
Interest Income	2,288	-	2,288	1,521
<b>TOTAL NON-OPERATING ACTIVITY</b>	<b>2,288</b>	<b>-</b>	<b>2,288</b>	<b>1,521</b>
<b>CHANGE IN NET ASSETS AFTER NON- OPERATING ACTIVITY</b>	<b>346,192</b>	<b>497,848</b>	<b>844,040</b>	<b>565,916</b>
<b>NET ASSETS, Beginning of Year</b>	<b>1,618,874</b>	<b>2,230,894</b>	<b>3,849,768</b>	<b>3,283,852</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 1,965,066</b>	<b>\$ 2,728,742</b>	<b>\$ 4,693,808</b>	<b>\$ 3,849,768</b>

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



**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2021**  
**(with comparative totals for 2020)**

	<b>Program</b>	<b>General and Administrative</b>	<b>2021 Total</b>	<b>2020 Total</b>
<b><u>OPERATING EXPENSES</u></b>				
Salaries	\$ 1,489,487	\$ 253,235	\$ 1,742,722	\$ 1,818,704
Benefits	112,801	28,000	140,801	166,487
Payroll Taxes	18,598	6,199	24,797	26,632
Total Payroll Expenses	1,620,886	287,434	1,908,320	2,011,823
Supplies	81,987	86,829	168,816	236,696
Depreciation	142,661	23,106	165,767	180,818
Insurance and Bonding	80,596	5,550	86,146	80,833
Utilities	41,751	39,890	81,641	79,680
Maintenance and Repair	58,328	17,829	76,157	74,577
Professional Fees	12,098	55,778	67,876	45,338
Custodial Services	33,352	8,338	41,690	-
Educational Service Center	21,938	7,313	29,251	33,517
Interest Expense	21,779	7,260	29,039	30,913
Food	16,642	6,583	23,225	31,875
Information Technology	22,852	-	22,852	21,364
Miscellaneous	11,813	3,938	15,751	11,836
Dues	7,092	2,365	9,457	7,582
Instructional Materials	8,615	222	8,837	112,847
Dual Credit Tuition	6,552	-	6,552	7,566
Travel	3,591	1,720	5,311	19,933
Rental Expense	3,227	1,076	4,303	3,174
Training	1,715	-	1,715	7,519
Security	1,079	360	1,439	3,913
Student Activities	-	-	-	5,822
Other Fees	-	-	-	3,716
Contract Labor	-	-	-	3,527
Scholarships	-	-	-	2,000
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 2,198,554</b>	<b>\$ 555,591</b>	<b>\$ 2,754,145</b>	<b>\$ 3,016,869</b>

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

**CALVIN NELMS CHARTER HIGH SCHOOL**  
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**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase in Net Assets from Operations	\$ 844,040	\$ 565,916
Adjustments to Reconcile Net Change to Net Cash		
Provided by Operations:		
Depreciation	165,767	180,818
Forgiveness of PPP Loan	(344,500)	-
Decrease (Increase) in Assets:		
Due from Texas Education Agency	1,115	(285,353)
Inventory	2,662	(2,908)
Increase (Decrease) in Liabilities:		
Accounts Payable	34,980	11,543
Accrued Expenses	7,076	(2,430)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>711,140</b></u>	<u><b>467,586</b></u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Change in Note Receivable	12,100	11,100
Purchases of Property and Equipment	(10,000)	(87,057)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u><b>2,100</b></u>	<u><b>(75,957)</b></u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Repayments on Long-Term Debt	(400,126)	(113,086)
Borrowings on PPP Loan	-	344,500
<b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>	<u><b>(400,126)</b></u>	<u><b>231,414</b></u>
<b>NET INCREASE IN CASH FLOWS</b>	<b>313,114</b>	<b>623,043</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u><b>1,737,567</b></u>	<u><b>1,114,524</b></u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u><u><b>\$ 2,050,681</b></u></u>	<u><u><b>\$ 1,737,567</b></u></u>
<b>Supplemental Disclosures:</b>		
Interest	\$ 29,039	\$ 30,913
Debt Service Fees Paid	\$ -	\$ 10,380

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

**CALVIN NELMS CHARTER HIGH SCHOOL**  
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**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

***Reporting Entity and Operations***

Calvin Nelms Charter High School is a 501(c)(3) not-for-profit organization incorporated in the State of Texas in 1999. Calvin Nelms Charter High School does business as Calvin Nelms Charter Schools (the School).

The School is governed by the Board of Directors (the Board) which is comprised of five members. The Board is selected pursuant to the bylaws of the School and has the authority to make decisions, appoint the chief executive officer of the School, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of the School.

The School receives the majority of its funding from the Texas Education Agency (the TEA) based on the School's Average Daily Attendance Foundation Formula program. Since the School receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

The School is the "sponsoring entity" of an "Open-Enrollment Charter" with the TEA pursuant to Chapter 12 of the Texas Education Code. The School has been open for enrollment since 1999. Through its open-enrollment charter, the School was organized to provide educational services to students in middle and high school, and the Board governs its programs and functions.

As of August 31, 2021, the School operates the middle and high school campuses at one location in Katy, Texas.

***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 Financial Accounting Standards Board (the FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The more significant of the School's accounting policies are described below:

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 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.

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)**

***Contributions***

The School accounts for contributions as support with or without 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 without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (when a stipulated time restriction ends or purpose restriction is fulfilled), 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.

***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.

***Concentration of Credit Risk***

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Account balances are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000 per bank. In addition, the School has an agreement with its bank institution where the bank provides pledged collateral in the School's name in the event deposits exceed FDIC limits. The School has not experienced any losses in such accounts.

***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 received, they are recorded as unearned 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***

Calvin Nelms Charter High School dba Calvin Nelms Charter Schools 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 sales taxes and hotel taxes in the State of Texas. As of August 31, 2021, the tax years that remain subject to examination by taxing authorities begin with 2018.

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)**

***Revenue Recognition***

Revenues from the State of Texas available school fund are earned based on reported attendance. Government grant contracts that are entered into by the School are recognized as revenue when services are rendered or when expenses in connection with those services are incurred.

***Property and Equipment***

Property and equipment are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from seven to forty years, using the straight-line method of depreciation. Property and equipment are defined as assets with an individual cost of more than \$5,000. 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 a cost.

***New Accounting Pronouncements***

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 ASU 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) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The School adopted this pronouncement effective September 1, 2019.

In 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*, effective for periods beginning after December 15, 2019. This pronouncement improves the effectiveness of fair value measurement disclosures in the notes to the financial statements. The School adopted this new pronouncement effective September 1, 2020. The change was applied retrospectively, but there was no cumulative effect on beginning net assets as of this date.

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)**

***Recently Adopted Accounting Pronouncements (continued)***

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This pronouncement provides guidance regarding revenue recognition effective for reporting periods beginning after December 15, 2019. The pronouncement affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets. The core principle of this update is that the entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The School adopted this new pronouncement effective September 1, 2020. The change was applied retrospectively, but there was no cumulative effect on beginning net assets as of this date.

***Revenue - Exchange Transactions***

The School receives revenue from student meal sales and student activity fees, which are exchange transactions. The sales and fees are reported at the amount that reflects the consideration to which the School expects to be entitled in exchange for providing the meals and program services. Revenue is recognized as performance obligations are satisfied, which is at a point in time when the meal is sold or the activity is held. There were no receivables, contract assets, or contract liabilities related to these exchange transactions at August 31, 2021 and 2020.

**NOTE 2 - DUE FROM TEXAS EDUCATION AGENCY**

The School had \$319,526 and \$320,641 due from the TEA related to various state grants and Foundation School Program revenue at August 31, 2021 and 2020, respectively. 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 - 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 the 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 the TEA or the grantor agency.

**NOTE 4 - OPERATING LEASES**

The School leases office equipment under a non-cancelable operating lease that expired in August 2021. Total rental expense was \$4,303 and \$3,174 for the years ended August 31, 2021 and 2020, respectively.

**CALVIN NELMS CHARTER HIGH SCHOOL**  
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**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at August 31:

	<b>2021</b>	<b>2020</b>
Land	\$ 120,601	\$ 120,601
Buildings	2,602,344	2,602,344
Improvements	1,041,324	1,031,324
Furniture and Fixtures	149,481	149,481
Vehicles	404,168	404,168
Portable Trailers	78,352	78,352
Equipment	47,365	47,365
Library	36,286	36,286
	<u>4,479,921</u>	<u>4,469,921</u>
Less Accumulated Depreciation	<u>(2,005,294)</u>	<u>(1,839,527)</u>
Total	<u>\$ 2,474,627</u>	<u>\$ 2,630,394</u>

Depreciation expense was \$165,767 and \$180,818 for the years ended August 31, 2021 and 2020, respectively.

**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's current assets and liabilities as presented in the statements of financial position are Level 1. The School does not have Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**NOTE 7 - HEALTH INSURANCE PLAN**

Employees of the School are covered by a health insurance plan. During the years ended August 31, 2021 and 2020, the School contributed a maximum of \$325 per month per employee towards the monthly insurance premium. The remaining balance of the premium was paid by the employees through payroll deductions. All premiums were paid to licensed insurers. The School's contributions towards health insurance were \$65,007 and \$68,766 for the years ended August 31, 2021 and 2020, respectively.

**NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions of \$2,728,742 and \$2,230,894 were available for the Foundation School Program at August 31, 2021 and 2020, respectively.

**NOTE 9 - NOTE RECEIVABLE**

In July 2014, the School sold property it owned in Hempstead, Texas and received a \$119,000 note receivable as proceeds. The note bears a 0% interest rate, has monthly payments of \$1,000, and is payable over ten years. The note receivable balance was \$43,900 and \$56,000 at August 31, 2021 and 2020, respectively.

**NOTE 10 - 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.



**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**NOTE 10 - PENSION PLAN OBLIGATIONS (continued)**

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

Total Plan Assets - \$223,172,755,000  
Accumulated Benefit Obligations - \$218,037,583,497  
The plan is 79.1% 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 \$73,508 and \$88,637 for the years ended August 31, 2021 and 2020, respectively, which include \$26,649 and \$25,132, respectively, 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 11 - REGULATED INDUSTRY**

A portion of the School's activities and revenues are a result of contracts with the 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, the 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 the TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

**NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The following reflects the School's financial assets as of the statement of financial position date.

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 2,050,681	\$ 1,737,567
Due from Texas Education Agency	319,526	320,641
Other Receivables	100	100
Note Receivable - current portion	<u>12,000</u>	<u>12,000</u>
Financial Assets Available to Meet Cash		
Needs for Expenditures Within One Year	<u>\$ 2,382,307</u>	<u>\$ 2,070,308</u>

The School's primary sources of cash flows include Foundation School Program funds from the TEA, which are classified as net assets with donor restrictions on the statements of financial position. However, restrictions are part of the School's mission that make them available for general expenditure within one year of the statement of financial position date.

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**NOTE 13 - LONG-TERM DEBT**

During the year ended August 31, 2021, the School paid the remaining balance on a loan it had with Guaranty Bank and Trust, N.A. The note payable balance was \$-0- and \$400,126 at August 31, 2021 and 2020, respectively. Interest expense was \$29,039 and \$30,913 for the years ended August 31, 2021 and 2020, respectively.

During the year ended August 31, 2020, the School received a Paycheck Protection Program (PPP) loan of \$344,500 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. The School applied and was approved for forgiveness of the PPP loan in November 2020. Therefore, it has been recognized as federal program revenue in the statement of activities for the year ended August 31, 2021.

**NOTE 14 - 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, depreciation, maintenance and repair, and various other expenses which are allocated on the basis of square footage or some other reasonable basis.

**NOTE 15 - PRIOR PERIOD RECLASSIFICATION**

The following reclassification between accounts was made to the financial statements for the year ended August 31, 2020: \$21,364 from professional fees to information technology in the statement of functional expenses. The reclassification had no effect on the previously reported change in net assets.

**NOTE 16 - SUBSEQUENT EVENTS**

As a result of the ongoing COVID-19 pandemic, the School continues to evaluate current economic conditions, and any potential financial impact cannot be reasonably estimated at this time.

The School has evaluated subsequent events through December 14, 2021, which is the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**SCHEDULE OF EXPENSES**  
**For the Years Ended August 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Expenses</b>		
6100 Payroll Costs	\$ 1,908,320	\$ 2,011,823
6200 Professional and Contracted Services	333,476	282,574
6300 Supplies and Materials	200,878	394,936
6400 Other Operating Costs	282,432	296,623
6500 Debt Interest Expense	<u>29,039</u>	<u>30,913</u>
<b>Total Expenses</b>	<u><u>\$ 2,754,145</u></u>	<u><u>\$ 3,016,869</u></u>

See independent auditor's report.

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**SCHEDULE OF CAPITAL ASSETS**  
**August 31, 2021**

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

	<b>Ownership Interest</b>		
	<b>Local</b>	<b>State</b>	<b>Federal</b>
1110 Cash	\$ -	\$ 2,050,681	\$ -
1510 Land and Improvements	-	120,601	-
1520 Buildings and Improvements	-	3,053,596	-
1530 Furniture and Equipment	-	253,708	-
1540 Vehicles	-	404,168	-
1560 Library and Media Assets	-	36,286	-
1590 Infrastructure Improvements	-	611,562	-
<b>Total Capital Assets</b>	<b>\$ -</b>	<b>\$ 6,530,602</b>	<b>\$ -</b>

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

*Per Schedule of Capital Assets:*

1510 Land and Improvements	\$ 120,601
1520 Buildings and Improvements	3,053,596
1530 Furniture and Equipment	253,708
1540 Vehicles	404,168
1560 Library and Media Assets	36,286
1590 Infrastructure Improvements	611,562

*Less Accumulated Depreciation:* (2,005,294)

**Total Property and Equipment per Statement of Financial Position:** \$ 2,474,627

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended August 31, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance From</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b><u>OPERATING REVENUES AND OTHER SUPPORT</u></b>				<b>Favorable/ (Unfavorable)</b>
Local Support:				
5740 Other Revenue from Local Sources	\$ 1,500	\$ 420	\$ 12,851	\$ 12,431
5750 Revenue from Cocurricular/Enterprising	63,500	63,500	22,797	(40,703) (1)
Total Local Support	65,000	63,920	35,648	(28,272)
State Program Revenues:				
5810 Per Capita and Foundation School Program Act Revenues	2,909,175	3,038,482	3,133,481	94,999
Total State Program Revenues	2,909,175	3,038,482	3,133,481	94,999
Federal Program Revenues:				
5920 Federal Revenues Distributed by				
Texas Education Agency	54,125	84,556	84,556	-
5940 Federal Revenues Distributed Directly from				
the Federal Government	-	346,369	344,500	(1,869)
Total Federal Program Revenues	54,125	430,925	429,056	(1,869)
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<b>3,028,300</b>	<b>3,533,327</b>	<b>3,598,185</b>	<b>64,858</b>
<b><u>OPERATING EXPENSES</u></b>				
11 Instructional	1,680,466	1,684,638	1,534,509	150,129
13 Curriculum Development and Instructional				
Staff Development	44,400	55,000	53,420	1,580
23 School Leadership	94,763	94,763	89,561	5,202
31 Guidance, Counseling and Evaluation Services	186,440	199,781	197,386	2,395
33 Health Services	2,000	4,500	4,349	151
34 Student Transportation	114,700	144,000	143,517	483
35 Food Services	65,000	63,500	37,780	25,720
36 Extracurricular Activities	23,750	23,750	8,457	15,293
41 General Administration	266,749	266,749	244,547	22,202
51 Plant Maintenance and Operations	414,482	385,000	345,450	39,550
52 Security and Monitoring Services	36,600	36,600	11,787	24,813
53 Data Processing Services	69,950	69,950	54,343	15,607
71 Debt Service	29,000	29,000	29,039	(39)
<b>TOTAL OPERATING EXPENSES</b>	<b>3,028,300</b>	<b>3,057,231</b>	<b>2,754,145</b>	<b>303,086</b>
<b>CHANGE IN NET ASSETS</b>	<b>-</b>	<b>476,096</b>	<b>844,040</b>	<b>367,944</b>
<b>NET ASSETS, Beginning of Year</b>	<b>3,849,768</b>	<b>3,849,768</b>	<b>3,849,768</b>	<b>-</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 3,849,768</b>	<b>\$ 4,325,864</b>	<b>\$ 4,693,808</b>	<b>\$ 367,944</b>

(1) Unfavorable variance due to the School beginning the academic year remotely due to COVID-19 pandemic precautions. In-person attendance was optional, with only 30% - 50% of the student population attending in person throughout the year.

See independent auditor's report.

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**SCHEDULE OF STATE ALLOTMENT PROGRAM FUNDS**  
**August 31, 2021**

**Section A: Compensatory Education Programs**

Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.104.

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?		Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?		Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$	212,334
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$	160,085

**Section B: Bilingual Education Programs**

Districts are required to spend at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.105.

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?		Yes
AP6	Does the district have written policies and procedures for its bilingual education program?		Yes
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$	8,694
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$	6,331

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS**  
**For the Year Ended August 31, 2021**

<b>Related Party Name</b>	<b>Name of Relation to the Related Party</b>	<b>Relationship</b>	<b>Compensation or Benefit</b>	<b>Payment Frequency</b>	<b>Description</b>	<b>Source of Funds Used</b>	<b>Total Paid During FY</b>
Lela G. Dean	Michael John Dean	Spouse	Compensation	Monthly	Salary	State	\$ 40,405
Lorie Nelms-Faulk	Russell Faulk	Spouse	Compensation	Monthly	Salary	State	\$ 87,074

See independent auditor's report.



**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST**  
**August 31, 2021**

<u>Description</u>	<u>Property Address</u>	<u>Total Assessed Value</u>	<u>Ownership Interest Local</u>	<u>Ownership Interest State</u>	<u>Ownership Interest Federal</u>
Reserve A Block One	20625 Clay Road, Katy, TX 77449	\$ 4,722,995	\$ -	\$ 4,722,995	\$ -
<b>Total Real Property Ownership Interest</b>		<u>\$ 4,722,995</u>	<u>\$ -</u>	<u>\$ 4,722,995</u>	<u>\$ -</u>

See independent auditor's report.

## **OTHER REPORTING REQUIRED**

**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  
Calvin Nelms Charter High School  
dba Calvin Nelms Charter Schools  
Katy, 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 Calvin Nelms Charter High School dba Calvin Nelms Charter Schools (the School), a nonprofit organization, which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 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 financial statements. 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.

*Randy Walker & Co.*

San Antonio, Texas  
December 14, 2021

**CALVIN NELMS CHARTER HIGH SCHOOL**  
**dba CALVIN NELMS CHARTER SCHOOLS**  
**SUMMARY OF AUDIT FINDINGS**  
**For the Year Ended August 31, 2021**

**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