



**COMPASS ROSE**

*COMPASS ROSE EDUCATION, INC.*

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED*

*AUGUST 31, 2021*

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**COMPASS ROSE EDUCATION, INC.**  
**FEDERAL EMPLOYER IDENTIFICATION NUMBER: 47-5328736**  
**BEXAR COUNTY DISTRICT NUMBER 015-838**

**CERTIFICATE OF THE BOARD**

We, the undersigned, certify that the attached Financial and Compliance Report of Compass Rose Education, Inc. was reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2021, at a meeting of the governing body of the charter holder on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Compass Rose Education, Inc.  
San Antonio, Texas

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

We have audited the accompanying statement of financial position of Compass Rose Education, Inc. as of August 31, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compass Rose Education, Inc. as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information (consisting of the charter school financial statements, schedule of expenses, schedule of capital assets, budgetary comparison schedule and notes, and schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*) is presented for the purposes of additional analysis and is not a required part of the financial statements. The Supplementary 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 other 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 Supplementary Information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022 on our consideration of Compass Rose Education, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to 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 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 Compass Rose Education, Inc.'s internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.

January 4, 2022

**GENERAL-PURPOSE  
FINANCIAL STATEMENTS**

COMPASS ROSE EDUCATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2021 AND 2020

	2021	2020
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 5,256,684	\$ 2,418,573
Accounts Receivable:		
Texas Education Agency	802,311	109,444
Promises to Give - Current	350,000	300,000
Other	23,042	365
Prepaid Expenses	1,000	60,383
<i>Total Current Assets</i>	6,433,037	2,888,765
<i>Other Assets:</i>		
Promises to Give (Net of Current Portion)	-	200,000
Security Deposits	368,946	88,203
Property and Equipment, net	8,657,471	6,497,317
<i>Total Other Assets</i>	9,026,417	6,785,520
 <b>TOTAL ASSETS</b>	 <b>\$ 15,459,454</b>	 <b>\$ 9,674,285</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 1,136,705	\$ 3,987,845
Payroll Deductions and Withholdings	33,585	-
Accrued Wages	1,177,199	644,432
Due to Student Groups	2,317	-
Due to State	-	142,139
Unearned Grant Revenue	215,000	-
Line of Credit	-	100,000
Current Portion of Notes Payable	290,929	100,678
<i>Current Liabilities</i>	2,855,735	4,975,094
<i>Other Liabilities:</i>		
Notes Payable - Net of Current Portion	8,451,095	3,800,726
Deferred Rent	2,064,645	583,560
<i>Total Other Liabilities</i>	10,515,740	4,384,286
<i>Total Liabilities</i>	13,371,475	9,359,380
<i>Net Assets:</i>		
With Donor Restrictions	2,087,979	-
Without Donor Restrictions	-	314,905
<i>Total Net Assets</i>	2,087,979	314,905
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 15,459,454</b>	 <b>\$ 9,674,285</b>

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

COMPASS ROSE EDUCATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>REVENUE</b>			
<i>Local Revenue</i>			
Services to Other Schools	\$ 18,000	\$ -	\$ 18,000
Other Local Revenues	304,072	2,542,434	2,846,506
Enterprising Revenues	8,768	-	8,768
<i>State Program Revenues</i>			
Foundation School Program	-	12,788,075	12,788,075
Other State Programs	-	221,992	221,992
<i>Federal Program Revenues</i>			
Passed Through Texas Education Agency	-	3,501,415	3,501,415
Passed Through Other State Agencies	-	40,253	40,253
Other Federal Sources	-	6,458	6,458
	<u>330,840</u>	<u>19,100,627</u>	<u>19,431,467</u>
Net Assets Released from Restrictions	<u>17,012,648</u>	<u>(17,012,648)</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>17,343,488</u>	<u>2,087,979</u>	<u>19,431,467</u>
<b>EXPENSES</b>			
<i>Program Activities</i>			
Instruction	6,902,156	-	6,902,156
Instructional and School Leadership	2,250,213	-	2,250,213
Student Support	1,426,279	-	1,426,279
Facilities, Security and Data	4,827,767	-	4,827,767
Community Service	340,048	-	340,048
Debt Service	527,957	-	527,957
<i>Supporting Services</i>			
Administration	<u>1,383,973</u>	<u>-</u>	<u>1,383,973</u>
<b>TOTAL EXPENSES</b>	<u>17,658,393</u>	<u>-</u>	<u>17,658,393</u>
<b>CHANGE IN NET ASSETS</b>	(314,905)	2,087,979	1,773,074
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>314,905</u>	<u>-</u>	<u>314,905</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 2,087,979</u>	<u>\$ 2,087,979</u>

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

COMPASS ROSE EDUCATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>REVENUE</b>			
<i>Local Revenue</i>			
Other Local Revenues	\$ 2,549,918	\$ -	\$ 2,549,918
Foundation School Program	7,156	-	7,156
<i>State Program Revenues</i>			
Foundation School Program	-	3,361,013	3,361,013
Other State Programs	-	132,479	132,479
<i>Federal Program Revenues</i>			
Passed Through Texas Education Agency	-	649,155	649,155
Other Federal Sources	-	586,189	586,189
	<u>2,557,074</u>	<u>4,728,836</u>	<u>7,285,910</u>
Net Assets Released from Restrictions	<u>4,810,859</u>	<u>(4,810,859)</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u><u>7,367,933</u></u>	<u><u>(82,023)</u></u>	<u><u>7,285,910</u></u>
<b>EXPENSES</b>			
<i>Program Activities</i>			
Instruction	2,969,654	-	2,969,654
Instructional and School Leadership	1,327,545	-	1,327,545
Student Support	548,106	-	548,106
Facilities, Security and Data	1,210,741	-	1,210,741
Community Service	171,358	-	171,358
Debt Service	67,128	-	67,128
<i>Supporting Services</i>			
Administration	<u>871,866</u>	<u>-</u>	<u>871,866</u>
<b>TOTAL EXPENSES</b>	<u><u>7,166,398</u></u>	<u><u>-</u></u>	<u><u>7,166,398</u></u>
<b>CHANGE IN NET ASSETS</b>	201,535	(82,023)	119,512
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>113,370</u>	<u>82,023</u>	<u>195,393</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 314,905</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 314,905</u></u>

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

COMPASS ROSE EDUCATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2021

	Payroll and Benefits	Professional and Contract Services	Supplies and Materials	Other Operating Costs	Debt Service	Totals
<b>EXPENSES</b>						
<i>Program Activities</i>						
Instruction	\$ 4,987,714	\$ 450,310	\$ 1,458,742	\$ 5,390	\$ -	\$ 6,902,156
Instructional and School Leadership	2,250,213	-	-	-	-	2,250,213
Student Support	254,284	621,897	510,431	39,667	-	1,426,279
Facilities, Security and Data	535,152	3,668,707	225,842	398,066	-	4,827,767
Community Service	187,464	50,715	101,869	-	-	340,048
Debt Service	-	-	-	-	527,957	527,957
<i>Total Program Activities</i>	<u>8,214,827</u>	<u>4,791,629</u>	<u>2,296,884</u>	<u>443,123</u>	<u>527,957</u>	<u>16,274,420</u>
<i>Supporting Services</i>						
Administration	890,839	427,047	57,725	8,362	-	1,383,973
<b>TOTAL EXPENSES</b>	<u>\$9,105,666</u>	<u>\$5,218,676</u>	<u>\$2,354,609</u>	<u>\$ 451,485</u>	<u>\$ 527,957</u>	<u>\$17,658,393</u>

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

COMPASS ROSE EDUCATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2020

	Payroll and Benefits	Professional and Contract Services	Supplies and Materials	Other Operating Costs	Debt Service	Totals
<b>EXPENSES</b>						
<i>Program Activities</i>						
Instruction	\$ 1,745,421	\$ 188,318	\$ 1,014,781	\$ 21,134	\$ -	\$ 2,969,654
Instructional and School Leadership	1,299,545	28,000	-	-	-	1,327,545
Student Support	178,936	116,492	233,270	19,408	-	548,106
Facilities, Security and Data	111,086	961,231	30,147	108,277	-	1,210,741
Community Service	94,330	14,586	62,442	-	-	171,358
Debt Service	-	-	-	-	67,128	67,128
<i>Total Program Activities</i>	<u>3,429,318</u>	<u>1,308,627</u>	<u>1,340,640</u>	<u>148,819</u>	<u>67,128</u>	<u>6,294,532</u>
<i>Supporting Services</i>						
Administration	<u>626,510</u>	<u>215,814</u>	<u>12,941</u>	<u>16,601</u>	<u>-</u>	<u>871,866</u>
<b>TOTAL EXPENSES</b>	<u><u>\$4,055,828</u></u>	<u><u>\$1,524,441</u></u>	<u><u>\$1,353,581</u></u>	<u><u>\$ 165,420</u></u>	<u><u>\$ 67,128</u></u>	<u><u>\$7,166,398</u></u>

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

COMPASS ROSE EDUCATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	2021	2020
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash Received from State and Federal Grantors	\$ 15,723,187	\$ 5,052,786
Cash Received from Others	3,217,914	2,557,475
Cash Paid to Employees for Services	(8,539,314)	(3,783,497)
Payments to Vendors for Goods and Services	(5,615,922)	(2,712,722)
Interest Paid	(428,110)	(50,480)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>4,357,755</b>	<b>1,063,562</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(6,160,418)	(2,485,197)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(6,160,418)</b>	<b>(2,485,197)</b>
<b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
Issuance of Promissory Notes	4,822,451	4,310,279
Principal Payments on Notes Payable	(81,677)	-
Debt Issuance Costs Paid	-	(425,523)
Advances (Repayments) on Line of Credit	(100,000)	(110,000)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>4,640,774</b>	<b>3,774,756</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	2,838,111	2,353,121
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b>2,418,573</b>	<b>65,452</b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$ 5,256,684</b>	<b>\$ 2,418,573</b>

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

COMPASS ROSE EDUCATION, INC.  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	2021	2020
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ 1,773,074	\$ 119,512
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	377,932	91,873
Amortization of Debt Issuance Costs	99,847	16,648
(Increase) Decrease in Current Assets:		
Accounts Receivable:		
Texas Education Agency	(692,867)	181,811
Promises to Give	150,000	-
Other	(22,677)	401
Prepaid Expenses	59,383	(39,640)
Security Deposits	(280,743)	(88,203)
Increase (Decrease) in Liabilities:		
Accounts Payable	771,191	248,978
Payroll Deductions and Withholdings	33,585	(19,162)
Accrued Wages	532,767	291,493
Due to State	(142,139)	142,139
Due to Student Groups	2,317	-
Unearned Grant Revenue	215,000	-
Deferred Rent	1,481,085	117,712
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 4,357,755</b>	<b>\$ 1,063,562</b>

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

COMPASS ROSE EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

Compass Rose Education, Inc. (“Compass Rose”) is a Texas nonprofit corporation that operates an open-enrollment charter school (Compass Rose Public Schools), serving grades kindergarten through twelve in San Antonio, Austin, Manor and Bastrop, Texas. The State Board of Education of the State of Texas approved the open-enrollment charter, pursuant to Chapter 12 of the Texas Education Code (“TEC”). Compass Rose is governed by a Board of Directors comprised of three members. The Board of Directors has the authority to make decisions, appoint the chief executive officer, and has the primary accountability for the fiscal affairs of the Academy.

Compass Rose receives the majority of its funding from the Texas Education Agency based on average daily attendance in the school it operates. Since the Charter receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

*Basis of Accounting and Presentation*

The general-purpose financial statements of Compass Rose were prepared in conformity with accounting principles generally accepted in the United States. The *Financial Accounting Standards Board* is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when they are incurred.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

*Without Donor Restrictions* – net assets that are not subject to grantor or donor-imposed stipulations.

*With Donor Restrictions* – net assets subject to grantor or donor-imposed stipulations or passage of time.

*Cash and Cash Equivalents*

For financial statement purposes, Compass Rose considers all highly liquid investment instruments with an original maturity of three months or less to be cash.

*Contributions*

Compass Rose accounts for contributions as with or without donor restrictions, depending on the existence and/or nature of any stipulations as to the use of the contributions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions. Compass Rose records qualifying expenses to the most restrictive resources before consuming net assets without donor restrictions.

COMPASS ROSE EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
AUGUST 31, 2021

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

*Promises to Give*

Unconditional promises to give are recorded as receivables and contributions when the promise received. Conditional promises to give are not recorded until the conditions are met. The contribution revenue is reported in with or without donor restrictions based on the donor's stipulations for the use of the promise.

*Capital Assets*

Capital assets are defined by Compass Rose as assets with a useful life greater than one year and an individual cost of more than \$5,000. Such assets are recorded at historical cost (or fair value if donated) and are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation. Useful lives are estimated to be 3-to-5 years for vehicles, furniture and equipment. Leasehold improvements are amortized over the lesser of the life of the lease or the expected useful life.

*Operating Leases*

Leases with significant landlord incentives or escalating rent payments are expensed on the statement of activities on the straight-line basis over the life of the lease. Differences between the payments and incentives received to the straight-line expense are recorded on the statement of financial position as deferred rent.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Income Taxes*

Compass Rose Education, Inc. is a not-for-profit organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, except to the extent that it has unrelated business income. As such, no provision for income taxes has been made in the financial statements. The organizations generally are no longer subject to income tax examination by Federal authorities for years prior to August 31, 2018.

*Subsequent Events*

Subsequent events were considered through January 4, 2022, which is the date the financial statements were available to be issued.

*Functional Expenses*

Compass Rose records expenses in accordance with the Texas Education Agency's chart of accounts outlined in the Financial Accountability System Resource Guide. Indirect expenses are generally recorded as administrative expenses. Administrative expenses include the office of the superintendent, legal and accounting fees. Payroll is allocated based on job descriptions and estimates of time spent on various functions.

COMPASS ROSE EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 AUGUST 31, 2021

NOTE 2 -- CASH

As of August 31, 2021, the Organization's cash deposits exceeded the coverage provided by FDIC by \$5,006,684. These deposits would be at risk should the Organization's depository become insolvent. The Organization obtained pledged collateral from the banking institution in November 2021.

NOTE 3 -- ACCOUNTS RECEIVABLE

Accounts Receivable Texas Education Agency at August 31, 2021 consisted of the following:

	<u>2021</u>	<u>2020</u>
Texas Education Agency		
Foundation School Program	\$ 382,335	\$ -
Other State Allotments	90,539	-
Federal Reimbursement Grants	277,254	19,055
National School Breakfast and Lunch	<u>52,183</u>	<u>90,389</u>
Total Accounts Receivable	<u>\$ 802,311</u>	<u>\$ 109,444</u>

As of August 31, 2020, the Organization received Foundation School Programs payments in excess of the calculated funding based on enrollment and other factors. This excess was reported as Due to State on the statement of financial position in the amount of \$142,139.

NOTE 4 -- PROMISES TO GIVE

Promises to give at August 31, 2021 consisted of one unconditional promise from a charitable foundation \$350,000 each to be received in the 2022 fiscal year. Promises to give at August 31, 2020 consisted of one unconditional promise to give from a charitable foundation to be paid in two installments: \$300,000 June 2021 and \$200,000 June 2022. The latter payment was made early in June 2021.

In addition, Compass Rose received conditional promises to give of \$6,281,000 and \$1,250,000 as of August 31, 2021 and 2020, respectively. These grants will be received and recognized over the next four fiscal years as the conditions are met.

NOTE 5 -- CAPITAL ASSETS

Capital assets at August 31, 2021 were as follows:

	<u>2021</u>	<u>2020</u>
Leasehold Improvements	\$ 8,903,840	\$ 6,399,949
Vehicles and Equipment	<u>298,063</u>	<u>263,868</u>
Total Property and Equipment	9,201,903	6,663,817
Less: Accumulated Depreciation	<u>(544,432)</u>	<u>(166,500)</u>
Property and Equipment - Net	<u>\$ 8,657,471</u>	<u>\$ 6,497,317</u>

Capital assets acquired with public funds received by Compass Rose for the operation of the open-enrollment charter schools constitute public property pursuant to Charter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets. Depreciation expense was \$377,932 and \$91,873 for the years ended August 31, 2021 and 2020, respectively. These capital assets have been pledged as security for the Organization's promissory notes.

COMPASS ROSE EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
AUGUST 31, 2021

NOTE 6 -- LINE OF CREDIT

In May 2019, Compass Rose signed a line of credit agreement with a local bank for a total credit line of \$250,000. The agreement was amended in February 2020 to reduce the amount available to \$150,000 and to make it unsecured. The agreement matures February 28, 2022 and requires interest only payments at the greater of 7% or the Wall Street Journal Prime Rate plus 1.5% (set to 7% as of August 31, 2021 and 2020).

NOTE 7 -- NOTES PAYABLE

The following summarizes the Organization's outstanding promissory notes:

	<u>Interest Rate</u>	<u>Original Principal</u>	<u>Outstanding August 31, 2021</u>	<u>Due in One Year</u>
Loan Secured by Technology. Monthly Payments of \$7,622 until maturity November 2022.	6.0%	\$ 181,015	\$ 111,337	\$ 87,114
Loan Secured by Leasehold Improvements. Semi-annual interest only Payments until maturity October 2021.	6.0%	152,979	152,979	152,979
Loan Secured by Leasehold Improvements. Interest only payments through March 2022 then monthly payments of \$8,979 to maturity March 2026 with a balloon payment.	5.25%	1,626,000	1,626,000	9,407
Loan Secured by Leasehold Improvements. Interest only payments through March 2022 then monthly payments of \$1,657 to maturity March 2026 with a balloon payment.	5.25%	300,000	300,000	1,736
Loan Secured by Leasehold Improvements. Interest only payments through March 2022 then monthly payments of \$37,885 to maturity March 2026 with a balloon payment.	5.25%	6,860,736	6,860,736	39,693
Unamortized Debt Issuance Costs		(425,523)	(309,028)	-
			<u>\$ 8,742,024</u>	<u>\$ 290,929</u>

Future debt service on these notes is as follows:

Year Ending August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 290,929	\$ 467,885	\$ 758,814
2023	150,856	455,876	606,732
2024	133,442	448,805	582,247
2025	140,619	441,629	582,248
2026	8,335,206	254,150	8,589,356
	<u>\$ 9,051,052</u>	<u>\$ 2,068,345</u>	<u>\$ 11,119,397</u>

COMPASS ROSE EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 AUGUST 31, 2021

NOTE 8 -- PAYCHECK PROTECTION PROGRAM

During the year ending August 31, 2020, the Organization obtained a forgivable loan through the Paycheck Protection Program in the amount of \$495,800. The Organization elected to account for this as a conditional grant and record this as federal grant revenue. The requirements were met for forgiveness, which was officially received November 2, 2020.

NOTE 9 -- LEASES

As of August 31, 2021, Compass Rose had four active leases for four school sites from third parties. The lease agreements vary in length from 10 to 31 years, with the longest one terminating in 2051. The leases include improvement incentives and rent abatements in the early years. Rental expense for the years ending August 31, 2021 and 2020 were \$1,640,739 and \$390,705, respectively. Future minimum lease payments and rent expense as of August 31, 2021 are as follows:

Year Ending August 31,	Future Minimum Lease Payments	Rent Expense
2022	\$ 2,468,168	\$ 4,535,368
2023	3,180,215	4,535,368
2024	3,998,846	4,535,368
2025	4,077,380	4,535,368
2026	4,243,928	4,535,368
2027-2031	20,242,716	21,374,755
2032-2036	20,742,410	20,039,517
2037-2041	18,108,465	16,268,911
2042-2046	20,113,048	15,945,243
2047-2051	6,660,442	5,465,711

NOTE 10 -- NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following purpose restrictions:

	8/31/21	8/31/20
Foundation School Program	\$ 1,245,343	\$ -
Charter School Operations	347,633	-
West San Antonio Campus	141,039	-
Austin Campus	315,570	-
Outdoor Learning Center	34,687	-
Other Purpose Restrictions	3,707	-
Total Net Assets with Donor Restrictions	\$ 2,087,979	\$ -

COMPASS ROSE EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
AUGUST 31, 2021

NOTE 10 -- NET ASSETS WITH DONOR RESTRICTIONS (CONT.)

The following purpose restrictions were met and released during the years ending August 31 as follows:

	<u>2021</u>	<u>2020</u>
Expended for Charter Operations	\$ 11,195,100	\$ 3,361,013
ESSER	1,822,851	89,452
West San Antonio Campus	1,337,961	-
Every Student Succeeds Act	727,634	220,100
Austin Campuses	684,430	-
National School Lunch Program	499,487	242,699
IDEA-B Special Education	263,827	161,770
Other Federal Programs	234,326	29,328
Other State Programs	221,992	132,479
Outdoor Learning Center	15,313	-
Disaster Relief	9,727	-
Paycheck Protection Program	-	495,800
Innovative School Fellows	-	78,218
Total Released from Restriction	<u>\$ 17,012,648</u>	<u>\$ 4,810,859</u>

NOTE 11 -- PENSION PLAN OBLIGATION

The charter school contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the charter school, but are the liability of the State of Texas. Charters are legally separate entities from the State and there is no withdrawal penalty for leaving TRS. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications Heading.

The plan financial statements for the year ending August 31, 2020 reported a plan net position of \$165 billion with a total pension liability of \$218 billion. Net position of the plan represented 76% of the total pension liability.

COMPASS ROSE EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
AUGUST 31, 2021

NOTE 11 -- PENSION PLAN OBLIGATION (CONT.)

Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. The following table presents contribution rates and amounts:

<u>Year Ending August 31,</u>	<u>Member</u>	<u>State</u>	<u>Employer</u>
<i>Rates</i>			
2021	7.70%	7.50%	1.50%
2020	7.70%	7.50%	1.50%
<i>Amounts</i>			
2021	\$568,323	\$553,561	\$382,757
2020	\$254,568	\$247,956	\$193,497

The Organization is also required to contribute in certain circumstances such as salaries funded through private and federal grants, new members, and salaries above the statutory minimums.

NOTE 12 -- RETIREE HEALTH PLAN

TRS also offers retiree health insurance, called TRS-Care, a cost-sharing multiple-employer defined benefit postemployment health care plan. Qualified retirees (and their dependents) receive health insurance paid for by the plan. The statutory authority for the program is Texas Insurance Code, Chapter 1575. The State, employees and employers contribute a portion of covered payroll.

The plan financial statements for the year ending August 31, 2020 reported a plan net position of \$2.0 billion with a total other postemployment benefit liability of \$40 billion. Net position of the plan represented 5% of the total other postemployment benefit liability.

Contribution requirements are not actuarially determined but are established each biennium by the Texas State Legislature. Contribution rates and amounts were as follows:

<u>Year Ending August 31,</u>	<u>Member</u>	<u>State</u>	<u>Employer</u>
<i>Rates</i>			
2021	0.65%	1.25%	0.75%
2020	0.65%	1.25%	0.75%
<i>Amounts</i>			
2021	\$ 47,976	\$ 92,262	\$ 64,571
2020	\$ 21,489	\$ 41,325	\$ 33,731

The Organization is required to contribute 0.75% of all covered salaries. Additional contributions are required for salaries funded through certain private and federal grants.

COMPASS ROSE EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 AUGUST 31, 2021

NOTE 13 -- HEALTH CARE COVERAGE

During the year ended August 31, 2021, the employees of Compass Rose Education, Inc. were covered by a Health Insurance Plan (the Plan). The Charter contributes an amount per month per employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers.

NOTE 14 -- LIQUIDITY AND AVAILABILITY

Compass Rose is substantially supported by the State of Texas Foundation School Program (FSP) which is based on student enrollment. Most of the private philanthropy received is without restriction or may be used for planned operating costs in the next fiscal year. Thus, all of the net assets reported on the Statement of Financial Position (\$2.1 million) are available to fund the operations of the Organization. The Organization has access to a line of credit for \$150,000. In addition, an initial FSP allotment of \$16.7 million will be available to fund the 2022 fiscal year.

NOTE 15 -- COMMITMENTS AND CONTINGENCIES

*Grantors*

Compass Rose receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. Should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

*Commitments*

Compass Rose has signed an additional lease for a school site and expanded the scope of an existing lease. The new lease and expansion are expected to commence in August 2022. Future lease payments are expected to be as follows:

Year Ending August 31,	Future Minimum Lease Payments
2022	\$ 154,700
2023	2,087,096
2024	3,401,136
2025	3,675,741
2026	3,767,635
2027-2031	20,954,539
2032-2036	23,694,209
2037-2041	14,017,640
2042-2046	12,807,586

COMPASS ROSE EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 AUGUST 31, 2021

NOTE 15 -- COMMITMENTS AND CONTINGENCIES (CONT.)

*Concentrations*

All state and federal grant resources for the years ending August 31, 2021 and 2020 were received because of the open enrollment charter school authorized by the State of Texas. These revenues would cease should the charter be revoked.

NOTE 16 -- LITIGATION

Management is unaware of any pending or threatened litigation that would result in any significant financial impact.

NOTE 17 -- SUBSEQUENT EVENT

In December, 2021, the Compass Rose signed another lease for a campus in Bastrop. The lease is for ten years through June 30, 2032 and requires monthly payments. Compass Rose has a 60 day financing contingency period with which to cancel the lease if financing for improvements is not obtained. This period was still open as of the date of this report. Assuming this contingency is not exercised, future minimum lease payments are as follows:

Year Ending August 31,	Future Minimum Lease Payments
2022	\$ 60,168
2023	400,119
2024	601,683
2025	634,776
2026	652,826
2027-2031	3,805,647
2032	722,020

**SUPPLEMENTARY INFORMATION**

COMPASS ROSE PUBLIC SCHOOLS  
 CHARTER SCHOOL STATEMENT OF NET POSITION  
 AUGUST 31, 2021

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$ 5,041,356
Accounts Receivable:	
Texas Education Agency	802,311
Other	23,042
Prepaid Expenses	1,000
<i>Total Current Assets</i>	5,867,709

*Other Assets:*

Security Deposits	98,946
Furniture and Equipment	298,063
Leasehold Improvements	8,903,840
Accumulated Depreciation	(544,432)
<i>Total Other Assets</i>	8,756,417

**TOTAL ASSETS** \$ 14,624,126

**LIABILITIES AND NET ASSETS**

*Current Liabilities:*

Accounts Payable	\$ 1,136,705
Payroll Deductions and Withholdings	33,514
Accrued Wages	1,177,199
Due to Student Groups	2,317
Current Portion of Notes Payable	290,929
<i>Current Liabilities</i>	2,640,664

*Other Liabilities:*

Notes Payable - Net of Current Portion	8,451,095
Deferred Rent	1,935,683
<i>Total Other Liabilities</i>	10,386,778
<i>Total Liabilities</i>	13,027,442

*Net Assets:*

With Donor Restrictions	1,249,051
Without Donor Restrictions	347,633
<i>Total Net Assets</i>	1,596,684

**TOTAL LIABILITIES AND NET ASSETS** \$ 14,624,126

COMPASS ROSE PUBLIC SCHOOLS  
CHARTER SCHOOL STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>REVENUE</b>			
<i>Local Revenue</i>			
5720 Services to Other Schools	\$ 18,000	\$ -	\$ 18,000
5740 Other Local Revenues	8,240	13,434	21,674
5750 Enterprising Revenues	8,768	-	8,768
<i>State Program Revenues</i>			
5810 Foundation School Program	-	12,788,075	12,788,075
5820 Other State Programs	-	221,992	221,992
<i>Federal Program Revenues</i>			
5920 Passed Through Texas Education Agency	-	3,501,415	3,501,415
5930 Passed Through Other State Agencies	-	40,253	40,253
5940 Direct Federal Programs	-	6,458	6,458
	<u>35,008</u>	<u>16,571,627</u>	<u>16,606,635</u>
Net Assets Released from Restrictions	<u>15,322,576</u>	<u>(15,322,576)</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u><u>15,357,584</u></u>	<u><u>1,249,051</u></u>	<u><u>16,606,635</u></u>
<b>EXPENSES</b>			
11 Instruction	5,858,821	-	5,858,821
13 Curriculum Development and Instructional Student Development	668,477	-	668,477
21 Instructional Leadership	4,809	-	4,809
23 School Leadership	2,054,991	-	2,054,991
31 Guidance and Counseling	78,608	-	78,608
32 Social Work Services	12,069	-	12,069
33 Health Services	160,285	-	160,285
34 Student Transportation	622,283	-	622,283
35 Food Services	519,092	-	519,092
36 Extracurricular Activities	33,942	-	33,942
41 General Administration	878,325	-	878,325
51 Plant Maintenance	3,406,505	-	3,406,505
52 Security and Monitoring	7,202	-	7,202
53 Data Processing	304,026	-	304,026
61 Community Service	187,464	-	187,464
71 Debt Service	527,957	-	527,957
<b>TOTAL EXPENSES</b>	<u><u>15,324,856</u></u>	<u><u>-</u></u>	<u><u>15,324,856</u></u>
<b>CHANGE IN NET ASSETS</b>	32,728	1,249,051	1,281,779
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>314,905</u>	<u>-</u>	<u>314,905</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 347,633</u></u>	<u><u>\$ 1,249,051</u></u>	<u><u>\$ 1,596,684</u></u>

See Independent Auditor's Report.

COMPASS ROSE PUBLIC SCHOOLS  
 CHARTER SCHOOL STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED AUGUST 31, 2021

<b>CASH FLOWS PROVIDED (USED) BY</b>	
<b>OPERATING ACTIVITIES</b>	
Cash Received from State and Federal Grantors	\$ 15,723,187
Cash Received from Others	528,082
Cash Paid to Employees for Services	(8,335,637)
Payments to Vendors for Goods and Services	(3,345,095)
Interest Paid	<u>(428,110)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>4,142,427</u>
<b>CASH FLOWS PROVIDED (USED) BY</b>	
<b>INVESTING ACTIVITIES</b>	
Purchase of Property and Equipment	<u>(6,160,417)</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>(6,160,417)</u>
<b>CASH FLOWS PROVIDED (USED) BY</b>	
<b>FINANCING ACTIVITIES</b>	
Issuance of Promissory Notes	4,822,450
Principal Payments on Notes Payable	(81,677)
Advances (Repayments) on Line of Credit	<u>(100,000)</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>4,640,773</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 2,622,783
 <b>BEGINNING CASH AND CASH EQUIVALENTS</b>	 <u>2,418,573</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 5,041,356</u></u>

COMPASS ROSE PUBLIC SCHOOLS  
 CHARTER SCHOOL STATEMENT OF CASH FLOWS (CONT.)  
 FOR THE YEAR ENDED AUGUST 31, 2021

<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Increase (Decrease) in Net Assets	\$ 1,281,779
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	377,932
Amortization of Debt Issuance Costs	99,847
(Increase) Decrease in Current Assets:	
Accounts Receivable:	
Texas Education Agency	(692,867)
Promises to Give	500,000
Other	(22,677)
Prepaid Expenses	59,383
Security Deposits	(10,743)
Increase (Decrease) in Liabilities:	
Accounts Payable	771,191
Payroll Deductions and Withholdings	33,514
Accrued Wages	532,767
Due to Student Groups	2,317
Due to State	(142,139)
Deferred Rent	1,352,123
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u>\$ 4,142,427</u></b>

COMPASS ROSE PUBLIC SCHOOLS  
 CHARTER SCHOOL BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2021

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUE</b>				
<i>Local Revenues</i>				
5720 Services to Other Schools	\$ -	\$ -	\$ 18,000	\$ 18,000
5740 Other Local Revenues	1,000,000	-	21,674	21,674
5750 Enterprising Revenues	-	-	8,768	8,768
<i>State Program Revenues</i>				
5810 Foundation School Program	12,650,000	12,700,000	12,788,075	88,075
5820 Other State Programs	-	142,000	221,992	79,992
<i>Federal Program Revenues</i>				
5920 Passed Through Texas Education Agency	1,250,000	3,693,000	3,501,415	(191,585)
5930 Passed Through Other State Agencies	-	10,000	40,253	30,253
5940 Other Federal Sources	-	-	6,458	6,458
<b>TOTAL REVENUE</b>	<u>14,900,000</u>	<u>16,545,000</u>	<u>16,606,635</u>	<u>61,635</u>
<b>EXPENSES</b>				
11 Instruction	5,250,000	5,799,500	5,858,821	(59,321)
13 Curriculum Development and Instructional Student Development	665,000	675,500	668,477	7,023
21 Instructional Leadership	-	5,000	4,809	191
23 School Leadership	2,175,000	2,010,000	2,054,991	(44,991)
31 Guidance and Counseling	80,000	80,000	78,608	1,392
32 Social Work Services	10,000	2,500	12,069	(9,569)
33 Health Services	150,000	160,000	160,285	(285)
34 Student Transportation	450,000	555,000	622,283	(67,283)
35 Food Services	940,000	529,000	519,092	9,908
36 Extracurricular Activities	55,000	25,000	33,942	(8,942)
41 General Administration	1,565,000	986,000	878,325	107,675
51 Plant Maintenance	2,845,000	3,450,800	3,406,505	44,295
52 Security	-	6,700	7,202	(502)
53 Data Processing Services	215,000	304,000	304,026	(26)
61 Community Service	300,000	173,000	187,464	(14,464)
71 Debt Service	-	330,000	527,957	(197,957)
<b>TOTAL EXPENSES</b>	<u>14,700,000</u>	<u>15,092,000</u>	<u>15,324,856</u>	<u>(232,856)</u>
<b>CHANGE IN NET ASSETS</b>	200,000	1,453,000	1,281,779	(171,221)
<b>BEGINNING NET ASSETS</b>	314,905	314,905	314,905	-
<b>ENDING NET ASSETS</b>	<u>\$ 514,905</u>	<u>\$ 1,767,905</u>	<u>\$ 1,596,684</u>	<u>\$ (171,221)</u>

See Independent Auditor's Report.

COMPASS ROSE PUBLIC SCHOOLS  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2021

BUDGETARY DIFFERENCES

Texas Education Agency requires explanations and corrective actions for any functional expenses that exceed the budget by more than 10%. The following functions met this threshold for the fiscal year ending August 31, 2021:

34 Student Transportation – The budget focused on transportation costs for the 20-21 school year. The transportation expenses for the first month of the 21-22 school year (final month of the fiscal year) are challenging to accurately predict in light of enrollment and bus ridership fluctuations as the new school year approaches and begins. The final month of the fiscal year represents the first month of operation with two additional campuses and 60% growth in student enrollment. Bus ridership also proves more difficult to accurately anticipate during the COVID-19 pandemic.

71 Debt Service – The school drew down debt balances faster than anticipated and the budget did not anticipate the amortization of prior issuance costs.

Compass Rose is committed to reviewing and improving its budget processes so that the budget-to-actual variances will be minimized in future years despite being in a stage of rapid growth.

COMPASS ROSE PUBLIC SCHOOLS  
SCHEDULE OF EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2021

**EXPENSES**

6100 Payroll	\$ 8,901,918
6200 Professional and Contracted Services	3,483,753
6300 Supplies and Materials	1,968,106
6400 Other Operating Costs	443,122
6500 Debt Service	<u>527,957</u>
Total Expenses	<u>\$ 15,324,856</u>

COMPASS ROSE PUBLIC SCHOOLS  
 SCHEDULE OF CAPITAL ASSETS  
 AUGUST 31, 2021

	<u>Local</u>	<u>State</u>	<u>Federal</u>
1110 Cash	\$ 256,042	\$ 4,785,314	\$ -
1510 Land and Improvements	-	-	-
1520 Leasehold Improvements	-	8,903,840	-
1531 Vehicles	-	54,696	-
1539 Furniture and Equipment	-	152,978	90,389
Total Property and Equipment	<u>\$ 256,042</u>	<u>\$ 13,896,828</u>	<u>\$ 90,389</u>

COMPASS ROSE PUBLIC SCHOOLS  
SCHEDULE OF REAL PROPERTY OWNERSHIP INTERESTS  
AUGUST 31, 2021

Not Applicable

COMPASS ROSE PUBLIC SCHOOLS  
SCHEDULE OF RELATED PARTY TRANSACTIONS  
AUGUST 31, 2021

Not Applicable

COMPASS ROSE PUBLIC SCHOOLS  
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS  
AUGUST 31, 2021

Not Applicable

**COMPLIANCE AND  
INTERNAL CONTROL**



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Compass Rose Education, Inc. (Compass Rose)  
San Antonio, Texas

We have audited 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, the combined financial statements of Compass Rose, which comprise the statement of financial position as of August 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 4, 2022.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Compass Rose's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Compass Rose's internal control. Accordingly, we do not express an opinion on the effectiveness of Compass Rose'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 may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Compass Rose Education, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management in a separate letter dated January 4, 2022.

## **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.



Armstrong, Vaughan & Associates, P.C.

January 4, 2022



INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Directors  
Compass Rose Education, Inc.  
San Antonio, TX

**Report on Compliance for Each Major Federal Program**

We have audited Compass Rose Education, Inc.'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021. Compass Rose Education, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

***Auditor's Responsibility***

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

We believe that our compliance audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Compass Rose Education, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Compass Rose Education, Inc. 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, 2021.

### **Report on Internal Control over Compliance**

The management of Compass Rose Education, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Compass Rose Education, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Compass Rose Education, Inc.'s internal control over compliance.

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

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

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

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

January 4, 2022

COMPASS ROSE EDUCATION, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Any material weaknesses identified?  Yes  No

Any significant deficiencies identified?  Yes  No

Noncompliance material to financial Statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

Any material weaknesses identified?  Yes  No

Any significant deficiencies identified?  Yes  No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D, 84.425U	Elementary and Secondary School Emergency Relief

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

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. Prior Audit Findings Related to Federal Awards

NONE

COMPASS ROSE PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Texas Education Agency</i>			
Title I Part A	84.010A	21610101015838	\$ 727,634
IDEA B Formula*	84.027A	216600010158386000	222,378
IDEA B Formula - High Cost*	84.027A	66002106	41,449
Elementary and Secondary School Emergency Relief	84.425D	20521001015838	497,018
ARPA Elementary and Secondary School Emergency Relief	84.425U	21528001015838	1,425,133
Title IV Part A Subpart 1	84.424A	21680101015838	13,121
Title II Part A	84.367A	21694501015838	66,176
<i>Total Passed Through Texas Education Agency</i>			<u>2,992,909</u>
<i>Passed Through Education Service Center - Region 20</i>			
Carl Perkins - SSA	84.048A	21420006015950	19,316
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,012,225</u>
U.S. DEPARTMENT OF TREASURY			
<i>Passed Through Texas Division of Emergency Management</i>			
Corona Virus Relief	21.019		26,871
TOTAL U.S. DEPARTMENT OF TREASURY			<u>26,871</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Department of Agriculture</i>			
School Breakfast Program*	10.553	71402101	174,229
National School Lunch Program*	10.555	71302101	318,801
National School Lunch Program - Equipment*	10.579	71302101	6,458
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>499,488</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,538,584</u>

*\*Indicates cluster program under OMB Compliance Supplement.*

Cluster Totals

Child Nutrition	499,488
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Program Totals

Elementary and Secondary School Emergency Relief	84.425	1,922,151
IDEA-B Formula	84.027A	263,827

COMPASS ROSE EDUCATION, INC.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2021

For all Federal programs, Compass Rose follows generally accepted accounting principles. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenue until earned. Once costs are incurred on reimbursement grants, a receivable from the granting agency is recorded. Grant revenues are also considered earned upon the purchase of a capital asset.

Compass Rose does not charge indirect costs and has not elected to use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.

Total Federal Revenue Reported on Statement of Activities	\$3,548,126
School Health and Related Services	<u>(9,542)</u>
Total Expenditures of Federal Awards	<u>\$3,538,584</u>