

**Leadership Education Foundation –
Arrow Academy**

Financial Statements
and Single Audit Reports
for the year ended August 31, 2020

Leadership Education Foundation – Arrow Academy

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of August 31, 2020 and 2019	3
Statement of Activities for the year ended August 31, 2020	4
Statement of Activities for the year ended August 31, 2019	5
Statements of Functional Expenses for the years ended August 31, 2020 and 2019	6
Statements of Cash Flows for the years ended August 31, 2020 and 2019	7
Notes to Financial Statements for the years ended August 31, 2020 and 2019	8
Supplementary Information:	
Supplemental Statements of Financial Position as of August 31, 2020 and 2019 (Charter #021805)	13
Supplemental Statements of Activities by Function for the years ended August 31, 2020 and 2019 (Charter #021805)	14
Supplemental Statements of Cash Flows for the years ended August 31, 2020 and 2019 (Charter #021805)	16
Supplemental Statements of Financial Position as of August 31, 2020 and 2019 (The Charter Holder)	17
Supplemental Statements of Activities by Function for the years ended August 31, 2020 and 2019 (The Charter Holder)	18
Supplemental Statements of Cash Flows for the years ended August 31, 2020 and 2019 (The Charter Holder)	19
Schedules of Expenses for the years ended August 31, 2020 and 2019	20
Schedules of Capital Assets as of August 31, 2020 and 2019	21
Budgetary Comparison Schedule for the year ended August 31, 2020	22
Schedule of Real Property Ownership Interest for the year ended August 31, 2020	24
Schedule of Related Party Transactions for the year ended August 31, 2020	25
Schedule of Expenditures of Federal Awards for the year ended August 31, 2020	26
Note to Schedule of Expenditures of Federal Awards for the year ended August 31, 2020	28
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	31
Schedule of Findings and Questioned Costs for the year ended August 31, 2020	33

Independent Auditors' Report

To the Board of Directors of
Leadership Education Foundation – Arrow Academy:

Report on the Financial Statements

We have audited the accompanying financial statements of Leadership Education Foundation – Arrow Academy (Arrow Academy), which comprise the statements of financial position as of August 31, 2020 and 2019 and the related statements of activities, of functional expenses, and of 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 our audits 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 auditors' 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

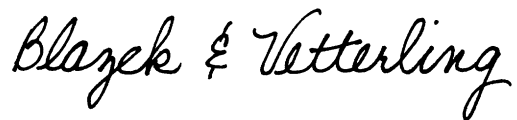
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arrow Academy as of August 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 13 through 25 is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial statements. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended August 31, 2020 as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021 on our consideration of Arrow Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 Arrow Academy'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 Arrow Academy's internal control over financial reporting and compliance.



January 21, 2021

Leadership Education Foundation – Arrow Academy

Statements of Financial Position as of August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 2,948,473	\$ 2,212,243
Government grants and other receivables	255,609	456,811
Prepaid expenses	<u>88,409</u>	<u>51,408</u>
Total current assets	3,292,491	2,720,462
Notes receivable	93,210	113,400
Furniture and equipment, net (<i>Note 4</i>)	<u>5,585</u>	<u>26,060</u>
TOTAL ASSETS	<u>\$ 3,391,286</u>	<u>\$ 2,859,922</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 109,989	\$ 226,010
Accrued payroll expenses	342,205	424,943
Grant payable (<i>Note 8</i>)	275,951	
Refundable advance	<u>130,231</u>	<u></u>
Total current liabilities	<u>858,376</u>	<u>650,953</u>
Commitments (<i>Note 9</i>)		
Net assets (<i>Note 2</i>):		
Without donor restrictions (<i>Note 6</i>)	443,546	2,208,969
With donor restrictions – Texas School Foundation Program	<u>2,089,364</u>	<u></u>
Total net assets	<u>2,532,910</u>	<u>2,208,969</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,391,286</u>	<u>\$ 2,859,922</u>

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statement of Activities for the year ended August 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government grants (<i>Note 7</i>)		\$ 9,043,106	\$ 9,043,106
Other revenue	\$ 107,120	1,147	108,267
Total revenue	107,120	9,044,253	9,151,373
Net assets released from restrictions:			
Program expenditures	8,433,718	(8,433,718)	
Total	8,540,838	610,535	9,151,373
EXPENSES:			
Program services	8,033,048		8,033,048
Management and general	794,384		794,384
Total expenses	8,827,432		8,827,432
CHANGES IN NET ASSETS	(286,594)	610,535	323,941
Net assets, beginning of year	2,208,969		2,208,969
Adoption of Accounting Standards Update (<i>Note 2</i>)	(1,478,829)	1,478,829	
Net assets, end of year	\$ 443,546	\$ 2,089,364	\$ 2,532,910

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statement of Activities for the year ended August 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government grants (<i>Note 7</i>)	\$ 7,605,721		\$ 7,605,721
Other revenue	<u>83,464</u>		<u>83,464</u>
Total revenue	<u>7,689,185</u>		<u>7,689,185</u>
EXPENSES:			
Program services	6,720,455		6,720,455
Management and general	<u>746,770</u>		<u>746,770</u>
Total expenses	<u>7,467,225</u>		<u>7,467,225</u>
CHANGES IN NET ASSETS	221,960		221,960
Net assets, beginning of year	<u>1,987,009</u>	<u> </u>	<u>1,987,009</u>
Net assets, end of year	<u>\$ 2,208,969</u>	<u>\$ 0</u>	<u>\$ 2,208,969</u>

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statements of Functional Expenses for the years ended August 31, 2020 and 2019

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	2020 TOTAL EXPENSES
Salaries and employee benefits	\$ 4,755,050	\$ 224,536	\$ 4,979,586
Contracted services	438,547	370,543	809,090
Rental expense	729,201	10,828	740,029
Food services	726,393		726,393
Supplies	562,381	38,082	600,463
Grants	275,950		275,950
Maintenance and repairs	167,611		167,611
Utilities	130,171		130,171
Transportation	96,399		96,399
Travel and training	68,251	2,704	70,955
Professional fees and dues	1,779	66,623	68,402
Depreciation	20,475		20,475
Insurance		10,992	10,992
Other	60,840	70,076	130,916
Total expenses	<u>\$ 8,033,048</u>	<u>\$ 794,384</u>	<u>\$ 8,827,432</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	2019 TOTAL EXPENSES
Salaries and employee benefits	\$ 4,321,166	\$ 216,587	\$ 4,537,753
Contracted services	408,073	351,287	759,360
Rental expense	660,594	11,872	672,466
Food services	444,649		444,649
Supplies	395,507	38,877	434,384
Maintenance and repairs	130,117		130,117
Utilities	110,655		110,655
Transportation	115,743		115,743
Travel	41,453	5,942	47,395
Professional fees and dues	863	37,388	38,251
Depreciation	51,659		51,659
Insurance		13,796	13,796
Other	39,976	71,021	110,997
Total expenses	<u>\$ 6,720,455</u>	<u>\$ 746,770</u>	<u>\$ 7,467,225</u>

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statements of Cash Flows for the years ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 323,941	\$ 221,960
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	20,475	51,659
Changes in operating assets and liabilities:		
Government grants and other receivables	201,202	20,889
Prepaid expenses	(37,001)	53,967
Accounts payable and accrued expenses	(116,021)	(33,691)
Accrued payroll expenses	(82,738)	43,570
Grants payable	275,951	
Refundable advance	<u>130,231</u>	<u> </u>
Net cash provided by operating activities	<u>716,040</u>	<u>358,354</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from payments for notes receivable	20,190	
Issuance of note receivable	<u> </u>	<u>(63,400)</u>
Net cash provided (used) by investing activities	<u>20,190</u>	<u>(63,400)</u>
NET CHANGE IN CASH	736,230	294,954
Cash, beginning of year	<u>2,212,243</u>	<u>1,917,289</u>
Cash, end of year	<u>\$ 2,948,473</u>	<u>\$ 2,212,243</u>

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Notes to Financial Statements for the years ended August 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Leadership Education Foundation – Arrow Academy (Arrow Academy) operates Texas Open-Enrollment Charter Schools under state charter #021805. The charter is held by Leadership Education Foundation and is operated under the name Arrow Academy. Four schools were in operation for the 2019-2020 school year located in Houston and Bryan, Texas, serving approximately 730 students from kindergarten through 6th grades. Arrow Academy is supported by state and federal grants provided by the Texas Education Agency and by private contributions.

Federal income tax status – Arrow Academy is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(ii).

Concentration of credit risk – Cash deposits exceed the federally insured limit per depositor per institution. Amounts on deposit from federal and state sources that are in excess of the Federal Deposit Insurance Corporation limit of \$250,000 are collateralized by a security agreement with the bank.

Government grants and other receivables that are expected to be collected within one year are reported at net realizable value. All government grants are expected to be collected in fiscal year 2021 and thus no discount to estimate the present value of future cash flows is necessary. Management expects all amounts due to be collected in full and thus no allowance for uncollectible receivables is provided.

Furniture and equipment are reported at cost if purchased or at fair value at the date of gift if donated. Arrow Academy recognizes depreciation using the straight-line method over the estimated useful lives of the assets, which range from 4 to 7 years. Arrow Academy capitalizes additions that have an individual cost of more than \$5,000.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions restricted for acquisition of property and equipment are released when those assets are placed in service.

Government grants are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are subject to one or more barriers that must be overcome before Arrow Academy is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funds received before the conditions have been met are reported as refundable advances.

Other revenue primarily represents after school program fees which are recognized as the services are provided.

Grants are recognized as expenses at fair value when Arrow Academy approves an unconditional commitment to a grant recipient. Conditional grants made are subject to one or more barriers that must be overcome before the recipient is entitled to receive or retain funding. Conditional grants are recognized in the same manner when the conditions are met by the recipient. Commitments made but not yet funded are reported as grants payable. Grants payable in more than one year are discounted, if material, to estimate the present value of their future cash flows using a risk-free rate-of-return. At August 31, 2020, grant payables are due within one year.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

Recent financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for Arrow Academy for fiscal year 2023. Upon adoption, management expects to recognize lease commitments as both a right of use asset and a lease liability in the statement of financial position for commitments that are currently only disclosed in the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2018-08

Effective September 1, 2019, Arrow Academy adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. The amendments have been applied on a modified prospective basis to agreements that were not completed as of the effective date or were entered into after the effective date and has resulted in government grants which had previously been accounted for as exchange transactions being accounted for as contributions effective September 1, 2019. No changes were made to the August 31, 2019 financial statements as a result of adoption and there is no cumulated effect on total net assets at the effective date. However, the adoption of this ASU resulted in a reclassification of \$1,478,829 at September 1, 2019 of *net assets without donor restrictions* to *net assets with donor restrictions*, which reflects the amount of donor-restricted government grants that had not yet been satisfied as of September 1, 2019.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of August 31 comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 2,948,473	\$ 2,212,243
Government grants and other receivables	255,609	456,811
Notes receivable	<u>93,210</u>	<u>113,400</u>
Total financial assets	3,297,292	2,782,454
Less:		
Board-designated assets held for teacher training	(224,050)	
Notes receivable due in more than one year	<u>(71,730)</u>	<u>(91,920)</u>
Total financial assets available for general expenditure	<u>\$ 3,001,512</u>	<u>\$ 2,690,534</u>

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

As part of Arrow Academy's liquidity management, financial assets have been structured to be available as its general expenditures, liabilities, and other obligations become due by maintaining a significant portion of its assets in cash.

NOTE 4 – FURNITURE AND EQUIPMENT

Furniture and equipment are comprised of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment, at cost	\$ 923,388	\$ 923,388
Accumulated depreciation	<u>(917,803)</u>	<u>(897,328)</u>
Furniture and equipment, net	<u>\$ 5,585</u>	<u>\$ 26,060</u>

Texas statutes state that property purchased with funds received by a charter school holder is considered to be public property for all purposes under state law and is to be held in trust by the charter school holder for the benefit of the students of the open enrollment charter school and may be used only for those purposes.

NOTE 5 – MANAGEMENT SERVICES AGREEMENT

Arrow Academy, LLC, a Delaware corporation, was formed to provide educational and administrative services for charter schools. Arrow Academy has entered into an educational and administrative services agreement with Arrow Academy, LLC with an effective term through August 2021. The management fee under the agreement is based on the number of students enrolled in Arrow Academy schools and was approximately \$614,000 for the year ended August 31, 2020 and \$553,000 for the year ended August 31, 2019.

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
State ownership interest:		
Furniture and equipment	\$ 5,585	\$ 11,273
School operations		1,478,829
Board-designated for teacher training	224,050	
Undesignated	<u>213,911</u>	<u>718,867</u>
Total net assets without donor restrictions	<u>\$ 443,546</u>	<u>\$ 2,208,969</u>

NOTE 7 – GOVERNMENT GRANTS

Arrow Academy is the recipient of government grants from various federal and state agencies. Arrow Academy has a charter with the Texas Education Agency, which provides significant funding for school operations. Should the charter not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Government grants include the following:

	<u>2020</u>	<u>2019</u>
State grants:		
Texas Education Agency Foundation School Program	\$ 7,506,007	\$ 6,457,268
Instructional materials	85,695	79,785
Blended Learning Professional Development	52,000	
Other state revenue	<u>7,733</u>	<u>2,126</u>
Total state grants	<u>7,651,435</u>	<u>6,539,179</u>
Federal grants:		
U. S. Department of Agriculture	828,397	468,908
U. S. Department of Education	<u>563,274</u>	<u>597,634</u>
Total federal grants	<u>1,391,671</u>	<u>1,066,542</u>
Total government grants	<u>\$ 9,043,106</u>	<u>\$ 7,605,721</u>

The grants from government funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Arrow Academy with the terms of the contracts. Management believes such disallowances, if any, would not be material to Arrow Academy's financial position or changes in net assets.

As of August 31, 2020, Arrow Academy has approximately \$284,000 of condition contributions from various government agencies. The contributions will be recognized as revenue when the conditions, which include performance of allowable activities and incurring allowable expenses, are met. Arrow Academy is party to other government awards for which the award amount is not specified by the grantor. Arrow Academy will recognize these grants as qualifying grant expenditures are incurred and/or performance requirements are met.

NOTE 8 – GRANT PAYABLE

In 2020, Arrow Academy approved a conditional grant to a non-profit organization in the amount of up to \$500,000. The grant is to help sponsor teacher training for various schools. The grant is on a reimbursement basis and is conditioned on those funds being spent prior to release. At August 31, 2020, \$275,951 had been released and expended. The remaining balance of \$224,050 has not been recognized in the financial statements as the conditions have not been met.

NOTE 9 – LEASE COMMITMENTS

Arrow Academy leases facilities and certain equipment under noncancellable operating leases. Future minimum lease payments are due as follows:

2021	\$ 706,872
2022	462,010
2023	440,720
2024	<u>212,411</u>
Total	<u>\$ 1,822,013</u>

Rental expense was approximately \$740,000 and \$672,000 in 2020 and 2019, respectively.

NOTE 10 – MULTIEMPLOYER PENSION PLAN

Arrow Academy's full-time employees participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. TRS is a cost-sharing, multiemployer, defined benefit pension plan. All risks and costs are not shared by Arrow Academy, but are the liability of the State of Texas. For 2020, plan members contribute 7.7% of their annual covered salary; Arrow Academy contributes 7.5% for new members the first 90 days of employment, and the State of Texas contributes 7.5%. Additionally, Arrow Academy makes a 1.5% public education employer payment (formally known as non-OASDI payment) on all TRS eligible employees. Arrow Academy's contributions do not represent more than 5% of the pension plan's total contributions. Arrow Academy contributed the required contribution of \$249,053 and \$141,265 to the plan during fiscal years 2020 and 2019, respectively. There have been no significant changes that affect the comparability of 2020 and 2019 contributions.

The risks of participating in a multiemployer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is no withdrawal penalty for leaving TRS.

Total TRS plan assets as of August 31, 2020 and 2019 were approximately \$184.4 billion and \$181.8 billion, respectively. Accumulated benefit obligations as of August 31, 2020 and 2019 were approximately \$219 billion and \$209.9 billion, respectively. The plan was approximately 75.5% funded at August 31, 2020 and 76.4% funded at August 31, 2019.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 21, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Leadership Education Foundation – Arrow Academy

Charter #021805

Supplemental Statements of Financial Position as of August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 2,344,062	\$ 1,630,867
Government grants and other receivables*	258,543	456,811
Prepaid expenses	<u>88,409</u>	<u>51,408</u>
Total current assets	2,691,014	2,139,086
Furniture and equipment, net	<u>5,585</u>	<u>26,060</u>
TOTAL ASSETS	<u>\$ 2,696,599</u>	<u>\$ 2,165,146</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 109,989	\$ 193,682
Accrued payroll expenses	342,205	424,943
Refundable advance	130,231	
Accounts payable to affiliates	<u></u>	<u>32,328</u>
Total current liabilities	<u>582,425</u>	<u>650,953</u>
Net assets:		
Without donor restrictions	24,810	35,364
With donor restrictions – Texas School Foundation Program	<u>2,089,364</u>	<u>1,478,829</u>
Total net assets	<u>2,114,174</u>	<u>1,514,193</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,696,599</u>	<u>\$ 2,165,146</u>

Leadership Education Foundation – Arrow Academy

Charter #021805

Supplemental Statements of Activities by Function for the years ended August 31, 2020 and 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS	
			<u>2020</u>	<u>2019</u>
REVENUE:				
Local support:				
5740 Other revenue from local sources *	\$ 107,129	\$ 566	\$ 107,695	\$ 78,367
5750 Co-curriculum/enterprising	<u> </u>	<u>581</u>	<u>581</u>	<u>271</u>
Total local support	<u>107,129</u>	<u>1,147</u>	<u>108,276</u>	<u>78,638</u>
State program revenue:				
5810 Foundation School Program Act Revenue		7,506,007	7,506,007	6,457,268
5820 State program revenue distributed by Texas Education Agency		<u>145,428</u>	<u>145,428</u>	<u>81,911</u>
Total state program revenue		<u>7,651,435</u>	<u>7,651,435</u>	<u>6,539,179</u>
Federal program revenue:				
5920 Federal revenue distributed by the State of Texas Education Agency		<u>1,391,671</u>	<u>1,391,671</u>	<u>1,066,542</u>
Total federal program revenue		<u>1,391,671</u>	<u>1,391,671</u>	<u>1,066,542</u>
Net assets released from restrictions:				
Program expenditures	<u>8,433,718</u>	<u>(8,433,718)</u>		
Total revenue	<u>8,540,847</u>	<u>610,535</u>	<u>9,151,382</u>	<u>7,684,359</u>

(continued)

Leadership Education Foundation – Arrow Academy

Charter #021805

Supplemental Statements of Activities by Function for the years ended August 31, 2020 and 2019

(continued)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS	
			2020	2019
EXPENSES:				
11 Instruction	4,220,415		4,220,415	3,713,202
13 Curriculum development and instructional staff development	635,927		635,927	540,399
21 Instructional leadership	110,083		110,083	88,874
23 School leadership	640,702		640,702	660,107
31 Guidance counseling and evaluation services	76,004		76,004	80,972
33 Health services	5,786		5,786	3,968
34 Student transportation	96,399		96,399	115,743
35 Food services	808,667		808,667	512,253
41 General administration	634,950		634,950	579,910
51 Plant maintenance and operations	1,245,099		1,245,099	1,116,468
52 Security	7,730		7,730	
53 Data processing services	63,367		63,367	38,447
61 Community services	<u>6,272</u>		<u>6,272</u>	<u>10,212</u>
Total expenses	<u>8,551,401</u>		<u>8,551,401</u>	<u>7,460,555</u>
CHANGES IN NET ASSETS	(10,554)	610,535	599,981	223,804
Net assets, beginning of year	<u>35,364</u>	<u>1,478,829</u>	<u>1,514,193</u>	<u>1,290,389</u>
Net assets, end of year	<u>\$ 24,810</u>	<u>\$ 2,089,364</u>	<u>\$ 2,114,174</u>	<u>\$ 1,514,193</u>

* Included in this amount is a grant from The Charter Holder for \$2,934. The grant represents an intercompany grant from The Charter Holder to Charter #021805. This grant is eliminated in the consolidated financial statements.

Leadership Education Foundation – Arrow Academy

Charter #021805

Supplemental Statements of Cash Flows for the years ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 599,981	\$ 223,804
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	20,475	51,659
Changes in operating assets and liabilities:		
Government grants and other receivables	198,268	20,889
Prepaid expenses	(37,001)	53,967
Accounts payable and accrued expenses	(83,693)	(32,061)
Accrued payroll expenses	(82,738)	43,570
Refundable advance	130,231	
Accounts payable to affiliates	<u>(32,328)</u>	<u>(1,630)</u>
Net cash provided by operating activities	<u>713,195</u>	<u>360,198</u>
NET CHANGE IN CASH	713,195	360,198
Cash, beginning of year	<u>1,630,867</u>	<u>1,270,669</u>
Cash, end of year	<u>\$ 2,344,062</u>	<u>\$ 1,630,867</u>

Leadership Education Foundation – Arrow Academy

Leadership Education Foundation (The Charter Holder)

Supplemental Statements of Financial Position as of August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash	<u>\$ 604,411</u>	<u>\$ 581,376</u>
Total current assets	604,411	581,376
Notes receivable	<u>93,210</u>	<u>113,400</u>
TOTAL ASSETS	<u>\$ 697,621</u>	<u>\$ 694,776</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Grants payable**	<u>\$ 278,885</u>	
Total current liabilities	<u>278,885</u>	
Net assets without donor restrictions	<u>418,736</u>	<u>\$ 694,776</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 697,621</u>	<u>\$ 694,776</u>

Leadership Education Foundation – Arrow Academy

Leadership Education Foundation (The Charter Holder)

Supplemental Statements of Activities by Function for the years ended August 31, 2020 and 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS	
			<u>2020</u>	<u>2019</u>
REVENUE:				
Other revenue	\$ 2,925		\$ 2,925	\$ 11,391
Total revenue	<u>2,925</u>		<u>2,925</u>	<u>11,391</u>
EXPENSES:				
Grant	275,950		275,950	
Grant to Arrow Academy **	2,934		2,934	6,555
General administration	<u>81</u>		<u>81</u>	<u>6,680</u>
Total expenses	<u>278,965</u>		<u>278,965</u>	<u>13,235</u>
CHANGES IN NET ASSETS	(276,040)		(276,040)	(1,844)
Net assets, beginning of year	<u>694,776</u>		<u>694,776</u>	<u>696,620</u>
Net assets, end of year	<u>\$ 418,736</u>	<u>\$ 0</u>	<u>\$ 418,736</u>	<u>\$ 694,776</u>

** This grant represents an intercompany grant from The Charter Holder to Charter #021805. This grant is eliminated in the consolidated financial statements.

Leadership Education Foundation – Arrow Academy

Leadership Education Foundation (The Charter Holder)

Supplemental Statements of Cash Flows for the years ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (276,040)	\$ (1,844)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Grants payable	<u>278,885</u>	<u> </u>
Net cash provided (used) by operating activities	<u>2,845</u>	<u>(1,844)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from collections of notes receivable	20,190	
Issuance of note receivable	<u> </u>	<u>(63,400)</u>
Net cash provided (used) by investing activities	<u>20,190</u>	<u>(63,400)</u>
NET CHANGE IN CASH	23,035	(65,244)
Cash, beginning of year	<u>581,376</u>	<u>646,620</u>
Cash, end of year	<u>\$ 604,411</u>	<u>\$ 581,376</u>

Leadership Education Foundation – Arrow Academy

Charter #021805

Schedules of Expenses for the years ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
6100 Payroll costs	\$ 4,979,586	\$ 4,537,753
6200 Professional and contracted services	2,691,791	2,242,135
6300 Supplies and materials	633,267	452,488
6400 Other operating costs	<u>246,757</u>	<u>228,179</u>
Total	<u>\$ 8,551,401</u>	<u>\$ 7,460,555</u>

Leadership Education Foundation – Arrow Academy

Charter #021805

Schedules of Capital Assets as of August 31, 2020 and 2019

		2020			
		OWNERSHIP INTEREST			
		<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>TOTAL</u>
1110	Cash		\$ 2,344,062		\$ 2,344,062
1549	Furniture and equipment	\$ 65,810	514,664	\$ 342,914	923,388
1570	Accumulated depreciation	<u>(65,810)</u>	<u>(509,079)</u>	<u>(342,914)</u>	<u>(917,803)</u>
Total		<u>\$ 0</u>	<u>\$ 2,349,647</u>	<u>\$ 0</u>	<u>\$ 2,349,647</u>

		2019			
		OWNERSHIP INTEREST			
		<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>TOTAL</u>
1110	Cash		\$ 1,630,867		\$ 1,630,867
1549	Furniture and equipment	\$ 65,810	514,664	\$ 342,914	923,388
1570	Accumulated depreciation	<u>(51,023)</u>	<u>(503,391)</u>	<u>(342,914)</u>	<u>(897,328)</u>
Total		<u>\$ 14,787</u>	<u>\$ 1,642,140</u>	<u>\$ 0</u>	<u>\$ 1,656,927</u>

Leadership Education Foundation – Arrow Academy

Charter #021805

Budgetary Comparison Schedule for the year ended August 31, 2020

		<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
		<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FROM FINAL</u>
					<u>BUDGET</u>
REVENUE:					
Local support:					
5740	Other revenue from local sources	\$ 49,640	\$ 108,283	\$ 107,695	\$ (588)
5750	Co-curriculum/enterprising	<u>875</u>	<u>581</u>	<u>581</u>	<u>0</u>
	Total local support	<u>50,515</u>	<u>108,864</u>	<u>108,276</u>	<u>(588)</u>
State program revenue:					
5810	Foundation School Program Act Revenue	6,317,946	7,842,464	7,506,007	(336,457)
5820	State program revenue distributed by Texas Education Agency	<u>99,573</u>	<u>88,011</u>	<u>145,428</u>	<u>57,417</u>
	Total state program revenue	<u>6,417,519</u>	<u>7,930,475</u>	<u>7,651,435</u>	<u>(279,040)</u>
Federal program revenue:					
5920	Federal revenue distributed by the State of Texas Education Agency	<u>907,035</u>	<u>1,441,850</u>	<u>1,391,671</u>	<u>(50,179)</u>
	Total federal program revenue	<u>907,035</u>	<u>1,441,850</u>	<u>1,391,671</u>	<u>(50,179)</u>
	Total revenue	<u>7,375,069</u>	<u>9,481,189</u>	<u>9,151,382</u>	<u>(329,807)</u>

(continued)

Leadership Education Foundation – Arrow Academy

Charter #021805

Budgetary Comparison Schedule for the year ended August 31, 2020

(continued)

		BUDGETED AMOUNTS		ACTUAL	VARIANCE
		ORIGINAL	FINAL	AMOUNTS	FROM FINAL BUDGET
EXPENSES:					
11	Instruction	3,586,240	4,596,775	4,220,415	(376,360)
13	Curriculum development and instructional staff development	527,682	754,846	635,927	(118,919)
21	Instructional leadership	99,694	115,240	110,083	(5,157)
23	School leadership	711,972	657,427	640,702	(16,725)
31	Guidance counseling and evaluation services	39,691	74,078	76,004	1,926
33	Health services	4,465	6,653	5,786	(867)
34	Student transportation	162,000	102,194	96,399	(5,795)
35	Food services	468,389	866,039	808,667	(57,372)
41	General administration	548,357	663,247	634,950	(28,297)
51	Plant maintenance and operations	1,086,230	1,287,649	1,245,099	(42,550)
52	Security		10,730	7,730	(3,000)
53	Data processing services	42,106	70,173	63,367	(6,806)
61	Community services	2,000	9,901	6,272	(3,629)
71	Debt service	200	200		(200)
	Total expenses	<u>7,279,026</u>	<u>9,215,152</u>	<u>8,551,401</u>	<u>(663,751)</u>
CHANGES IN NET ASSETS		96,043	266,037	599,981	333,944
Net assets, beginning of year		<u>1,514,193</u>	<u>1,514,193</u>	<u>1,514,193</u>	
Net assets, end of year		<u>\$ 1,610,236</u>	<u>\$ 1,780,230</u>	<u>\$ 2,114,174</u>	<u>\$ 333,944</u>

Leadership Education Foundation – Arrow Academy

Schedule of Real Property Ownership Interest for the year ended August 31, 2020

<u>DESCRIPTION</u>	<u>PROPERTY ADDRESS</u>	TOTAL ASSESSED <u>VALUE</u>	<u>OWNERSHIP INTEREST</u>		
			<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>
None					

Leadership Education Foundation – Arrow Academy

Schedule of Related Party Transactions for the year ended August 31, 2020

<u>RELATED PARTY NAME</u>	<u>NAME OF RELATION TO THE RELATED PARTY</u>	<u>RELATIONSHIP</u>	<u>TYPE OF TRANSACTION</u>	<u>DESCRIPTION OF TERMS AND CONDITIONS</u>	<u>SOURCE OF FUNDS USED</u>	<u>PAYMENT FREQUENCY</u>	<u>TOTAL PAID DURING FISCAL YEAR</u>	<u>PRINCIPAL BALANCE DUE</u>
---------------------------	--	---------------------	--------------------------------	--	---------------------------------	------------------------------	--	----------------------------------

None

Leadership Education Foundation – Arrow Academy

Schedule of Expenditures of Federal Awards for the year ended August 31, 2020

FEDERAL GRANTOR

<u>Pass-through Grantor</u>	<u>CFDA</u>	<u>Grant</u>	<u>Federal</u>
<u>Program Title & Period</u>	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>

U. S. DEPARTMENT OF AGRICULTURE

Passed through Texas Education Agency:

#1	School Breakfast Program – Child Nutrition Cluster 10/01/18 – 09/30/19	10.553	71401901	\$ 18,434
#2	School Breakfast Program – Child Nutrition Cluster 10/01/19 – 09/30/20	10.553	71402001	<u>250,362</u>
	Subtotal – CFDA #10.553			<u>268,796</u>
#3	National School Lunch Program – Child Nutrition Cluster 10/01/18 – 09/30/19	10.555	71301901	40,427
#4	National School Lunch Program – Child Nutrition Cluster 10/01/19 – 09/30/20	10.555	71302001	458,568

Passed through The Healthy Lunchbox:

#5	National School Lunch Program – Food Commodities – Child Nutrition Cluster 07/01/19 – 06/30/20	10.555	N/A	<u>24,799</u>
	Subtotal – CFDA #10.555			<u>523,794</u>

Total U. S. Department of Agriculture and Child Nutrition Cluster				<u>792,590</u>
---	--	--	--	----------------

U. S. DEPARTMENT OF EDUCATION

Passed through Texas Education Agency:

#6	Title I Grants to Local Educational Agencies, Improving Basic Programs 07/16/19 – 09/30/21	84.010	20-610101-021805	267,094
#7	Title I Grants to Local Educational Agencies, Priority and Focus School Grants 10/02/18 – 09/30/19	84.010	19-610112-021805	6,088
#8	Title I Grants to Local Educational Agencies, Priority and Focus School Grants 09/26/19 – 09/30/20	84.010	20-610141-021805	<u>82,084</u>
	Subtotal – CFDA #84.010			<u>355,266</u>

(continued)

Leadership Education Foundation – Arrow Academy

Schedule of Expenditures of Federal Awards for the year ended August 31, 2020 *(continued)*

FEDERAL GRANTOR

<u>Pass-through Grantor</u> <u>Program Title & Period</u>	<u>CFDA</u> <u>Number</u>	<u>Grant</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
--	------------------------------	-------------------------------	---------------------------------------

U. S. DEPARTMENT OF EDUCATION *(continued)*

Passed through Texas Education Agency: *(continued)*

#9 Special Education Grants to States, IDEA-B Formula 07/18/19 – 09/30/21	84.027	20-660001-021805-6600	<u>127,594</u>
Subtotal – CFDA #84.027 – Special Education Cluster			<u>127,594</u>
#10 Supporting Effective Instruction State Grants, Title II, Part A, Teacher and Principal Training and Recruiting 07/16/19 – 09/30/21	84.367	20-694501-021805	<u>23,400</u>
#11 Student Support and Academic Enrichment Program, Title IV, Part A, Subpart 1 07/16/19 – 09/30/21	84.424	20-680101-021805	<u>19,993</u>
#12 COVID-19 Education Stabilization Fund, ESSER Grant 08/20/20 – 09/30/21	84.425D	20-521001-021805	<u>37,021</u>
Total U. S. Department of Education			<u>563,274</u>
TOTAL FEDERAL AWARDS			<u>\$1,355,864</u>

See accompanying note to schedule of expenditures of federal awards.

Leadership Education Foundation – Arrow Academy

Note to Schedule of Expenditures of Federal Awards for the year ended August 31, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal expenditures include allowable costs funded by federal awards. Allowable costs are subject to the cost principles of the Uniform Guidance and include costs that are recognized in Arrow Academy's financial statements in conformity with generally accepted accounting principles. Arrow Academy has elected not to use the 10% de minimus rate for indirect costs and does not have any subrecipients.

Because the schedule presents only a selected portion of the operations of Arrow Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Arrow Academy.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of
Leadership Education Foundation – Arrow Academy:

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 Leadership Education Foundation – Arrow Academy (Arrow Academy), which comprise the statement of financial position as of August 31, 2020 and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arrow Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arrow Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Arrow Academy'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arrow Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blazek & Vetterling

January 21, 2021

**Independent Auditors' Report on Compliance for Each
Major Program and Report on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors of
Leadership Education Foundation – Arrow Academy:

Report on Compliance for Each Major Federal Program

We have audited Leadership Education Foundation – Arrow Academy's (Arrow Academy) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Arrow Academy's major federal programs for the year ended August 31, 2020. Arrow Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Arrow Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Arrow Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Arrow Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Arrow Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

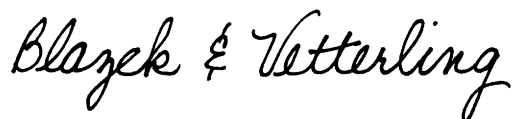
Report on Internal Control Over Compliance

Management of Arrow Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Arrow Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Arrow Academy's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Blazek & Vetterling". The script is cursive and fluid, with the ampersand clearly visible between the two names.

January 21, 2021

Leadership Education Foundation – Arrow Academy

Schedule of Findings and Questioned Costs for the year ended August 31, 2020

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: ☒ unmodified ☐ qualified ☐ adverse ☐ disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to the financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: ☒ unmodified ☐ qualified ☐ adverse ☐ disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? ☒ yes ☐ no

Section II – Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There were no findings for federal awards required to be reported in accordance with 2 CFR §200.516(a).