

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

**FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING**

August 31, 2023 and 2022

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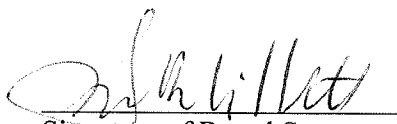
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**CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS**

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, 2023, at a meeting of the Board of Directors of such charter holder on the 13th day of December, 2023.



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 Audit of the Financial Statements

Opinion

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 statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 16-22 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 13, 2023 on pages 23-24 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.

Report on Summarized Comparative Information

We have previously audited the School's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Randy Walker & Co.

San Antonio, Texas
December 13, 2023

FINANCIAL STATEMENTS

CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS
STATEMENTS OF FINANCIAL POSITION
August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,545,970	\$ 2,204,015
Due from Texas Education Agency	318,176	295,253
Note Receivable - current portion	12,000	12,000
Other Receivables	100	100
Inventory	2,465	496
Prepaid Expenses	1,869	1,869
Total Current Assets	<u>2,880,580</u>	<u>2,513,733</u>
LONG-TERM ASSETS		
Note Receivable - long-term portion	5,500	18,700
Property and Equipment - net	<u>2,816,911</u>	<u>2,563,528</u>
Total Long-Term Assets	<u>2,822,411</u>	<u>2,582,228</u>
TOTAL ASSETS	<u><u>\$ 5,702,991</u></u>	<u><u>\$ 5,095,961</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 325,132	\$ 56,182
Accrued Expenses	<u>170,876</u>	<u>160,170</u>
Total Current Liabilities	<u>496,008</u>	<u>216,352</u>
TOTAL LIABILITIES	<u>496,008</u>	<u>216,352</u>
NET ASSETS		
Without Donor Restrictions	2,611,494	2,138,674
With Donor Restrictions	<u>2,595,489</u>	<u>2,740,935</u>
TOTAL NET ASSETS	<u>5,206,983</u>	<u>4,879,609</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,702,991</u></u>	<u><u>\$ 5,095,961</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, 2023
(summarized for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<u>OPERATING REVENUES AND OTHER SUPPORT</u>				
Local Support:				
5740 Other Revenue from Local Sources	\$ 15,835	\$ -	\$ 15,835	\$ 11,037
5751 Food Service Activity	60,140	-	60,140	52,886
5752 Athletic Activities	961	-	961	760
5755 Enterprising Services Revenue	2,444	-	2,444	4,755
5759 Cocurricular, Enterprising Services or Activities	-	12,201	12,201	11,637
Total Local Support	79,380	12,201	91,581	81,075
State Program Revenues:				
5810 Per Capita and Foundation School Program Act Revenues	-	3,243,241	3,243,241	3,189,517
5820 State Program Revenues Distributed by Texas Education Agency	-	215,002	215,002	-
Total State Program Revenues	-	3,458,243	3,458,243	3,189,517
Federal Program Revenues:				
5920 Federal Program Revenues Distributed by Texas Education Agency	-	57,367	57,367	53,530
Total Federal Program Revenues	-	57,367	57,367	53,530
Net Assets Released From Restrictions:				
Restrictions Satisfied By Payments	3,673,257	(3,673,257)	-	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	3,752,637	(145,446)	3,607,191	3,324,122
<u>OPERATING EXPENSES</u>				
11 Instructional	1,801,011	-	1,801,011	1,749,487
13 Curriculum Development and Instructional Staff Development	47,328	-	47,328	43,839
23 School Leadership	133,106	-	133,106	124,519
31 Guidance, Counseling and Evaluation Services	195,501	-	195,501	221,883
33 Health Services	1,295	-	1,295	932
34 Student Transportation	174,913	-	174,913	139,695
35 Food Services	92,037	-	92,037	108,229
36 Extracurricular Activities	38,329	-	38,329	39,275
41 General Administration	298,746	-	298,746	247,821
51 Plant Maintenance and Operations	380,331	-	380,331	375,824
52 Security and Monitoring Services	59,672	-	59,672	39,367
53 Data Processing Services	65,699	-	65,699	53,614
TOTAL OPERATING EXPENSES	3,287,968	-	3,287,968	3,144,485
CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITY	464,669	(145,446)	319,223	179,637
<u>NON-OPERATING ACTIVITY</u>				
Interest Income	8,151	-	8,151	118
Gain on Sale of Vehicle	-	-	-	6,046
TOTAL NON-OPERATING ACTIVITY	8,151	-	8,151	6,164
CHANGE IN NET ASSETS AFTER NON- OPERATING ACTIVITY	472,820	(145,446)	327,374	185,801
NET ASSETS, Beginning of Year	2,138,674	2,740,935	4,879,609	4,693,808
NET ASSETS, End of Year	\$ 2,611,494	\$ 2,595,489	\$ 5,206,983	\$ 4,879,609

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, 2023
(summarized for 2022)

	Program	General and Administrative	2023 Total	2022 Total
<u>OPERATING EXPENSES</u>				
Salaries	\$ 1,722,300	\$ 303,936	\$ 2,026,236	\$ 1,950,742
Benefits	145,846	36,462	182,308	162,634
Payroll Taxes	22,264	7,421	29,685	27,759
Total Payroll Expenses	1,890,410	347,819	2,238,229	2,141,135
Supplies	114,602	119,279	233,881	255,169
Depreciation	194,196	34,270	228,466	164,349
Insurance and Bonding	113,015	9,828	122,843	93,972
Utilities	38,705	35,728	74,433	76,121
Maintenance and Repair	53,837	17,946	71,783	69,489
Food	46,397	18,043	64,440	73,316
Professional Fees	11,494	34,483	45,977	66,005
Miscellaneous	32,127	10,710	42,837	25,024
Travel	25,867	13,929	39,796	36,672
Custodial Services	31,230	7,807	39,037	49,159
Educational Service Center	20,481	6,827	27,308	27,284
Information Technology	18,315	-	18,315	17,565
Instructional Materials	13,180	-	13,180	18,769
Dues	8,047	2,682	10,729	10,590
Dual Credit Tuition	8,275	-	8,275	8,580
Rental Expense	2,943	982	3,925	417
Training	3,830	-	3,830	-
Security	513	171	684	7,428
Contract Labor	-	-	-	1,941
Scholarships	-	-	-	1,500
TOTAL OPERATING EXPENSES	\$ 2,627,464	\$ 660,504	\$ 3,287,968	\$ 3,144,485

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

CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Foundation School Program Payments	\$ 3,230,552	\$ 3,213,790
Grant Payments	262,135	53,530
Miscellaneous Sources	99,732	87,239
Payments to Vendors for Goods and Services Rendered	(554,292)	(840,853)
Payments to Charter School Personnel for Services Rendered	<u>(2,227,523)</u>	<u>(2,120,322)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>810,604</u>	<u>393,384</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Change in Note Receivable	13,200	13,200
Purchases of Furniture and Equipment	<u>(481,849)</u>	<u>(253,250)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(468,649)</u>	<u>(240,050)</u>
NET INCREASE IN CASH FLOWS	341,955	153,334
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>2,204,015</u>	<u>2,050,681</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 2,545,970</u></u>	<u><u>\$ 2,204,015</u></u>
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Change in Net Assets	\$ 327,374	\$ 185,801
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	228,466	164,349
(Increase) Decrease in Assets:		
Due from Texas Education Agency	(22,923)	24,273
Inventory	(1,969)	-
Prepaid Expenses	-	(1,869)
Increase in Liabilities:		
Accounts Payable	268,950	17
Accrued Expenses	<u>10,706</u>	<u>20,813</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 810,604</u></u>	<u><u>\$ 393,384</u></u>

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

CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

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, 2023, 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, 2023 and 2022

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Grants and Contributions

The School records grants and contributions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Grants and contributions restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the grants and contributions are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions.

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.

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 two bank deposit accounts at multiple financial institutions 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 primary bank institution, Guaranty Bank, where the bank provides pledged collateral in the School's name in the event deposits exceed FDIC limits. The School also maintains cash in a cash investment pool managed by TexPool Investments. These funds are not insured by the FDIC. At August 31, 2023 and 2022, the School had approximately \$485,825 and \$-0-, respectively, in uninsured cash balances, not including reconciling items.

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, 2023, the tax years that remain subject to examination by taxing authorities begin with 2020.

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 five 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.

CALVIN NELMS CHARTER HIGH SCHOOL
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NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

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 has evaluated this pronouncement and determined it does not have a material effect on the financial statements for the year ended August 31, 2023. Therefore, it will not be adopted for fiscal year 2023.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This pronouncement requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The pronouncement includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new pronouncement, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. Management has evaluated the pronouncement and determined it is not applicable to the School since it did not receive in-kind contributions during the year ended August 31, 2023. Therefore, this pronouncement will not be adopted for fiscal year 2023.

Revenue - Exchange Transactions

The School recognizes revenue related to exchange transactions in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. 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, 2023, August 31, 2022, or September 1, 2021. Disaggregation of revenue is presented on the face of the statement of activities.

NOTE 2 - DUE FROM TEXAS EDUCATION AGENCY

The School had \$318,176 and \$295,253 due from the TEA related to various state grants and Foundation School Program revenue at August 31, 2023 and 2022, 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.

CALVIN NELMS CHARTER HIGH SCHOOL
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NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 4 - OPERATING LEASES

The School leases office equipment under a non-cancelable operating lease that expires in August 2025 with a monthly payment of \$266. Total rental expense was \$3,925 and \$417 for the years ended August 31, 2023 and 2022, respectively.

Future annual payments related to the above existing lease obligation are as follows:

Years Ending August 31,	
2024	\$ 3,192
2025	2,926
Total	<u>\$ 6,118</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31:

	2023	2022
Land	\$ 130,601	\$ 120,601
Buildings	2,628,390	2,628,390
Improvements	1,222,479	1,041,324
Furniture and Fixtures	177,477	149,481
Vehicles	832,122	569,424
Portable Trailers	78,352	78,352
Equipment	47,365	47,365
Library	36,286	36,286
	<u>5,153,072</u>	<u>4,671,223</u>
Less Accumulated Depreciation	<u>(2,336,161)</u>	<u>(2,107,695)</u>
Total	<u>\$ 2,816,911</u>	<u>\$ 2,563,528</u>

Depreciation expense was \$228,466 and \$164,349 for the years ended August 31, 2023 and 2022, respectively.

NOTE 6 - SUBSEQUENT EVENTS

The School has evaluated subsequent events through December 13, 2023, which is the date the financial statements were available to be issued.

NOTE 7 - 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 \$17,500 and \$30,700 at August 31, 2023 and 2022, respectively.

CALVIN NELMS CHARTER HIGH SCHOOL
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NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 8 - HEALTH INSURANCE PLAN

Employees of the School are covered by a health insurance plan. During the years ended August 31, 2023 and 2022, 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 \$91,376 and \$68,858 for the years ended August 31, 2023 and 2022, respectively.

NOTE 9 - 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.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Foundation School Program	\$ 2,432,456	\$ 2,738,672
School Safety Standards	160,290	-
Student Activities	<u>2,743</u>	<u>2,263</u>
Total	<u>\$ 2,595,489</u>	<u>\$ 2,740,935</u>

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.

CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 12 - 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 13 - PENSION PLAN OBLIGATIONS

Plan Description

The School contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system.

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

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

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

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

Total Plan Assets - \$207,621,898,000
Accumulated Benefit Obligations - \$228,246,679,763
The plan is 79% funded.

There are no collective-bargaining agreements.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% 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 31 years, the period would be increased by such action.

CALVIN NELMS CHARTER HIGH SCHOOL
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NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 13 - PENSION PLAN OBLIGATIONS (continued)

Funding Policy (continued)

Under provisions in state law, plan members are required to contribute 8% of their annual covered salary and the state of Texas contributes an amount equal to 8% of the School's covered payroll.

The School employees' contributions to the TRS for the years ended August 31, 2023 and 2022 were \$152,090 and \$147,744, respectively, equal to the required contributions for each year.

Other contributions made from federal and private grants and from the School for salaries above the statutory minimum for the years ended August 31, 2023 and 2022 were \$35,508 and \$32,075, respectively, equal to the required contributions for each year.

The School's contributions to TRS were \$89,851 and \$82,440 for the years ended August 31, 2023 and 2022, respectively, which include Non-OASDI participating surcharges of \$34,220 and \$31,396, respectively. 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 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

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

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 2,545,970	\$ 2,204,015
Due from Texas Education Agency	318,176	295,253
Note Receivable - current portion	12,000	12,000
Other Receivables	100	100
Total Financial Assets	<u>2,876,246</u>	<u>2,511,368</u>
Donor Restrictions (net of Foundation School Program)	<u>(163,033)</u>	<u>(2,263)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 2,713,213</u>	<u>\$ 2,509,105</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.

NOTE 15 - PRIOR YEAR RECLASSIFICATION

The following reclassification between accounts was made to the financial statements for the year ended August 31, 2022: \$201,302 from net assets with donor restrictions to net assets without donor restrictions on the statements of financial position and statement of activities. This total is comprised of amounts relating to prior year fixed asset purchases that should have been released from restriction upon expenditure. This reclassification had no effect on the previously reported change in net assets.

SUPPLEMENTARY INFORMATION

CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS
SCHEDULE OF EXPENSES
For the Years Ended August 31, 2023 and 2022

<u>EXPENSES</u>	<u>2023</u>	<u>2022</u>
6100 Payroll Costs	\$ 2,238,229	\$ 2,141,135
6200 Professional and Contracted Services	293,567	323,989
6300 Supplies and Materials	338,917	371,454
6400 Other Operating Costs	417,255	307,907
Total Expenses	\$ 3,287,968	\$ 3,144,485

See independent auditor's report.

CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS
SCHEDULE OF CAPITAL ASSETS
August 31, 2023

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

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 75,582	\$ 2,470,388	\$ -
1510 Land and Improvements	-	130,601	-
1520 Buildings and Improvements	-	3,100,507	-
1531 Vehicles	-	842,910	-
1539 Furniture and Equipment	-	270,916	-
1569 Library and Media Assets	-	36,286	-
1590 Infrastructure Improvements	-	771,852	-
Total Capital Assets	\$ 75,582	\$ 7,623,460	\$ -

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

Per Schedule of Capital Assets:

1510 Land and Improvements	\$ 130,601
1520 Buildings and Improvements	3,100,507
1531 Vehicles	842,910
1539 Furniture and Equipment	270,916
1569 Library and Media Assets	36,286
1590 Infrastructure Improvements	771,852

Less Accumulated Depreciation: (2,336,161)

Total Property and Equipment per Statement of Financial Position: **\$ 2,816,911**

CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2023

	<u>Budgeted Amounts</u>		<u>Variance From</u>	<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Original to</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>Final Budget</u>		<u>Favorable/</u>
					<u>(Unfavorable)</u>
<u>OPERATING REVENUES AND OTHER SUPPORT</u>					
Local Support:					
5740 Other Revenue from Local Sources	\$ 7,800	\$ 24,100	\$ (16,300) [1]	\$ 23,986	\$ (114)
5750 Revenue from Cocurricular/Enterprising	105,400	74,905	30,495 [2]	75,746	841
Total Local Support	113,200	99,005	14,195	99,732	727
State Program Revenues:					
5810 Per Capita and Foundation School Program Act Revenues	3,216,765	3,222,459	(5,694)	3,243,241	20,782
5820 State Program Revenues Distributed by					
Texas Education Agency	-	218,809	(218,809) [3]	215,002	(3,807)
Total State Program Revenues	3,216,765	3,441,268	(224,503)	3,458,243	16,975
Federal Program Revenues:					
5920 Federal Revenues Distributed by					
Texas Education Agency	53,919	57,367	(3,448)	57,367	-
Total Federal Program Revenues	53,919	57,367	(3,448)	57,367	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	3,383,884	3,597,640	(213,756)	3,615,342	17,702
<u>OPERATING EXPENSES</u>					
11 Instructional	1,858,662	1,858,662	-	1,801,011	57,651
13 Curriculum Development and Instructional					
Staff Development	63,617	63,617	-	47,328	16,289
23 School Leadership	128,299	131,000	(2,701)	133,106	(2,106)
31 Guidance, Counseling and Evaluation Services	215,977	206,724	9,253	195,501	11,223
33 Health Services	2,500	2,500	-	1,295	1,205
34 Student Transportation	170,990	170,990	-	174,913	(3,923)
35 Food Services	105,610	105,610	-	92,037	13,573
36 Extracurricular Activities	43,442	43,442	-	38,329	5,113
41 General Administration	267,559	283,000	(15,441)	298,746	(15,746)
51 Plant Maintenance and Operations	427,157	391,402	35,755	380,331	11,071
52 Security and Monitoring Services	29,686	233,495	(203,809) [4]	59,672	173,823
53 Data Processing Services	70,385	70,385	-	65,699	4,686
TOTAL OPERATING EXPENSES	3,383,884	3,560,827	(176,943)	3,287,968	272,859
CHANGE IN NET ASSETS	-	36,813	(36,813)	327,374	290,561
NET ASSETS, Beginning of Year	4,879,609	4,879,609	-	4,879,609	-
NET ASSETS, End of Year	\$ 4,879,609	\$ 4,916,422	\$ (36,813)	\$ 5,206,983	\$ 290,561

(1) Variance due to increase in CD interest rates, in addition to opening the TexPool investment account; original budget did not reflect higher rates and opening of TexPool account.

(2) Variance due to higher percentage of 'free and reduced' students participating in the meal program, resulting in lower revenues than originally budgeted.

(3) Variance due to unanticipated receipt of insurance proceeds related to Winter Storm URI, in addition to SPAT and School Safety Standards grants not being included in original budget; these grants were not awarded until spring 2023.

(4) Variance due to expenditures for SPAT and School Safety Standards grants not being included in original budget; these grants were not awarded until spring 2023.

See independent auditor's report.

CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
August 31, 2023

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.	\$	193,112
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)	\$	116,813

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.	\$	22,058
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$	17,171

CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
For the Year Ended August 31, 2023

Related Party Name	Name of Relation to the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total Paid During FY
Lela G. Dean	Michael John Dean	Spouse	Compensation	Monthly	Salary	State	\$ 44,362
Lorie Nelms-Faulk	Russell Faulk	Spouse	Compensation	Monthly	Salary	State	\$ 77,920
Lela G. Dean	Michael John Dean	Spouse	Benefit	Monthly	Teledoc	State	\$ 87
Lorie Nelms-Faulk	Russell Faulk	Spouse	Benefit	Monthly	Teledoc	State	\$ 80
Lela G. Dean	Michael John Dean	Spouse	Benefit	Monthly	ActiveCare Employer Contribution	State	\$ 3,840
Lorie Nelms-Faulk	Russell Faulk	Spouse	Benefit	Monthly	ActiveCare Employer Contribution	State	\$ 1,920

See independent auditor's report.

**CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS
SCHEDULE OF RELATED PARTY TRANSACTIONS
For the Year Ended August 31, 2023**

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid during Fiscal Year	Principal Balance Due
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
August 31, 2023

<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	\$ 5,698,122	\$ -	\$ 5,698,122	\$ -
Total Real Property Ownership Interest		<u>\$ 5,698,122</u>	<u>\$ -</u>	<u>\$ 5,698,122</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, 2023, 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 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on 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 13, 2023

CALVIN NELMS CHARTER HIGH SCHOOL
dba CALVIN NELMS CHARTER SCHOOLS
SUMMARY OF AUDIT FINDINGS
For the Year Ended August 31, 2023

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