

**Leadership Education Foundation –
Arrow Academy**

Financial Statements
and Single Audit Reports
for the year ended August 31, 2023

Leadership Education Foundation – Arrow Academy

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LEADERSHIP
education
FOUNDATION

LEADERSHIP EDUCATION FOUNDATION

CERTIFICATE OF BOARD

JANUARY 17, 2024

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, 2023, at a meeting of the governing body of the charter holder on the 17th day of January 2024.

Myrna Lopez

David Shellenberger

Signature of Board Secretary

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, 2023 and 2022, 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, 2023 and 2022, 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 14-27 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 31 included in the schedule of expenditures of federal awards for the year ended August 31, 2023 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 28-29 and the schedule of real property ownership interest on page 30 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 17, 2024 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 17, 2024

Leadership Education Foundation – Arrow Academy

Statements of Financial Position as of August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash	\$ 3,334,056	\$ 3,143,099
Government grants and other receivables	1,305,782	825,978
Prepaid expenses	<u>112,462</u>	<u>72,590</u>
Total current assets	4,752,300	4,041,667
Capital assets:		
Right-of-use assets – operating (<i>Note 5</i>)	3,343,522	
Furniture and equipment, net (<i>Note 3</i>)	<u>18,676</u>	<u>21,134</u>
Total capital assets	<u>3,362,198</u>	<u>21,134</u>
TOTAL ASSETS	<u>\$ 8,114,498</u>	<u>\$ 4,062,801</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 99,651	\$ 93,121
Accrued payroll expenses	341,057	287,317
Operating lease liabilities (<i>Note 5</i>)	652,959	
Refundable advance	<u>38,587</u>	<u>24,252</u>
Total current liabilities	1,132,254	404,690
Operating lease liabilities (<i>Note 5</i>)	<u>2,690,563</u>	
Total liabilities	<u>3,822,817</u>	<u>404,690</u>
Net assets:		
Without donor restrictions (<i>Note 6</i>)	269,215	242,170
With donor restrictions (<i>Note 7</i>)	<u>4,022,466</u>	<u>3,415,941</u>
Total net assets	<u>4,291,681</u>	<u>3,658,111</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,114,498</u>	<u>\$ 4,062,801</u>

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statement of Activities for the year ended August 31, 2023

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Government grants (<i>Note 8</i>)		\$ 9,870,339	\$ 9,870,339
Contributions	\$ 15,062	151,413	166,475
Other revenue	<u>37,906</u>	<u>4,251</u>	<u>42,157</u>
Total revenue	52,968	10,026,003	10,078,971
Net assets released from restrictions:			
Program expenditures	<u>9,419,478</u>	<u>(9,419,478)</u>	<u></u>
Total	<u>9,472,446</u>	<u>606,525</u>	<u>10,078,971</u>
EXPENSES:			
Program services	8,669,870		8,669,870
Management and general	<u>775,531</u>		<u>775,531</u>
Total expenses	<u>9,445,401</u>		<u>9,445,401</u>
CHANGES IN NET ASSETS	27,045	606,525	633,570
Net assets, beginning of year	<u>242,170</u>	<u>3,415,941</u>	<u>3,658,111</u>
Net assets, end of year	<u>\$ 269,215</u>	<u>\$ 4,022,466</u>	<u>\$ 4,291,681</u>

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statement of Activities for the year ended August 31, 2022

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

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statements of Functional Expenses for the years ended August 31, 2023 and 2022

	PROGRAM <u>SERVICES</u>	MANAGEMENT <u>AND GENERAL</u>	2023 TOTAL <u>EXPENSES</u>
Salaries and employee benefits	\$ 5,655,206	\$ 258,497	\$ 5,913,703
Contracted services	615,742	317,818	933,560
Rental expense	776,597	16,617	793,214
Food services	646,146		646,146
Supplies	391,435	25,957	417,392
Maintenance and repairs	272,459		272,459
Utilities	140,514	1,486	142,000
Transportation	66,165		66,165
Professional fees and dues		49,834	49,834
Travel and training	38,540	1,715	40,255
Insurance		18,953	18,953
Depreciation	2,772		2,772
Other	64,294	84,654	148,948
Total expenses	<u>\$ 8,669,870</u>	<u>\$ 775,531</u>	<u>\$ 9,445,401</u>

	PROGRAM <u>SERVICES</u>	MANAGEMENT <u>AND GENERAL</u>	2022 TOTAL <u>EXPENSES</u>
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
Depreciation	292		292
Grants	14,000		14,000
Other	69,129	62,210	131,339
Total expenses	<u>\$ 7,706,241</u>	<u>\$ 769,922</u>	<u>\$ 8,476,163</u>

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statements of Cash Flows for the years ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 633,570	\$ 188,800
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,772	292
Amortization of right-of-use assets	785,692	
Changes in operating assets and liabilities:		
Government grants and other receivables	(479,804)	521,508
Prepaid expenses and notes receivable	(39,872)	(491)
Accounts payable and accrued expenses	6,530	(10,168)
Accrued payroll expenses	53,740	(70,122)
Grant payable		(42,025)
Refundable advance	14,335	24,252
Lease liabilities	<u>(785,692)</u>	<u>_____</u>
Net cash provided by operating activities	<u>191,271</u>	<u>612,046</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from payments for notes receivable		19,690
Purchases of furniture and equipment	<u>(314)</u>	<u>(21,134)</u>
Net cash used by investing activities	<u>(314)</u>	<u>(1,444)</u>
NET CHANGE IN CASH		
	190,957	610,602
Cash, beginning of year	<u>3,143,099</u>	<u>2,532,497</u>
Cash, end of year	<u>\$ 3,334,056</u>	<u>\$ 3,143,099</u>

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Notes to Financial Statements for the years ended August 31, 2023 and 2022

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 2022-2023 school year located in Houston and Bryan, Texas, serving approximately 560 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 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.

Allowance for uncollectible accounts – An allowance for government grants receivables 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 government grants receivables balances each period. There is no allowance for government grants receivable at August 31, 2023 as Management believes they are fully collectible.

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.

Lease adoption elections – Certain accounting policy elections were required for the implementation of the new lease standard. Arrow Academy has made the following elections:

- *Relief package* – For leases that commenced before the effective date, Arrow Academy did not reassess 1) whether any expired or existing contracts contain leases, 2) the lease classification for any expired or existing leases, and 3) initial indirect costs for any existing leases.
- *Hindsight* – Arrow Academy did not make the practical expedient election to use hindsight in determining the lease term and in assessment impairments of Arrow Academy's right-of-use assets.
- *Lease and non-lease components* – Arrow Academy elected a practical expedient by class of underlying assets and choose whether to separate non-lease components from the lease components or account for it as a single lease component. Arrow Academy elected to not separate the lease components and the non-lease components for real estate leases and equipment rentals.

- *Short-term leases* – Arrow Academy elected to not apply the recognition requirements to short-term leases. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – Arrow Academy elected to use the risk-free discount rate when the rate implicit in a lease is not readily determinable.

Operating right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

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 furniture 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, 2023, 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.

Adoption of accounting standard – Arrow Academy adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The adoption resulted in the recognition of operating right-of-use assets, as well as operating lease liabilities totaling \$1,361,594, respectively, as of September 1, 2022.

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>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 3,334,056	\$ 3,143,099
Government grants and other receivables	<u>1,305,782</u>	<u>825,978</u>
Total financial assets available for general expenditure	<u>\$ 4,639,838</u>	<u>\$ 3,969,077</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>2023</u>	<u>2022</u>
Furniture and equipment, at cost	\$ 944,836	\$ 944,522
Accumulated depreciation	<u>(926,160)</u>	<u>(923,388)</u>
Furniture and equipment, net	<u>\$ 18,676</u>	<u>\$ 21,134</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 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 was based on the number of students enrolled in Arrow Academy schools and was approximately \$526,000 for the year ended August 31, 2023 and \$485,000 for the year ended August 31, 2022.

NOTE 5 – OPERATING LEASES

Arrow Academy leases certain buildings and office equipment in its operations that are classified as operating leases. Payments due under these lease contracts are fixed.

The operating lease cost for the year ended August 31, 2023 was \$785,692. Lease cost recognized during the year ended August 31, 2022, prior to the adoption of the new accounting standard was \$779,000.

Future payments due under operating leases as of August 31, 2023 are as follows:

2024	\$ 772,111
2025	644,860
2026	265,060
2027	265,060
2028	265,060
Thereafter	<u>1,833,331</u>
Total undiscounted present value of lease liabilities	4,045,482
Less discount to present value	<u>(701,960)</u>
Total discounted present value of lease liabilities	<u>\$ 3,343,522</u>

The weighted-average lease term is 112 months and the average risk-free discount rate is 3.23%. Two leases have option renewal clauses that allow for the extension of the lease for three additional year terms. The extension clauses are entirely at the discretion of Arrow Academy and, while Arrow Academy is reasonably certain it will exercise those options and has included them in the measurement of the right-of-use asset and lease liability. Arrow Academy could decide not to exercise those options if it is later determined not to be in the best interest of the school. If Arrow Academy determined it was not in the best interest of the school to extend these leases and allowed the leases to expire without exercising a single option term, the weighted-average lease term would be 28 months.

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 250,539	\$ 221,036
State ownership interest:		
Furniture and equipment, net	<u>18,676</u>	<u>21,134</u>
Total net assets without donor restrictions	<u>\$ 269,215</u>	<u>\$ 242,170</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Texas School Foundation Program	\$ 3,982,715	\$ 3,297,446
Child Nutrition Program	<u>39,751</u>	<u>118,495</u>
Total net assets with donor restrictions	<u><u>\$ 4,022,466</u></u>	<u><u>\$ 3,415,941</u></u>

NOTE 8 – 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>2023</u>	<u>2022</u>
State grants:		
Texas Education Agency Foundation School Program	\$ 6,801,244	\$ 6,235,602
Instructional materials	80,330	7,170
TCLAS-GR	79,244	5,923
Strong Foundations	70,000	
Learning Accelerations Support Opportunities	27,949	
Silent Panic Alert	7,619	
School Safety and Security Grant	2,590	21,134
Other state revenue	<u>1,885</u>	<u>3,368</u>
Total state grants	<u>7,070,861</u>	<u>6,273,197</u>
Federal grants:		
U. S. Department of Education	2,193,116	1,867,928
U. S. Department of Agriculture	<u>606,362</u>	<u>479,028</u>
Total federal grants	<u>2,799,478</u>	<u>2,346,956</u>
Total government grants	<u><u>\$ 9,870,339</u></u>	<u><u>\$ 8,620,153</u></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, 2023, Arrow Academy has approximately \$2.8 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 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 2023, plan members contribute 8% of their annual covered salary; Arrow Academy contributes 8.0% for new members the first 90 days of employment, and the State of Texas contributes 8% thereafter. Additionally, Arrow Academy makes a 1.8% 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 \$354,335 and \$295,493 to the plan during fiscal years 2023 and 2022, respectively. There have been no significant changes that affect the comparability of 2023 and 2022 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, 2023 and 2022 were \$213.5 billion and \$207.6 billion, respectively. Accumulated benefit obligations as of August 31, 2023 and 2022 were \$255.9 billion and \$243.6 billion, respectively. The plan was 77.5% funded at August 31, 2023 and 79% funded at August 31, 2022.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 17, 2024, 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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash	\$ 3,095,290	\$ 2,897,222
Government grants and other receivables *	1,306,813	838,230
Prepaid expenses	<u>112,462</u>	<u>72,590</u>
Total current assets	4,514,565	3,808,042
Capital assets:		
Right-of-use assets – operating	3,343,522	
Furniture and equipment, net	<u>18,676</u>	<u>21,134</u>
Total capital assets	<u>3,362,198</u>	<u>21,134</u>
TOTAL ASSETS	<u>\$ 7,876,763</u>	<u>\$ 3,829,176</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 99,651	\$ 93,121
Accrued payroll expenses	341,057	287,317
Operating lease liabilities – current portion	652,959	
Refundable advance	<u>38,587</u>	<u>24,252</u>
Total current liabilities	1,132,254	404,690
Operating lease liabilities	<u>2,690,563</u>	
Total liabilities	<u>3,822,817</u>	<u>404,690</u>
Net assets:		
Without donor restrictions	31,480	8,545
With donor restrictions	<u>4,022,466</u>	<u>3,415,941</u>
Total net assets	<u>4,053,946</u>	<u>3,424,486</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,876,763</u>	<u>\$ 3,829,176</u>

Leadership Education Foundation – Arrow Academy

Charter #021805

Supplemental Statements of Activities by Function for the years ended August 31, 2023 and 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS			
			2023	2022		
REVENUE:						
Local support:						
5740 Other revenue from local sources *	\$ 38,000	\$ 154,020	\$ 192,020	\$ 51,740		
5750 Co-curriculum/enterprising		1,644	1,644	133		
Total local support	<u>38,000</u>	<u>155,664</u>	<u>193,664</u>	<u>51,873</u>		
State program revenue:						
5810 Foundation School Program Act Revenue		6,801,244	6,801,244	6,235,602		
5820 State program revenue distributed by Texas Education Agency		269,617	269,617	37,595		
Total state program revenue	<u>7,070,861</u>	<u>7,070,861</u>	<u>7,070,861</u>	<u>6,273,197</u>		
Federal program revenue:						
5920 Federal revenue distributed by the State of Texas Education Agency		2,743,094	2,743,094	2,346,956		
5930 Federal revenue distributed by the State of Texas government agencies		56,384	56,384			
Total federal program revenue	<u>2,799,478</u>	<u>2,799,478</u>	<u>2,799,478</u>	<u>2,346,956</u>		
Net assets released from restrictions:						
Program expenditures	<u>9,419,478</u>	<u>(9,419,478)</u>				
Total revenue	<u>9,457,478</u>	<u>606,525</u>	<u>10,064,003</u>	<u>8,672,026</u>		

(continued)

Leadership Education Foundation – Arrow Academy

Charter #021805

Supplemental Statements of Activities by Function for the years ended August 31, 2023 and 2022

(continued)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS	
			2023	2022
EXPENSES:				
11 Instruction	4,678,609		4,678,609	4,295,277
13 Curriculum development and instructional staff development	905,787		905,787	592,220
21 Instructional leadership	286,687		286,687	224,014
23 School leadership	690,357		690,357	661,448
31 Guidance counseling and evaluation services	79,053		79,053	120,357
33 Health services	3,118		3,118	9,050
34 Student transportation	66,165		66,165	53,262
35 Food services	705,173		705,173	482,341
41 General administration	556,366		556,366	541,973
51 Plant maintenance and operations	1,378,096		1,378,096	1,387,315
52 Security	23,475		23,475	6,377
53 Data processing services	55,422		55,422	63,867
61 Community services	6,235		6,235	24,524
Total expenses	<u>9,434,543</u>		<u>9,434,543</u>	<u>8,462,025</u>
CHANGES IN NET ASSETS				
	22,935	606,525	629,460	210,001
Net assets, beginning of year	<u>8,545</u>	<u>3,415,941</u>	<u>3,424,486</u>	<u>3,214,485</u>
Net assets, end of year	<u><u>\$ 31,480</u></u>	<u><u>\$ 4,022,466</u></u>	<u><u>\$ 4,053,946</u></u>	<u><u>\$ 3,424,486</u></u>

* Included in this amount is a grant from The Charter Holder for \$103,306 in fiscal year 2023 and \$12,252 in fiscal year 2022. 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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 629,460	\$ 210,001
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,772	292
Amortization	785,692	
Changes in operating assets and liabilities:		
Government grants and other receivables	(468,583)	511,975
Prepaid expenses	(39,872)	(491)
Accounts payable and accrued expenses	6,530	(10,168)
Accrued payroll expenses	53,740	(70,122)
Lease liabilities	(785,692)	
Refundable advance	<u>14,335</u>	<u>24,252</u>
Net cash provided by operating activities	<u>198,382</u>	<u>665,739</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	<u>(314)</u>	<u>(21,134)</u>
NET CHANGE IN CASH	198,068	644,605
Cash, beginning of year	<u>2,897,222</u>	<u>2,252,617</u>
Cash, end of year	<u>\$ 3,095,290</u>	<u>\$ 2,897,222</u>

Leadership Education Foundation – Arrow Academy

Leadership Education Foundation (The Charter Holder)

Supplemental Statements of Financial Position as of August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash	\$ 238,766	\$ 245,877
Total current assets	<u>238,766</u>	<u>245,877</u>
TOTAL ASSETS	\$ 238,766	\$ 245,877
LIABILITIES AND NET ASSETS		
Current liabilities:		
Grant payable **	\$ 1,031	\$ 12,252
Total current liabilities	<u>1,031</u>	<u>12,252</u>
Net assets without donor restrictions	<u>237,735</u>	<u>233,625</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 238,766	\$ 245,877

Leadership Education Foundation – Arrow Academy

Leadership Education Foundation (The Charter Holder)

Supplemental Statements of Activities by Function for the years ended August 31, 2023 and 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS	
			2023	2022
REVENUE:				
Other revenue	\$ 18,274	\$ 100,000	\$ 118,274	\$ 5,189
Total revenue	<u>18,274</u>	<u>100,000</u>	<u>118,274</u>	<u>5,189</u>
EXPENSES:				
Grant				14,000
Grant to Arrow Academy **	103,306		103,306	12,252
General administration	<u>10,858</u>		<u>10,858</u>	<u>138</u>
Total expenses	<u>114,164</u>		<u>114,164</u>	<u>26,390</u>
Net assets released from restrictions:				
Program expenditures	<u>100,000</u>	<u>(100,000)</u>		
CHANGES IN NET ASSETS	4,110	0	4,110	(21,201)
Net assets, beginning of year	<u>233,625</u>		<u>233,625</u>	<u>254,826</u>
Net assets, end of year	<u>\$ 237,735</u>	<u>\$ 0</u>	<u>\$ 237,735</u>	<u>\$ 233,625</u>

** The grant of \$103,306 in fiscal year 2023 and \$12,252 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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 4,110	\$ (21,201)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Changes in operating assets and liabilities:		
Grant payable	(11,221)	(32,492)
Net cash used by operating activities	<u>(7,111)</u>	<u>(53,693)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from collections of notes receivable	19,690	
NET CHANGE IN CASH	(7,111)	(34,003)
Cash, beginning of year	245,877	279,880
Cash, end of year	<u>\$ 238,766</u>	<u>\$ 245,877</u>

Leadership Education Foundation – Arrow Academy

Charter #021805

Schedules of Expenses for the years ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
6100 Payroll costs	\$ 5,913,704	\$ 5,378,209
6200 Professional and contracted services	2,838,889	2,452,814
6300 Supplies and materials	479,876	443,592
6400 Other operating costs	<u>202,074</u>	<u>187,410</u>
Total	<u>\$ 9,434,543</u>	<u>\$ 8,462,025</u>

Leadership Education Foundation – Arrow Academy

Charter #021805

Schedules of Assets as of August 31, 2023 and 2022

2023			
OWNERSHIP INTEREST			
	<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>
1110 Cash		\$ 3,095,290	\$ 3,095,290
1539 Furniture and equipment		21,448	21,448
1549 Furniture and equipment	\$ 65,810	514,664	\$ 342,914
1570 Accumulated depreciation	<u>(65,810)</u>	<u>(517,436)</u>	<u>(342,914)</u>
Total	<u><u>\$ 0</u></u>	<u><u>\$ 3,113,966</u></u>	<u><u>\$ 0</u></u>
		<u><u>\$ 3,113,966</u></u>	

2022			
OWNERSHIP INTEREST			
	<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</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
1570 Accumulated depreciation	<u>(65,810)</u>	<u>(514,664)</u>	<u>(342,914)</u>
Total	<u><u>\$ 0</u></u>	<u><u>\$ 2,918,356</u></u>	<u><u>\$ 0</u></u>
		<u><u>\$ 2,918,356</u></u>	

Leadership Education Foundation – Arrow Academy

Charter #021805

Use of Funds Report – Select State Allotment Programs for the year ended August 31, 2023

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.	\$809,099
List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$373,544
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.	\$48,665
List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$64,044

Leadership Education Foundation – Arrow Academy

Schedule of Related Party Transactions for the year ended August 31, 2023

<u>RELATED PARTY NAME</u>	NAME OF RELATION TO THE <u>RELATED PARTY</u>	<u>RELATIONSHIP</u>	<u>TYPE OF TRANSACTION</u>	DESCRIPTION OF TERMS AND <u>CONDITIONS</u>	SOURCE OF <u>FUNDS USED</u>	PAYMENT <u>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, 2023

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

Leadership Education Foundation – Arrow Academy

Charter #021805

Budgetary Comparison Schedule for the year ended August 31, 2023

	BUDGETED AMOUNTS		VARIANCE FROM ORIGINAL BUDGET	ACTUAL AMOUNTS	VARIANCE FROM FINAL BUDGET			
	ORIGINAL	FINAL						
REVENUE:								
Local support:								
5740 Other revenue from local sources	\$ 127,515	\$ 229,495	\$ 101,980 (A)	\$ 192,020	\$ (37,475) (L)			
5750 Co-curriculum/enterprising	<u>320</u>	<u>320</u>		<u>1,644</u>	<u>1,324</u> (M)			
Total local support	<u>127,835</u>	<u>229,815</u>	<u>101,980</u>	<u>193,664</u>	<u>(36,151)</u>			
State program revenue:								
5810 Foundation School Program Act Revenue	6,302,414	6,780,289	477,875	6,801,244	20,955			
5820 State program revenue distributed by Texas Education Agency	<u>163,009</u>	<u>304,712</u>	<u>141,703</u> (B)	<u>269,617</u>	<u>(35,095)</u> (N)			
Total state program revenue	<u>6,465,423</u>	<u>7,085,001</u>	<u>619,578</u>	<u>7,070,861</u>	<u>(14,140)</u>			
Federal program revenue:								
5920 Federal revenue distributed by the State of Texas Education Agency	2,797,710	3,006,209	208,499	2,743,094	(263,115)			
5930 Federal revenue distributed by the State of Texas government agencies		<u>56,400</u>	<u>56,400</u> (C)	<u>56,384</u>	<u>(16)</u>			
Total federal program revenue	<u>2,797,710</u>	<u>3,062,609</u>	<u>264,899</u>	<u>2,799,478</u>	<u>(263,131)</u>			
Total revenue	<u>9,390,968</u>	<u>10,377,425</u>	<u>986,457</u>	<u>10,064,003</u>	<u>(313,422)</u>			

(continued)

Leadership Education Foundation – Arrow Academy

Charter #021805

Budgetary Comparison Schedule for the year ended August 31, 2023

(continued)

		BUDGETED AMOUNTS		VARIANCE FROM ORIGINAL BUDGET	ACTUAL AMOUNTS	VARIANCE FROM FINAL BUDGET
		ORIGINAL	FINAL			
EXPENSES:						
11	Instruction	4,881,852	5,260,664	378,812	4,678,610	(582,054)
13	Curriculum development and instructional staff development	885,275	1,001,379	116,104 (D)	905,787	(95,592)
21	Instructional leadership	316,493	316,636	143	286,687	(29,949)
23	School leadership	648,844	719,787	70,943 (E)	690,357	(29,430)
31	Guidance counseling and evaluation services	70,023	116,064	46,041 (F)	79,053	(37,011)
33	Health services	3,150	4,230	1,080 (G)	3,118	(1,112)
34	Student transportation	54,000	68,000	14,000 (H)	66,165	(1,835)
35	Food services	477,498	714,174	236,676 (I)	705,173	(9,001)
41	General administration	618,980	606,951	(12,029)	556,365	(50,586)
51	Plant maintenance and operations	1,367,376	1,398,860	31,484	1,378,096	(20,764)
52	Security	5,686	26,753	21,067 (J)	23,475	(3,278)
53	Data processing services	54,319	57,828	3,509	55,422	(2,406)
61	Community services	6,800	8,737	1,937 (K)	6,235	(2,502)
71	Debt service	200	200			(200)
	Total expenses	9,390,496	10,300,263	909,767	9,434,543	(865,720)
CHANGES IN NET ASSETS						
		472	77,162	76,690	629,460	552,298
	Net assets, beginning of year	3,424,486	3,424,486		3,424,486	
	Net assets, end of year	\$ 3,424,958	\$ 3,501,648	\$ 76,690	\$ 4,053,946	\$ 552,298

Leadership Education Foundation – Arrow Academy

Charter #021805

Explanation for Budget Variances for the year ended August 31, 2023 (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 – 80% variance, \$101,980

\$100,000 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) 5820 State Program Revenue – 87% variance, \$141,703

Arrow Academy received multiple state grants that were not in the original budget. The state grants include the Silent Panic Alert Technology grant, Strong Foundations grant, and Learning Acceleration Support Opportunities (LASO) grant.

(C) 5930 Federal revenue distributed by the State of Texas Government Agencies – 100% variance, \$56,400

Arrow Academy received a Supply Chain Assistance Grant during Spring 2023 that was not in the original budget.

(D) Function 13 – Curriculum and Instructional staff development – 13% variance, \$116,104

Expenses related to the state grants received during 2022-2023 were not in the original budget. Strong Foundation grant expenses of \$70,000 and LASO grant expenses of \$28,000 are included in the final budget.

(E) Function 23 – School Leadership – 11% variance, \$70,943

Approximately \$7,600 of the donations mentioned in (A) were used to support campus leadership. The community awareness budget was also increased in an effort to increase community involvement and name recognition.

(F) Function 31 – Guidance counseling and evaluation services – 66% variance, \$46,041

The number of special education students increased by 30% compared to budget requiring an additional \$15,000 in evaluation services over what was originally budgeted. A \$25,000 0.5 FTE SPED Coordinator position was also added to the budget to assist in caseload management and to perform in-house evaluations. The increase was in IDEA B funding and FSP funding.

(G) Function 33 – Health services – 34% variance, \$1,080

The increase in the final budget relates to cost to participate in the See to Succeed program. Costs were approximately \$730 more than expected.

(continued)

Leadership Education Foundation – Arrow Academy

Charter #021805

Explanation for Budget Variances for the year ended August 31, 2023 (unaudited)

(continued)

(H) Function 34 – Student Transportation – 26% variance, \$14,000

The addition of a bus route for the 2023-2024 school year required an additional \$5,000 to the budget for the August 2023 transportation costs. The original budget was based on the prior year's contracted rate. After the completion of a formal bid process, the budget was updated for the increased 2022-2023 contracted rate.

(I) Function 35 – Food services – 50% variance, \$236,677

The original budget was based on an estimated enrollment of 600 students versus the final budget being based on 680 students. The 14% increase in actual enrollment increased the amount of meals provided. The original budget was based on the prior year's contracted vended meal rate. After the completion of a formal bid process, the budget was updated for the increased 2022-2023 vended meal contracted rate. The vended meal contracted rate increased by 30% from the previous year.

Additionally, due to the increased enrollment additional cafeteria tables were needed for an additional \$14,000.

(J) Function 52 – Security and Monitoring services – 371% variance, \$21,067

Arrow Academy received a Silent Panic Alert Technology (SPAT) grant during Fall 2022 that was not in the original budget. The SPAT grant was used to purchase \$7,600 qualifying software to provide the district with the capability to use a silent panic alert system. The final budget also includes an increase of \$2,800 related to depreciation expense of school security equipment placed in service during Fall 2022 purchased with the 2019-2021 School Safety and Security Grant. The FSP budget was increased by \$7,000 for the purchase of an Emergency Management Full Suite software to support increased efforts of school safety and security.

(K) Function 61 – Community services – 28% variance, \$1,937

Additional funds were allocated to planned parent and family involvement activities during the year based on the perceived need.

The following is an explanation of the 10% variances from final budget to actual amounts reported on the Budgetary Comparison Schedule:

(L) 5740 Other Revenue from Local Sources – (16%) variance, (\$37,475)

Private funded TCLAS Decision 8A grant actual revenue was less than budgeted revenue due to securing a contracted Technical Assistance Provider for \$22,000 under the budgeted amount.

(M) 5750 Co-curriculum/enterprising – 414% variance, \$1,324

The overage relates to a greater amount of adult meals purchased than budgeted.

(N) 5820 State Program Revenue – (12%) variance, (\$35,095)

Actual revenue under budgeted revenue of \$25,000 is related to the TCLAS-GR grant. A TCLAS-GR grant funded position was budgeted for a full year but was only filled for fifty percent of the year.

Leadership Education Foundation – Arrow Academy

Schedule of Real Property Ownership Interest for the year ended August 31, 2023 (unaudited)

<u>DESCRIPTION</u>	<u>PROPERTY ADDRESS</u>	<u>TOTAL ASSESSED 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, 2023

<u>FEDERAL GRANTOR</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>Pass-through Grantor</u>			
<u>Program Title & Period</u>			

U. S. DEPARTMENT OF AGRICULTURE

Passed through Texas Education Agency:

#1	School Breakfast Program – Child Nutrition Cluster 10/01/21 – 09/30/22	10.553	71402201	\$ 18,747
#2	School Breakfast Program – Child Nutrition Cluster 10/01/22 – 09/30/23	10.553	71402301	<u>128,682</u>
	Subtotal – AL #10.553			<u>147,429</u>
#3	National School Lunch Program – Child Nutrition Cluster 10/01/21 – 09/30/22	10.555	71302201	56,638
#4	National School Lunch Program – Child Nutrition Cluster 10/01/22 – 09/30/23	10.555	71302301	385,402

Passed through Texas Department of Agriculture

#5	National School Lunch Program – Child Nutrition Cluster Supply Chain Assistance 10/01/22 – 09/30/23	10.555	806780706	56,384
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Passed through The Healthy Lunchbox:

#6	National School Lunch Program – Child Nutrition Cluster Food Commodities 07/01/22 – 06/30/23	10.555	N/A	<u>41,335</u>
	Subtotal – AL #10.555			<u>539,759</u>

Total U. S. Department of Agriculture and Child Nutrition Cluster 687,188

U. S. DEPARTMENT OF EDUCATION

Passed through Texas Education Agency:

#7	Title I, Grants to Local Educational Agencies, Improving Basic Programs 08/17/21 – 09/30/22	84.010	22-610101-021805	22,143
#8	Title I, Grants to Local Educational Agencies, Improving Basic Programs 08/16/22 – 09/30/23	84.010	23-610101-021805	204,711
#9	Title I, Grants to Local Educational Agencies, Priority and Focus School Grants 10/28/22 – 09/30/23	84.010	23-610141-021805	<u>38,066</u>
	Subtotal – AL #84.010			<u>264,920</u>

(continued)

Leadership Education Foundation – Arrow Academy

Schedule of Expenditures of Federal Awards for the year ended August 31, 2023 *(continued)*

<u>FEDERAL GRANTOR</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>Pass-through Grantor</u>			
<u>Program Title & Period</u>			

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

Passed through Texas Education Agency *(continued)*:

#10	Special Education Grants to States – Special Education Cluster (IDEA) IDEA-B Formula 08/17/21 – 09/30/22	84.027	22-660001-021805-6600	5,635
#11	Special Education Grants to States – Special Education Cluster (IDEA) IDEA-B Formula 08/05/22 – 09/30/23	84.027	23-660001-021805-6600	<u>113,150</u>
	Subtotal – AL #84.027 – Special Education Cluster (IDEA)			<u>118,785</u>
#12	Supporting Effective Instruction State Grants, Title II, Part A, Teacher and Principal Training and Recruiting 08/16/22 – 09/30/23	84.367	23-694501-021805	<u>33,814</u>
	Subtotal – AL #84.367			<u>33,814</u>
#13	Student Support and Academic Enrichment Program, Title IV, Part A, Subpart 1 08/16/22 – 09/30/23	84.424	23-680101-021805	<u>24,878</u>
	Subtotal – AL #84.424			<u>24,878</u>
#14	COVID-19 Education Stabilization Fund Elementary and Secondary School Emergency Relief (CRRSA) 10/07/21 – 09/30/23	84.425D	21-521001-021805	<u>397,356</u>
	Subtotal – AL #84.425D			<u>397,356</u>
#15	COVID-19 Education Stabilization Fund Elementary and Secondary School Emergency Relief (ARP) 07/27/21 – 09/30/24	84.425U	21-528001-021805	631,987
#16	COVID-19 Education Stabilization Fund Elementary and Secondary School Emergency Relief (TCLAS) 11/09/21 – 08/31/24	84.425U	21-528042-021805	329,456
#17	COVID-19 Education Stabilization Fund Elementary and Secondary School Emergency Relief (TCLAS High-Quality After-School) 01/27/22 – 05/31/24	84.425U	21-5280587110005	<u>387,507</u>
	Subtotal – AL #84.425U			<u>1,348,950</u>
	Subtotal – AL #84.425			<u>1,746,306</u>

(continued)

Leadership Education Foundation – Arrow Academy

Schedule of Expenditures of Federal Awards for the year ended August 31, 2023 *(continued)*

<u>FEDERAL GRANTOR</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>Pass-through Grantor</u>			
<u>Program Title & Period</u>			

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

Passed through Texas Education Agency *(continued)*:

Passed through Region VI Educational Service Center:

#18 English Language Acquisition State Grants			
Title III, Part A – ELA SSA			
07/01/22 – 09/30/23	84.365A	23-671001-236950	<u>1,495</u>
Subtotal – AL #84.365A			<u>1,495</u>
Total U. S. Department of Education			<u>2,190,198</u>
TOTAL FEDERAL AWARDS			<u>\$2,877,386</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, 2023

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 minimis 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, 2023 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 17, 2024.

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 17, 2024

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, 2023. Arrow Academy's major federal programs are 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, 2023.

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 17, 2024

Leadership Education Foundation – Arrow Academy

Schedule of Findings and Questioned Costs for the year ended August 31, 2023

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>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).