

**Leadership Education Foundation –
Arrow Academy**

Financial Statements
and Single Audit Reports
for the year ended August 31, 2022

Leadership Education Foundation – Arrow Academy

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LEADERSHIP EDUCATION FOUNDATION

CERTIFICATE OF BOARD

JANUARY 18, 2023

Leadership Education Foundation
Name of Charter Holder

Brazos
County

021-805
Co. Dist. Number

74-2636905
Federal EIN

We, the undersigned, certify that the attached financial and compliance report of the above-named charter holder was reviewed and (check one) ✓ approved _____ disapproved for the year ended August 31, 2022, at a meeting of the governing body of the charter holder on the 18th day of January 2023.

Carmen Maxwell

Signature of Board Secretary

David Shellenberger

Signature of Board Chairman

If the governing body of the charter holder does not approve the independent auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leadership Education Foundation – Arrow Academy (Arrow Academy), which comprise the statements of financial position as of August 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Arrow Academy as of August 31, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Arrow Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Arrow Academy's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 Arrow Academy'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 Arrow Academy'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information on pages 13-26 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 on page 30 included in the schedule of expenditures of federal awards for the year ended August 31, 2022 as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative 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.

Unaudited Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The explanation for budget variances on pages 27-28 and the schedule of real property ownership interest on page 29 are presented for purposes of additional analysis as required by the Texas Education Agency and are not a required part of the financial statements. The explanation for budget variances and the schedule of real property ownership interest have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2023 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 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 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.

Blazek & Vetterling

January 18, 2023

Leadership Education Foundation – Arrow Academy

Statements of Financial Position as of August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash	\$ 3,143,099	\$ 2,532,497
Government grants and other receivables	825,978	1,347,486
Prepaid expenses and notes receivable	<u>72,590</u>	<u>91,789</u>
Total current assets	4,041,667	3,971,772
Furniture and equipment, net (<i>Note 3</i>)	<u>21,134</u>	<u>292</u>
TOTAL ASSETS	<u>\$ 4,062,801</u>	<u>\$ 3,972,064</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 93,121	\$ 103,289
Accrued payroll expenses	287,317	357,439
Grant payable		42,025
Refundable advance	<u>24,252</u>	<u></u>
Total current liabilities	<u>404,690</u>	<u>502,753</u>
Commitments (<i>Note 8</i>)		
Net assets:		
Without donor restrictions (<i>Note 5</i>)	242,170	269,678
With donor restrictions (<i>Note 6</i>)	<u>3,415,941</u>	<u>3,199,633</u>
Total net assets	<u>3,658,111</u>	<u>3,469,311</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,062,801</u>	<u>\$ 3,972,064</u>

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statement of Activities for the year ended August 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government grants (<i>Note 7</i>)		\$ 8,620,153	\$ 8,620,153
Other revenue	\$ 44,062	748	44,810
Total revenue	44,062	8,620,901	8,664,963
Net assets released from restrictions:			
Program expenditures	8,404,593	(8,404,593)	
Total	8,448,655	216,308	8,664,963
EXPENSES:			
Program services	7,706,241		7,706,241
Management and general	769,922		769,922
Total expenses	8,476,163		8,476,163
CHANGES IN NET ASSETS	(27,508)	216,308	188,800
Net assets, beginning of year	269,678	3,199,633	3,469,311
Net assets, end of year	\$ 242,170	\$ 3,415,941	\$ 3,658,111

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statement of Activities for the year ended August 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government grants (<i>Note 7</i>)		\$ 9,991,988	\$ 9,991,988
Other revenue	<u>\$ 17,414</u>	<u>568</u>	<u>17,982</u>
Total revenue	17,414	9,992,556	10,009,970
Net assets released from restrictions:			
Program expenditures	<u>8,882,287</u>	<u>(8,882,287)</u>	<u> </u>
Total	<u>8,899,701</u>	<u>1,110,269</u>	<u>10,009,970</u>
EXPENSES:			
Program services	8,157,615		8,157,615
Management and general	<u>915,954</u>		<u>915,954</u>
Total expenses	<u>9,073,569</u>		<u>9,073,569</u>
CHANGES IN NET ASSETS	(173,868)	1,110,269	936,401
Net assets, beginning of year	<u>443,546</u>	<u>2,089,364</u>	<u>2,532,910</u>
Net assets, end of year	<u>\$ 269,678</u>	<u>\$ 3,199,633</u>	<u>\$ 3,469,311</u>

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statements of Functional Expenses for the years ended August 31, 2022 and 2021

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	2022 TOTAL EXPENSES
Salaries and employee benefits	\$ 5,088,703	\$ 289,505	\$ 5,378,208
Contracted services	506,841	299,042	805,883
Rental expense	765,547	13,591	779,138
Food services	415,580		415,580
Supplies	368,990	42,555	411,545
Maintenance and repairs	252,191		252,191
Utilities	144,726	153	144,879
Transportation	53,262		53,262
Professional fees and dues	440	43,856	44,296
Travel and training	26,540	3,221	29,761
Insurance		15,789	15,789
Grants	14,000		14,000
Depreciation	292		292
Other	69,129	62,210	131,339
Total expenses	<u>\$ 7,706,241</u>	<u>\$ 769,922</u>	<u>\$ 8,476,163</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	2021 TOTAL EXPENSES
Salaries and employee benefits	\$ 4,747,161	\$ 217,697	\$ 4,964,858
Contracted services	519,784	329,160	848,944
Rental expense	735,854	9,568	745,422
Food services	1,230,313		1,230,313
Supplies	355,559	143,772	499,331
Maintenance and repairs	191,929		191,929
Utilities	117,437		117,437
Transportation	40,935		40,935
Professional fees and dues	1,219	60,109	61,328
Travel and training	54,445	7,131	61,576
Insurance		13,477	13,477
Grants	113,100		113,100
Depreciation	5,293		5,293
Bad debt expense		48,500	48,500
Other	44,586	86,540	131,126
Total expenses	<u>\$ 8,157,615</u>	<u>\$ 915,954</u>	<u>\$ 9,073,569</u>

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statements of Cash Flows for the years ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 188,800	\$ 936,401
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	292	5,293
Bad debt expense		48,500
Changes in operating assets and liabilities:		
Government grants and other receivables	521,508	(1,091,877)
Prepaid expenses and notes receivable	(491)	16,310
Accounts payable and accrued expenses	(10,168)	(6,700)
Accrued payroll expenses	(70,122)	15,234
Grant payable	(42,025)	(233,926)
Refundable advance	<u>24,252</u>	<u>(130,231)</u>
Net cash provided (used) by operating activities	<u>612,046</u>	<u>(440,996)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	(21,134)	
Proceeds from payments for notes receivable	<u>19,690</u>	<u>25,020</u>
Net cash provided (used) by investing activities	<u>(1,444)</u>	<u>25,020</u>
NET CHANGE IN CASH	610,602	(415,976)
Cash, beginning of year	<u>2,532,497</u>	<u>2,948,473</u>
Cash, end of year	<u>\$ 3,143,099</u>	<u>\$ 2,532,497</u>

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Notes to Financial Statements for the years ended August 31, 2022 and 2021

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 2021-2022 school year located in Houston and Bryan, Texas, serving approximately 590 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. Leadership Education Foundation also provides consulting services that are outside of Arrow Academy's charter.

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 2023, 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.

Notes receivable is reported at the principal balance outstanding, net of allowance. At August 31, 2022, the note receivable balance is \$48,500 and an allowance of \$48,500 is recorded.

Allowance for uncollectible accounts – An allowance for notes receivable is provided when it is believed accounts may not be collected in full. The adequacy of the allowance at the end of each period are determined using an account-by-account analysis of note receivable balances each period.

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. Funding received before the conditions have been met is reported as refundable advances.

Other revenue primarily represents campus activity fund contributions and other general donations.

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, 2022, the grant payable is 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 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.

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 – 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>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 3,143,099	\$ 2,532,497
Government grants and other receivables	825,978	1,347,486
Notes receivable		<u>19,690</u>
Total financial assets	3,969,077	3,899,673
Less:		
Board-designated assets held for teacher training		<u>(110,950)</u>
Total financial assets available for general expenditure	<u>\$ 3,969,077</u>	<u>\$ 3,788,723</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 3 – FURNITURE AND EQUIPMENT

Furniture and equipment are comprised of the following:

	<u>2022</u>	<u>2021</u>
Furniture and equipment, at cost	\$ 944,522	\$ 923,388
Accumulated depreciation	<u>(923,388)</u>	<u>(923,096)</u>
Furniture and equipment, net	<u>\$ 21,134</u>	<u>\$ 292</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 4 – 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 2023. The management fee under the agreement is based on the number of students enrolled in Arrow Academy schools and was approximately \$485,000 for the year ended August 31, 2022 and \$546,000 for the year ended August 31, 2021.

NOTE 5 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 221,036	\$ 158,436
State ownership interest:		
Furniture and equipment, net	21,134	292
Board-designated for teacher training	<u> </u>	<u>110,950</u>
Total net assets without donor restrictions	<u>\$ 242,170</u>	<u>\$ 269,678</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
Texas School Foundation Program	\$ 3,297,446	\$ 3,103,572
Child Nutrition Program	<u>118,495</u>	<u>96,061</u>
Total net assets with donor restrictions	<u>\$ 3,415,941</u>	<u>\$ 3,199,633</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>2022</u>	<u>2021</u>
State grants:		
Texas Education Agency Foundation School Program	\$ 6,235,602	\$ 7,689,982
School Safety and Security Grant	21,134	
Instructional materials	7,170	18,094
TCLAS-GR	5,923	
Blended Learning Professional Development		11,000
Other state revenue	<u>3,368</u>	<u>2,537</u>
Total state grants	<u>6,273,197</u>	<u>7,721,613</u>
Federal grants:		
U. S. Department of Education	1,867,928	879,100
U. S. Department of Agriculture	<u>479,028</u>	<u>1,391,275</u>
Total federal grants	<u>2,346,956</u>	<u>2,270,375</u>
Total government grants	<u>\$ 8,620,153</u>	<u>\$ 9,991,988</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, 2022, Arrow Academy has approximately \$4 million of conditional 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 – LEASE COMMITMENTS

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

2023	\$ 743,978
2024	592,211
2025	379,800
2026	<u>348,150</u>
Total	<u>\$ 2,064,139</u>

Rental expense was approximately \$779,000 and \$745,000 in 2022 and 2021, respectively.

NOTE 9 – 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 2022, plan members contribute 8% of their annual covered salary; Arrow Academy contributes 7.75% for new members the first 90 days of employment, and the State of Texas contributes 7.75% thereafter. Additionally, Arrow Academy makes a 1.7% public education employer payment (formally known as non-OASDI payment) for 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 \$295,493 and \$248,152 to the plan during fiscal years 2022 and 2021, respectively. There have been no significant changes that affect the comparability of 2022 and 2021 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, 2022 and 2021 were \$207.6 billion and \$223.2 billion, respectively. Accumulated benefit obligations as of August 31, 2022 and 2021 were \$243.6 billion and \$227.3 billion, respectively. The plan was 79% funded at August 31, 2022 and 79.1% funded at August 31, 2021.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 18, 2023, 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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash	\$ 2,897,222	\$ 2,252,617
Government grants and other receivables *	838,230	1,350,205
Prepaid expenses	<u>72,590</u>	<u>72,099</u>
Total current assets	3,808,042	3,674,921
Furniture and equipment, net	<u>21,134</u>	<u>292</u>
TOTAL ASSETS	<u>\$ 3,829,176</u>	<u>\$ 3,675,213</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 93,121	\$ 103,289
Accrued payroll expenses	287,317	357,439
Refundable advance	<u>24,252</u>	<u> </u>
Total current liabilities	<u>404,690</u>	<u>460,728</u>
Net assets:		
Without donor restrictions	8,545	14,852
With donor restrictions	<u>3,415,941</u>	<u>3,199,633</u>
Total net assets	<u>3,424,486</u>	<u>3,214,485</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,829,176</u>	<u>\$ 3,675,213</u>

Leadership Education Foundation – Arrow Academy

Charter #021805

Supplemental Statements of Activities by Function for the years ended August 31, 2022 and 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS	
			<u>2022</u>	<u>2021</u>
REVENUE:				
Local support:				
5740 Other revenue from local sources *	\$ 51,125	\$ 615	\$ 51,740	\$ 20,187
5750 Co-curriculum/enterprising	<u> </u>	<u>133</u>	<u>133</u>	<u> </u>
Total local support	<u>51,125</u>	<u>748</u>	<u>51,873</u>	<u>20,187</u>
State program revenue:				
5810 Foundation School Program Act Revenue		6,235,602	6,235,602	7,689,982
5820 State program revenue distributed by Texas Education Agency		<u>37,595</u>	<u>37,595</u>	<u>31,631</u>
Total state program revenue		<u>6,273,197</u>	<u>6,273,197</u>	<u>7,721,613</u>
Federal program revenue:				
5920 Federal revenue distributed by the State of Texas Education Agency		<u>2,346,956</u>	<u>2,346,956</u>	<u>2,270,375</u>
Total federal program revenue		<u>2,346,956</u>	<u>2,346,956</u>	<u>2,270,375</u>
Net assets released from restrictions:				
Program expenditures	<u>8,404,593</u>	<u>(8,404,593)</u>		
Total revenue	<u>8,455,718</u>	<u>216,308</u>	<u>8,672,026</u>	<u>10,012,175</u>

(continued)

Leadership Education Foundation – Arrow Academy

Charter #021805

Supplemental Statements of Activities by Function for the years ended August 31, 2022 and 2021

(continued)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS	
			2022	2021
EXPENSES:				
11 Instruction	4,295,277		4,295,277	4,069,051
13 Curriculum development and instructional staff development	592,220		592,220	613,399
21 Instructional leadership	224,014		224,014	163,380
23 School leadership	661,448		661,448	632,722
31 Guidance counseling and evaluation services	120,357		120,357	98,614
33 Health services	9,050		9,050	4,897
34 Student transportation	53,262		53,262	40,935
35 Food services	482,341		482,341	1,298,320
41 General administration	541,973		541,973	599,509
51 Plant maintenance and operations	1,387,315		1,387,315	1,223,745
52 Security	6,377		6,377	2,380
53 Data processing services	63,867		63,867	164,123
61 Community services	24,524		24,524	789
Total expenses	8,462,025		8,462,025	8,911,864
CHANGES IN NET ASSETS	(6,307)	216,308	210,001	1,100,311
Net assets, beginning of year	14,852	3,199,633	3,214,485	2,114,174
Net assets, end of year	\$ 8,545	\$ 3,415,941	\$ 3,424,486	\$ 3,214,485

* Included in this amount is a grant from The Charter Holder for \$12,252 in fiscal year 2022 and \$2,719 in fiscal year 2021. The grant represents an intercompany grant from The Charter Holder to Charter #021805. This grant is eliminated in the financial statements of Leadership Education Foundation – Arrow Academy.

Leadership Education Foundation – Arrow Academy

Charter #021805

Supplemental Statements of Cash Flows for the years ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 210,001	\$ 1,100,311
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	292	5,293
Changes in operating assets and liabilities:		
Government grants and other receivables	511,975	(1,091,662)
Prepaid expenses	(491)	16,310
Accounts payable and accrued expenses	(10,168)	(6,700)
Accrued payroll expenses	(70,122)	15,234
Refundable advance	<u>24,252</u>	<u>(130,231)</u>
Net cash provided (used) by operating activities	<u>665,739</u>	<u>(91,445)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	<u>(21,134)</u>	
NET CHANGE IN CASH	644,605	(91,445)
Cash, beginning of year	<u>2,252,617</u>	<u>2,344,062</u>
Cash, end of year	<u>\$ 2,897,222</u>	<u>\$ 2,252,617</u>

Leadership Education Foundation – Arrow Academy

Leadership Education Foundation (The Charter Holder)
Supplemental Statements of Financial Position as of August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash	\$ 245,877	\$ 279,880
Notes receivable		<u>19,690</u>
Total current assets	<u>245,877</u>	<u>299,570</u>
TOTAL ASSETS	<u>\$ 245,877</u>	<u>\$ 299,570</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Grant payable **	\$ <u>12,252</u>	\$ <u>44,744</u>
Total current liabilities	<u>12,252</u>	<u>44,744</u>
Net assets without donor restrictions	<u>233,625</u>	<u>254,826</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 245,877</u>	<u>\$ 299,570</u>

Leadership Education Foundation – Arrow Academy

Leadership Education Foundation (The Charter Holder)

Supplemental Statements of Activities by Function for the years ended August 31, 2022 and 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS	
			<u>2022</u>	<u>2021</u>
REVENUE:				
Other revenue	\$ <u>5,189</u>		\$ <u>5,189</u>	\$ <u>514</u>
Total revenue	<u>5,189</u>		<u>5,189</u>	<u>514</u>
EXPENSES:				
Grant	14,000		14,000	113,100
Grant to Arrow Academy **	12,252		12,252	2,719
Bad debt expense				48,500
General administration	<u>138</u>		<u>138</u>	<u>105</u>
Total expenses	<u>26,390</u>		<u>26,390</u>	<u>164,424</u>
CHANGES IN NET ASSETS	(21,201)		(21,201)	(163,910)
Net assets, beginning of year	<u>254,826</u>		<u>254,826</u>	<u>418,736</u>
Net assets, end of year	\$ <u>233,625</u>	\$ <u>0</u>	\$ <u>233,625</u>	\$ <u>254,826</u>

** The grant of \$12,252 in fiscal year 2022 and \$2,719 in fiscal year 2022 represents an intercompany grant from The Charter Holder to Charter #021805. This grant is eliminated in the financial statements of Leadership Education Foundation – Arrow Academy.

Leadership Education Foundation – Arrow Academy

Leadership Education Foundation (The Charter Holder)

Supplemental Statements of Cash Flows for the years ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (21,201)	\$ (163,910)
Bad debt expense		48,500
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Changes in operating assets and liabilities:		
Grant payable	<u>(32,492)</u>	<u>(234,141)</u>
Net cash used by operating activities	<u>(53,693)</u>	<u>(349,551)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from collections of notes receivable	<u>19,690</u>	<u>25,020</u>
NET CHANGE IN CASH	(34,003)	(324,531)
Cash, beginning of year	<u>279,880</u>	<u>604,411</u>
Cash, end of year	<u>\$ 245,877</u>	<u>\$ 279,880</u>

Leadership Education Foundation – Arrow Academy

Charter #021805

Schedules of Expenses for the years ended August 31, 2022 and 2021

		<u>2022</u>	<u>2021</u>
6100	Payroll costs	\$ 5,378,209	\$ 4,964,858
6200	Professional and contracted services	2,452,814	3,196,648
6300	Supplies and materials	443,592	526,401
6400	Other operating costs	<u>187,410</u>	<u>223,957</u>
Total		<u>\$ 8,462,025</u>	<u>\$ 8,911,864</u>

Leadership Education Foundation – Arrow Academy

Charter #021805

Schedules of Capital Assets as of August 31, 2022 and 2021

		2022			
		OWNERSHIP INTEREST			
		<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>TOTAL</u>
1110	Cash		\$ 2,897,222		\$ 2,897,222
1539	Furniture and equipment		21,134		21,134
1549	Furniture and equipment	\$ 65,810	514,664	\$ 342,914	923,388
1570	Accumulated depreciation	<u>(65,810)</u>	<u>(514,664)</u>	<u>(342,914)</u>	<u>(923,388)</u>
Total		<u>\$ 0</u>	<u>\$ 2,918,356</u>	<u>\$ 0</u>	<u>\$ 2,918,356</u>

		2021			
		OWNERSHIP INTEREST			
		<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>TOTAL</u>
1110	Cash		\$ 2,252,617		\$ 2,252,617
1549	Furniture and equipment	\$ 65,810	514,664	\$ 342,914	923,388
1570	Accumulated depreciation	<u>(65,810)</u>	<u>(514,372)</u>	<u>(342,914)</u>	<u>(923,096)</u>
Total		<u>\$ 0</u>	<u>\$ 2,252,909</u>	<u>\$ 0</u>	<u>\$ 2,252,909</u>

Leadership Education Foundation – Arrow Academy

Charter #021805

Use of Funds Report – Select State Allotment Programs for the year ended August 31, 2022

Section A: Compensatory Education Programs	Responses
Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
Does the LEA have written policies and procedures for its state compensatory education program?	Yes
List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$741,584
List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$566,278
Section B: Bilingual Education Programs	Responses
Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
Does the LEA have written policies and procedures for its bilingual education program?	Yes
List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$38,490
List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$57,305

Leadership Education Foundation – Arrow Academy

Schedule of Related Party Transactions for the year ended August 31, 2022

<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>
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None

Leadership Education Foundation – Arrow Academy

Schedule of Related Party Compensation and Benefits for the year ended August 31, 2022

<u>RELATED PARTY NAME</u>	<u>NAME OF RELATION TO THE RELATED PARTY</u>	<u>RELATIONSHIP</u>	<u>COMPENSATION OR BENEFIT</u>	<u>PAYMENT FREQUENCY</u>	<u>DESCRIPTION</u>	<u>SOURCE OF FUNDS USED</u>	<u>TOTAL PAID DURING FISCAL YEAR</u>
None							

Leadership Education Foundation – Arrow Academy

Charter #021805

Budgetary Comparison Schedule for the year ended August 31, 2022

		<u>BUDGETED AMOUNTS</u>		<u>VARIANCE</u> <u>FROM ORIGINAL</u> <u>BUDGET</u>	<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE</u> <u>FROM FINAL</u> <u>BUDGET</u>
		<u>ORIGINAL</u>	<u>FINAL</u>			
REVENUE:						
Local support:						
5740	Other revenue from local sources	\$ 30,204	\$ 50,434	\$ 20,230 (A)	\$ 51,740	\$ 1,306
5750	Co-curriculum/enterprising	<u>582</u>	<u>582</u>	<u></u>	<u>133</u>	<u>(449)</u>
	Total local support	<u>30,786</u>	<u>51,016</u>	<u>20,230</u>	<u>51,873</u>	<u>857</u>
State program revenue:						
5810	Foundation School Program Act Revenue	7,683,189	6,156,876	(1,526,313) (B)	6,235,602	78,726
5820	State program revenue distributed by Texas Education Agency	<u>82,546</u>	<u>90,387</u>	<u>7,841</u>	<u>37,595</u>	<u>(52,792)</u>
	Total state program revenue	<u>7,765,735</u>	<u>6,247,263</u>	<u>(1,518,472)</u>	<u>6,273,197</u>	<u>25,934</u>
Federal program revenue:						
5920	Federal revenue distributed by the State of Texas Education Agency	2,801,860	2,793,348	(8,512)	2,346,956	(446,392)
5930	Federal revenue distributed by the State of Texas government agencies	<u></u>	<u>24,252</u>	<u>24,252 (C)</u>	<u></u>	<u>(24,252)</u>
	Total federal program revenue	<u>2,801,860</u>	<u>2,817,600</u>	<u>15,740</u>	<u>2,346,956</u>	<u>(470,644)</u>
	Total revenue	<u>10,598,381</u>	<u>9,115,879</u>	<u>(1,482,502)</u>	<u>8,672,026</u>	<u>(443,853)</u>

(continued)

Leadership Education Foundation – Arrow Academy

Charter #021805

Budgetary Comparison Schedule for the year ended August 31, 2022

(continued)

		BUDGETED AMOUNTS		VARIANCE FROM ORIGINAL BUDGET	ACTUAL AMOUNTS	VARIANCE FROM FINAL BUDGET
		ORIGINAL	FINAL			
EXPENSES:						
11	Instruction	5,871,444	4,807,419	(1,064,025) (D)	4,295,277	(512,142)
13	Curriculum development and instructional staff development	651,000	675,266	24,266	592,220	(83,046)
21	Instructional leadership	229,230	234,250	5,020	224,014	(10,236)
23	School leadership	651,583	673,863	22,280	661,448	(12,415)
31	Guidance counseling and evaluation services	85,851	111,668	25,817 (E)	120,357	8,689
33	Health services	7,650	9,138	1,488 (F)	9,050	(88)
34	Student transportation	51,300	53,430	2,130	53,262	(168)
35	Food services	948,352	534,549	(413,803) (G)	482,341	(52,208)
41	General administration	564,508	550,470	(14,038)	541,973	(8,497)
51	Plant maintenance and operations	1,413,779	1,386,312	(27,467)	1,387,315	1,003
52	Security	31,852	31,418	(434)	6,377	(25,041)
53	Data processing services	83,223	63,973	(19,250) (H)	63,867	(106)
61	Community services	1,800	26,334	24,534 (I)	24,524	(1,810)
71	Debt service	200	200			(200)
Total expenses		<u>10,591,772</u>	<u>9,158,290</u>	<u>(1,433,482)</u>	<u>8,462,025</u>	<u>(696,265)</u>
CHANGES IN NET ASSETS		6,609	(42,411)	(49,020)	210,001	252,412
Net assets, beginning of year		<u>3,214,485</u>	<u>3,214,485</u>		<u>3,214,485</u>	
Net assets, end of year		<u>\$ 3,221,094</u>	<u>\$ 3,172,074</u>	<u>\$ (49,020)</u>	<u>\$ 3,424,486</u>	<u>\$ 252,412</u>

Leadership Education Foundation – Arrow Academy

Charter #021805

Explanation for Budget Variances for the year ended August 31, 2022 (unaudited)

Material Budget Variances

The following is an explanation of the 10% variances from original budget to final budget reported on the Budgetary Comparison Schedule.

(A) 5740 Other Revenue from Local Sources – 67% variance, \$20,230

\$15,370 of the increase relates to donations received that were not originally budgeted for. Donations are sporadic and difficult to budget for. The remainder relates to local campus fundraising success.

(B) 5810 Foundation School Program Act Revenue – (20%) variance, (\$1,526,313)

The original budget was based off an estimated 765 students enrolled while the final budget was based off an estimated 600 students enrolled. Enrollment was lower than anticipated as Covid continued to have an impact, especially on the younger grade levels.

(C) 5930 Federal revenue distributed by the State of Texas Education Agency – 100% variance, \$24,252

Arrow Academy received a Supply Chain Assistance Grant during Spring 2022 that was not in the original budget.

(D) Function 11 –Instruction – (18%) variance, (\$1,064,025)

The original budget was based off an estimated 765 students enrolled while the final budget was based off an estimated 600 students enrolled. Staffing under FSP and ESSER funding was reduced by \$1.1 million due to the number of students being 22% lower than originally budgeted for.

(E) Function 31 – Guidance counseling and evaluation services – 30% variance, \$25,817

The number of special education students increased compared to budget requiring an additional \$23,300 funding.

(F) Function 33 – Health services – 19% variance, \$1,488

The increase in the final budget relates to higher than expected costs for hearing and vision testing. The costs were approximately \$2,000 more than expected.

(G) Function 35 – Food services – (44%) variance, (\$413,803)

The original budget was based on an estimated enrollment of 765 students versus the final budget being based on 600 students. The 22% decrease in actual enrollment reduced the amount of meals provided. Additionally, Arrow Academy included in the original budget funds allocated by the U. S. Department of Agriculture to feed non-student community members as it was uncertain when the original budget was prepared if the Covid program to provide community meals would be discontinued. Ultimately, the program was not continued and the community meals were removed from the budget.

(continued)

Leadership Education Foundation – Arrow Academy

Charter #021805

Explanation for Budget Variances for the year ended August 31, 2022 (unaudited) *(continued)*

(H) Function 53 – Data processing services – (23%) variance, (\$19,250)

Approximately \$9,500 in the budget reduction related to reduced enrollment from what was originally predicted. Additionally, Arrow Academy was able to reduce the cost of software as a service for document management by \$7,000 over the original expectation. In addition, Arrow Academy received an unexpected \$2,500 E-rate credit related to a prior year.

(I) Function 61 – Community services – 1363% variance, \$24,534

A newly created Family Engagement Specialist position was budgeted for and added in late Spring 2022.

Leadership Education Foundation – Arrow Academy

Schedule of Real Property Ownership Interest for the year ended August 31, 2022 (unaudited)

<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 Expenditures of Federal Awards for the year ended August 31, 2022

<u>FEDERAL GRANTOR</u>	<u>Assistance</u>	<u>Grant</u>	<u>Federal</u>
<u>Pass-through Grantor</u>	<u>Listing</u>	<u>Number</u>	<u>Expenditures</u>
<u>Program Title & Period</u>	<u>Number</u>		
U. S. DEPARTMENT OF AGRICULTURE			
Passed through Texas Education Agency:			
#1 School Breakfast Program – Child Nutrition Cluster			
10/01/20 – 09/30/21	10.553	71402101	\$ 20,286
#2 School Breakfast Program – Child Nutrition Cluster			
10/01/21 – 09/30/22	10.553	71402201	<u>100,512</u>
Subtotal – AL #10.553			<u>120,798</u>
#3 National School Lunch Program – Child Nutrition Cluster			
10/01/20 – 09/30/21	10.555	71302101	30,179
#4 National School Lunch Program – Child Nutrition Cluster			
10/01/21 – 09/30/22	10.555	71302201	270,395
Passed through The Healthy Lunchbox:			
#5 National School Lunch Program – Food Commodities – Child Nutrition Cluster			
07/01/21 – 06/30/22	10.555	N/A	<u>38,723</u>
Subtotal – AL #10.555			<u>339,297</u>
Total U. S. Department of Agriculture and Child Nutrition Cluster			<u>460,095</u>
U. S. DEPARTMENT OF EDUCATION			
Passed through Texas Education Agency:			
#6 Title I, Grants to Local Educational Agencies, Improving Basic Programs			
08/17/21 – 09/30/22	84.010	22-610101-021805	249,386
#7 Title I, Grants to Local Educational Agencies, Priority and Focus School Grants			
10/02/20 – 09/30/21	84.010	21-610141-021805	2,728
#8 Title I, Grants to Local Educational Agencies, Priority and Focus School Grants			
11/04/21 – 09/30/22	84.010	22-610141-021805	<u>77,899</u>
Subtotal – AL #84.010			<u>330,013</u>
#9 Special Education Grants to States – Special Education Cluster (IDEA)			
IDEA-B Formula			
08/17/21 – 09/30/22	84.027	22-660001-021805-6600	111,538
#10 Special Education Grants to States – Special Education Cluster (IDEA)			
IDEA-B Formula ARP			
08/17/21 – 09/30/22	84.027	22-535001-021805-5350	<u>31,894</u>
Subtotal – AL #84.027 – Special Education Cluster (IDEA)			<u>143,432</u>

(continued)

Leadership Education Foundation – Arrow Academy

Schedule of Expenditures of Federal Awards for the year ended August 31, 2022 *(continued)*

<u>FEDERAL GRANTOR</u> <u>Pass-through Grantor</u> <u>Program Title & Period</u>	<u>Assistance</u> <u>Listing</u> <u>Number</u>	<u>Grant</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
U. S. DEPARTMENT OF EDUCATION <i>(continued)</i>			
Passed through Texas Education Agency <i>(continued)</i> :			
#11 Supporting Effective Instruction State Grants, Title II, Part A, Teacher and Principal Training and Recruiting 08/17/21 – 09/30/22	84.367	22-694501-021805	<u>26,709</u>
Subtotal – AL #84.367			<u>26,709</u>
#12 Student Support and Academic Enrichment Program, Title IV, Part A, Subpart 1 08/17/21 – 09/30/22	84.424	22-680101-021805	<u>23,364</u>
Subtotal – AL #84.424			<u>23,364</u>
#13 COVID-19 Education Stabilization Fund Elementary and Secondary School Emergency Relief (CRRSA) 08/17/21 – 09/30/22	84.425D	21-521001-021805	<u>640,856</u>
Subtotal – AL #84.425D			<u>640,856</u>
#14 COVID-19 Education Stabilization Fund Elementary and Secondary School Emergency Relief (ARP) 08/17/21 – 09/30/22	84.425U	21-528001-021805	454,498
#15 COVID-19 Education Stabilization Fund Elementary and Secondary School Emergency Relief (TCLAS) 08/17/21 – 09/30/22	84.425U	21-528042-021805	56,689
#16 COVID-19 Education Stabilization Fund Elementary and Secondary School Emergency Relief (TCLAS High-Quality After-School) 08/17/21 – 09/30/22	84.425U	21-5280587110005	<u>186,316</u>
Subtotal – AL #84.425U			<u>697,503</u>
Subtotal – AL #84.425			<u>1,338,359</u>
Passed through Region VI Educational Service Center:			
#17 English Language Acquisition State Grants Title III, Part A – ELA SSA 07/01/21 – 09/30/22	84.365A	22-671001-236950	<u>6,051</u>
Subtotal – AL #84.365A			<u>6,051</u>
Total U. S. Department of Education			<u>1,867,928</u>
TOTAL FEDERAL AWARDS			<u>\$2,328,023</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, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedule of expenditures of federal awards (the schedule) 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, 2022 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 18, 2023.

Report on 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) 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 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. 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 or significant deficiencies may exist that were not identified.

Report on 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 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 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 18, 2023

**Independent Auditors' Report on Compliance for Each
Major Federal 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

Opinion on Each Major Federal Program

We have audited Leadership Education Foundation – Arrow Academy's (Arrow Academy) compliance with the types of compliance requirements identified as subject to audit 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, 2022. Arrow Academy's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of Arrow Academy and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Arrow Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Arrow Academy's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Arrow Academy's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Arrow Academy's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Arrow Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Arrow Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Arrow Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Blazek & Vetterling

January 18, 2023

Leadership Education Foundation – Arrow Academy

Schedule of Findings and Questioned Costs for the year ended August 31, 2022

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 program:

<u>Assistance Listing Number(s)</u>	<u>Name of Program or Cluster</u>
84.425D	COVID-19 Education Stabilization Fund – Elementary and Secondary School Emergency Relief (CRRSA)
84.425U	COVID-19 Education Stabilization Fund – Elementary and Secondary School Emergency Relief (ARP)

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).