



**COMPASS ROSE**

*COMPASS ROSE EDUCATION, INC.*

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED*

*AUGUST 31, 2022*

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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, 2022, 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 Audit of the Financial Statements**

We have audited the financial statements of Compass Rose Education, Inc., which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses and 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 Compass Rose Education, Inc. as of August 31, 2022 and 2021, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Compass Rose Education, Inc. 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 Compass Rose Education, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

## ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Compass Rose Education, Inc.'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 Compass Rose Education, Inc.'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. The Supplementary Information (as listed in the table of contents), 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*) are 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 18, 2023 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 18, 2023

**GENERAL-PURPOSE  
FINANCIAL STATEMENTS**

COMPASS ROSE EDUCATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2022 AND 2021

	2022	2021
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 9,054,991	\$ 5,256,684
Restricted Cash - Debt Service	251,772	-
Accounts Receivable:		
Texas Education Agency	2,535,494	802,311
Promises to Give - Current	-	350,000
Other	14,214	23,042
Prepaid Expenses	148,432	1,000
<i>Total Current Assets</i>	12,004,903	6,433,037
 <i>Other Assets:</i>		
Security Deposits	517,028	368,946
Restricted Cash - Construction	20,745,495	-
Property and Equipment, net	14,692,376	8,657,471
<i>Total Other Assets</i>	35,954,899	9,026,417
 <b>TOTAL ASSETS</b>	<b>\$ 47,959,802</b>	<b>\$ 15,459,454</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 4,106,414	\$ 1,136,705
Payroll Deductions and Withholdings	77,892	33,585
Accrued Wages	1,512,393	1,177,199
Accrued Interest	136,545	-
Due to Student Groups	-	2,317
Unearned Grant Revenue	382,831	215,000
Current Portion of Deferred Rent	163,413	-
Current Portion of Notes Payable	531,049	290,929
<i>Current Liabilities</i>	6,910,537	2,855,735
 <i>Long-Term Liabilities:</i>		
Notes Payable - Net of Current Portion	33,553,420	8,760,123
Unamortized Debt Issuance Costs	(921,221)	(309,028)
Deferred Rent - Net of Current Portion	6,182,824	2,064,645
<i>Total Long-Term Liabilities</i>	38,815,023	10,515,740
<i>Total Liabilities</i>	45,725,560	13,371,475
 <i>Net Assets:</i>		
With Donor Restrictions	2,160,164	2,087,979
Without Donor Restrictions	74,078	-
<i>Total Net Assets</i>	2,234,242	2,087,979
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 47,959,802</b>	<b>\$ 15,459,454</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>REVENUE</b>			
<i>Local Revenue</i>			
Services to Other Schools	\$ 19,600	\$ -	\$ 19,600
Other Local Revenues	12,516	4,320,536	4,333,052
Enterprising Revenues	24,820	-	24,820
<i>State Program Revenues</i>			
Foundation School Program	-	20,370,673	20,370,673
Other State Programs	-	404,534	404,534
<i>Federal Program Revenues</i>			
Passed Through Texas Education Agency	-	6,965,017	6,965,017
Passed Through Other State Agencies	-	29,960	29,960
Other Federal Sources	-	88,000	88,000
	<u>56,936</u>	<u>32,178,720</u>	<u>32,235,656</u>
Net Assets Released from Restrictions	<u>32,106,535</u>	<u>(32,106,535)</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>32,163,471</u>	<u>72,185</u>	<u>32,235,656</u>
<b>EXPENSES</b>			
<i>Program Activities</i>			
Instruction	12,134,161	-	12,134,161
Instructional and School Leadership	3,157,388	-	3,157,388
Student Support	3,241,782	-	3,241,782
Facilities, Security and Data	9,961,735	-	9,961,735
Community Service	696,644	-	696,644
Debt Service	757,140	-	757,140
<i>Supporting Services</i>			
Administration	<u>1,929,602</u>	<u>-</u>	<u>1,929,602</u>
<b>TOTAL EXPENSES</b>	<u>31,878,452</u>	<u>-</u>	<u>31,878,452</u>
<b>NET OPERATING INCOME</b>	285,019	72,185	357,204
Loss on Debt Refinancing	<u>(210,941)</u>	<u>-</u>	<u>(210,941)</u>
<b>CHANGE IN NET ASSETS</b>	74,078	72,185	146,263
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>-</u>	<u>2,087,979</u>	<u>2,087,979</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 74,078</u>	<u>\$ 2,160,164</u>	<u>\$ 2,234,242</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, 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
Foundation School Program	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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2022

	<u>Payroll and Benefits</u>	<u>Professional and Contract Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Costs</u>	<u>Debt Service</u>	<u>Totals</u>
<b>EXPENSES</b>						
<i>Program Activities</i>						
Instruction	\$ 9,152,814	\$ 937,840	\$2,043,507	\$ -	\$ -	\$12,134,161
Instructional and School Leadership	3,124,455	32,933	-	-	-	3,157,388
Student Support	358,977	1,617,768	1,230,875	34,162	-	3,241,782
Facilities, Security and Data	735,046	8,505,422	363,353	357,914	-	9,961,735
Community Service	432,204	13,863	170,772	79,805	-	696,644
Debt Service	-	-	-	-	757,140	757,140
<i>Total Program Activities</i>	<u>13,803,496</u>	<u>11,107,826</u>	<u>3,808,507</u>	<u>471,881</u>	<u>757,140</u>	<u>29,948,850</u>
<i>Supporting Services</i>						
Administration	<u>1,173,683</u>	<u>563,081</u>	<u>101,712</u>	<u>91,126</u>	-	<u>1,929,602</u>
<b>TOTAL EXPENSES</b>	<u><u>\$14,977,179</u></u>	<u><u>\$11,670,907</u></u>	<u><u>\$3,910,219</u></u>	<u><u>\$ 563,007</u></u>	<u><u>\$ 757,140</u></u>	<u><u>\$31,878,452</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	<u>890,839</u>	<u>427,047</u>	<u>57,725</u>	<u>8,362</u>	<u>-</u>	<u>1,383,973</u>
<b>TOTAL EXPENSES</b>	<u><u>\$9,105,666</u></u>	<u><u>\$5,218,676</u></u>	<u><u>\$2,354,609</u></u>	<u><u>\$ 451,485</u></u>	<u><u>\$ 527,957</u></u>	<u><u>\$17,658,393</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, 2022 AND 2021

	2022	2021
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash Received from State and Federal Grantors	\$ 26,125,001	\$ 15,723,187
Cash Received from Others	4,901,814	3,217,914
Cash Paid to Employees for Services	(14,597,678)	(8,539,314)
Payments to Vendors for Goods and Services	(8,791,992)	(5,615,922)
Interest Paid	(492,999)	(428,110)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>7,144,146</b>	<b>4,357,755</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(6,431,259)	(6,160,418)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(6,431,259)</b>	<b>(6,160,418)</b>
<b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
Issuance of Promissory Notes	32,643,271	4,822,451
Principal Payments on Notes Payable	(7,609,854)	(81,677)
Debt Issuance Costs Paid	(950,730)	-
Advances (Repayments) on Line of Credit	-	(100,000)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>24,082,687</b>	<b>4,640,774</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>24,795,574</b>	<b>2,838,111</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b>5,256,684</b>	<b>2,418,573</b>
Ending Unrestricted Cash	9,054,991	5,256,684
Ending Restricted Cash	20,997,267	-
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$ 30,052,258</b>	<b>\$ 5,256,684</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, 2022 AND 2021

	2022	2021
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ 146,263	\$ 1,773,074
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	396,354	377,932
Amortization of Debt Issuance Costs	127,596	99,847
Loss on Debt Refinancing	210,941	-
(Increase) Decrease in Current Assets:		
Accounts Receivable:		
Texas Education Agency	(1,733,183)	(692,867)
Promises to Give	350,000	150,000
Other	8,828	(22,677)
Prepaid Expenses	(147,432)	59,383
Security Deposits	(148,082)	(280,743)
Increase (Decrease) in Liabilities:		
Accounts Payable	2,969,709	771,191
Payroll Deductions and Withholdings	44,307	33,585
Accrued Wages	335,194	532,767
Accrued Interest	136,545	-
Due to State	-	(142,139)
Due to Student Groups	(2,317)	2,317
Unearned Grant Revenue	167,831	215,000
Deferred Rent	4,281,592	1,481,085
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 7,144,146</b>	<b>\$ 4,357,755</b>

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

COMPASS ROSE EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2022

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 pre-kindergarten through twelve in San Antonio, 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 nine 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 Organization.

Compass Rose receives the majority of its funding from the Texas Education Agency based on average daily attendance in the schools 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.

During the year ended August 31, 2022, Compass Rose applied to renew its charter and was approved by the Texas Education Agency for a ten-year renewal. The renewed open-enrollment charter contract ends July 31, 2032.

*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.

COMPASS ROSE EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
AUGUST 31, 2022

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

*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.

*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, 2019.



COMPASS ROSE EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 AUGUST 31, 2022

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

*Subsequent Events*

Subsequent events were considered through January 18, 2023, 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.

NOTE 2 -- CASH

The Organization's cash deposits consisted of the following as of August 31:

	2022	2021
Bank Deposits Collateralized by Depository	\$ 9,054,991	\$ 5,256,684
U.S. Government Money Market Fund	20,997,267	-
Total Cash and Cash Equivalents	\$ 30,052,258	\$ 5,256,684

The government money market fund is reported at net asset value of \$1 and maintains a weighted average maturity of 7 days. The money market funds are held in trust for debt service and construction as part of a master indenture entered into in 2022.

NOTE 3 -- ACCOUNTS RECEIVABLE

Accounts Receivable Texas Education Agency at August 31, 2022 consisted of the following:

	2022	2021
Texas Education Agency		
Foundation School Program	\$ 1,047,328	\$ 382,335
Other State Allotments	43,994	90,539
Federal Reimbursement Grants	1,338,522	277,254
National School Breakfast and Lunch	105,650	52,183
Total Accounts Receivable	\$ 2,535,494	\$ 802,311

NOTE 4 -- PROMISES TO GIVE

Promises to give at August 31, 2021 consisted of one unconditional promise from a charitable foundation of \$350,000 which was received in 2022. No unconditional promises to give were recognized as of August 31, 2022. In addition, Compass Rose received conditional promises to give of \$2,210,000 as of August 31, 2022. These grants will be received and recognized over the next three fiscal years as the conditions are met.

COMPASS ROSE EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
AUGUST 31, 2022

NOTE 5 -- CAPITAL ASSETS

Capital assets at August 31, 2022 were as follows:

	2022	2021
Leasehold Improvements	\$ 9,056,819	\$ 9,056,819
Construction in Progress	6,336,442	-
Vehicles and Equipment	239,901	145,084
Total Property and Equipment	15,633,162	9,201,903
Less: Accumulated Depreciation	(940,786)	(544,432)
Property and Equipment - Net	\$ 14,692,376	\$ 8,657,471

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 \$396,354 and \$377,932 for the years ended August 31, 2022 and 2021, respectively. These capital assets have been pledged as security for the Organization's promissory notes.

NOTE 6 -- LEASES

As of August 31, 2022, Compass Rose had seven active facility leases. The lease agreements vary in length from 5 to 29 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, 2022 and 2021 were \$6,844,214 and \$2,755,190, respectively. Future minimum lease payments and rent expense as of August 31, 2022 are as follows:

Year Ending August 31,	Future Minimum Lease Payments	Rent Expense
2023	\$ 5,138,260	\$ 8,274,287
2024	7,150,328	8,260,813
2025	7,250,520	8,188,258
2026	7,498,578	8,188,258
2027	7,599,318	8,161,685
2028-2032	38,461,994	39,241,980
2033-2037	36,157,365	34,117,853
2038-2042	30,927,526	26,837,859
2043-2027	28,933,801	22,458,389
2048-2051	5,099,734	4,141,803

Three of these leases are subject to debt service through the master indenture (see note 7).

COMPASS ROSE EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
AUGUST 31, 2022

NOTE 7 -- NOTES PAYABLE

In 2022, the Organization entered into a master indenture to borrow funds for refinancing existing notes and acquiring new campuses. The agreement includes three facility leases and an existing note, in that the Organization makes monthly payments to the trustee for all the covered notes and leases. The master indenture requires certain covenants, particularly debt service coverage ratio and days of working capital, to which the Organization has complied. The following summarizes the Organization's outstanding promissory notes:

	<u>Interest Rate</u>	<u>Original Principal</u>	<u>Outstanding August 31, 2022</u>	<u>Due in One Year</u>
Loan secured by Technology. Monthly Payments of \$7,622 until maturity November 2022.	6.0%	\$ 181,015	\$ 24,241	\$ 24,241
Loan secured by Leasehold Improvements. Semi-annual interest only payments until maturity October 2022.	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	1,626,124	23,433
Loan secured by all revenues and property. Monthly payments of \$141,977 to maturity September 2027 with a balloon payment.	4.50%	30,000,000	30,000,000	330,396
Loan secured by Leasehold Improvements. Interest only payments through August 2022 then monthly payments of \$13,670 to maturity March 2027 with a balloon payment.	5.25%	2,281,125	2,281,125	-
Unamortized Debt Issuance Costs		(950,726)	<u>(921,221)</u>	<u>-</u>
			<u>\$ 33,163,248</u>	<u>\$ 531,049</u>

The last note listed above is for a maximum amount of \$6,034,732. Management is making draws on the loan as construction progresses. The remaining amount is expected to be drawn in the fall of 2022.

COMPASS ROSE EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 AUGUST 31, 2022

NOTE 7 -- NOTES PAYABLE (CONTINUED)

Future debt service on these notes is as follows:

Year Ending August 31,	Principal	Interest	Total
2023	\$ 531,049	\$ 1,453,787	\$ 1,984,836
2024	410,515	1,564,990	1,975,505
2025	419,599	1,555,906	1,975,505
2026	1,954,102	1,503,133	3,457,235
2027	2,711,694	1,342,715	4,054,409
2028	28,057,510	105,216	28,162,726
	<u>\$ 34,084,469</u>	<u>\$ 7,525,747</u>	<u>\$ 41,610,216</u>

NOTE 8 -- NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Foundation School Program	\$ -	\$ 1,245,343
Charter School Operations	1,595,596	347,633
West San Antonio Campus	141,039	141,039
Austin Campus Operations	267,977	315,570
Bastrop Campus Operations	138,386	-
Outdoor Learning Center	-	34,687
Other Purpose Restrictions	17,166	3,707
Total Net Assets with Donor Restrictions	<u>\$ 2,160,164</u>	<u>\$ 2,087,979</u>

Net assets without donor restrictions in the charter school are considered with restrictions for the charter holder's financial statements.

COMPASS ROSE EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
AUGUST 31, 2022

NOTE 8 -- NET ASSETS WITH DONOR RESTRICTIONS (CONT.)

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

	<u>2022</u>	<u>2021</u>
Expended for Charter Operations	\$ 20,433,499	\$ 11,195,100
ESSER	4,215,171	1,822,851
West San Antonio Campus	2,031,000	1,337,961
Every Student Succeeds Act	990,442	727,634
Austin Campuses	2,073,018	684,430
National School Lunch Program	1,018,252	499,487
IDEA-B Special Education	462,814	263,827
Other Federal Programs	362,797	234,326
Other State Programs	404,534	221,992
Outdoor Learning Center	34,687	15,313
Other Purpose Restrictions	3,707	9,727
Bastrop Campus	76,614	-
Total Released from Restriction	<u>\$ 32,106,535</u>	<u>\$ 17,012,648</u>

NOTE 9 -- 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, 2021 reported a plan net position of \$165 billion with a total pension liability of \$227 billion. Net position of the plan represented 89% of the total pension liability.

COMPASS ROSE EDUCATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 AUGUST 31, 2022

NOTE 9 -- 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>			
2022	8.00%	7.75%	1.70%
2021	7.70%	7.50%	1.60%
<i>Amounts</i>			
2022	\$985,705	\$954,902	\$647,976
2021	\$568,323	\$553,561	\$382,757

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 10 -- 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, 2021 reported a plan net position of \$2.5 billion with a total other postemployment benefit liability of \$41 billion. Net position of the plan represented 6% 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>			
2022	0.65%	1.25%	0.75%
2021	0.65%	1.25%	0.75%
<i>Amounts</i>			
2022	\$ 80,091	\$154,021	\$109,187
2021	\$ 47,976	\$ 92,262	\$ 64,571

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, 2022

NOTE 11 -- HEALTH CARE COVERAGE

During the year ended August 31, 2022, 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 12 -- 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 only restricted by region. Thus, all of the net assets reported on the Statement of Financial Position (\$2.3 million) are available to fund the school operations of the Organization. In addition, an initial FSP allotment of \$27.9 million will be available to fund the 2023 fiscal year.

NOTE 13 -- 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 agreement to expand space for one of its school sites. The expansion is expected to commence in August 2023. Future lease payments are expected to be as follows:

Year Ending August 31,	Future Minimum Lease Payments
2023	\$ 52,917
2024	683,683
2025	1,221,740
2026	1,252,284
2027	1,283,591
2028-2032	6,952,315
2033-2037	7,824,421
2038	1,540,624

In addition, the Organization has committed to construction and engineering contracts of \$5.9 million. As of August 31, 2022, \$5.4 million had been incurred, leaving an estimated remaining commitment of \$0.5 million.

COMPASS ROSE EDUCATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
AUGUST 31, 2022

NOTE 13 -- COMMITMENTS AND CONTINGENCIES (CONT.)

*Concentrations*

All state and federal grant resources for the years ending August 31, 2022 and 2021 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 14 -- LITIGATION

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



**SUPPLEMENTARY INFORMATION**

COMPASS ROSE PUBLIC SCHOOLS  
CHARTER SCHOOL STATEMENT OF NET POSITION  
AUGUST 31, 2022

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$ 8,478,804
Restricted Cash - Debt Service	251,772
Accounts Receivable:	
Texas Education Agency	2,535,494
Other	14,214
Prepaid Expenses	126,822
<i>Total Current Assets</i>	<u>11,407,106</u>

*Other Assets:*

Security Deposits	110,946
Restricted Cash - Construction	20,745,495
Leasehold Improvements	9,056,819
Vehicles and Equipment	172,915
Construction in Progress	6,336,442
Accumulated Depreciation	<u>(940,786)</u>
<i>Total Other Assets</i>	<u>35,481,831</u>

**TOTAL ASSETS** \$46,888,937

**LIABILITIES AND NET ASSETS**

*Current Liabilities:*

Accounts Payable	\$ 4,106,414
Payroll Deductions and Withholdings	77,892
Accrued Wages	1,512,393
Accrued Interest	136,545
Unearned Grant Revenue	67,831
Current Portion of Deferred Rent	163,413
Current Portion of Notes Payable	<u>531,049</u>
<i>Current Liabilities</i>	<u>6,595,537</u>

*Other Liabilities:*

Notes Payable - Net of Current Portion	33,553,420
Unamortized Debt Issuance Costs	(921,221)
Deferred Rent	<u>6,053,863</u>
<i>Total Other Liabilities</i>	<u>38,686,062</u>
<i>Total Liabilities</i>	<u>45,281,599</u>

*Net Assets:*

With Donor Restrictions	11,743
Without Donor Restrictions	<u>1,595,595</u>
<i>Total Net Assets</i>	<u>1,607,338</u>

**TOTAL LIABILITIES AND NET ASSETS** \$46,888,937

COMPASS ROSE PUBLIC SCHOOLS  
CHARTER SCHOOL STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>REVENUE</b>			
<i>Local Revenue</i>			
5720 Services to Other Schools	\$ 19,600	\$ -	\$ 19,600
5740 Other Local Revenues	19,667	-	19,667
5750 Enterprising Revenues	24,818	-	24,818
<i>State Program Revenues</i>			
5810 Foundation School Program	-	20,370,673	20,370,673
5820 Other State Programs	-	360,802	360,802
5830 State Programs through Other Agencies	-	43,732	43,732
<i>Federal Program Revenues</i>			
5920 Passed Through Texas Education Agency	-	6,965,017	6,965,017
5930 Passed Through Other State Agencies	-	29,960	29,960
5940 Direct Federal Programs	-	88,000	88,000
	<u>64,085</u>	<u>27,858,184</u>	<u>27,922,269</u>
Net Assets Released from Restrictions	<u>29,095,492</u>	<u>(29,095,492)</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u><u>29,159,577</u></u>	<u><u>(1,237,308)</u></u>	<u><u>27,922,269</u></u>
<b>EXPENSES</b>			
11 Instruction	10,885,621	-	10,885,621
13 Curriculum Development and Instructional Student Development	1,202,865	-	1,202,865
23 School Leadership	3,093,684	-	3,093,684
31 Guidance and Counseling	145,343	-	145,343
32 Social Work Services	25,693	-	25,693
33 Health Services	239,712	-	239,712
34 Student Transportation	1,250,322	-	1,250,322
35 Food Services	1,157,101	-	1,157,101
36 Extracurricular Activities	69,420	-	69,420
41 General Administration	231,550	-	231,550
51 Plant Maintenance	7,867,398	-	7,867,398
52 Security and Monitoring	4,515	-	4,515
53 Data Processing	378,095	-	378,095
61 Community Service	404,598	-	404,598
71 Debt Service	744,757	-	744,757
<b>TOTAL EXPENSES</b>	<u><u>27,700,674</u></u>	<u><u>-</u></u>	<u><u>27,700,674</u></u>
<b>NET OPERATING INCOME</b>	1,458,903	(1,237,308)	221,595
Loss on Debt Refinancing	<u>(210,941)</u>	<u>-</u>	<u>(210,941)</u>
<b>CHANGE IN NET ASSETS</b>	1,247,962	(1,237,308)	10,654
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>347,633</u>	<u>1,249,051</u>	<u>1,596,684</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 1,595,595</u></u>	<u><u>\$ 11,743</u></u>	<u><u>\$ 1,607,338</u></u>

See Independent Auditor's Report.

COMPASS ROSE PUBLIC SCHOOLS  
 CHARTER SCHOOL STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED AUGUST 31, 2022

<b>CASH FLOWS PROVIDED (USED) BY</b>	
<b>OPERATING ACTIVITIES</b>	
Cash Received from State and Federal Grantors	\$ 26,192,832
Cash Received from Others	70,596
Cash Paid to Employees for Services	(13,532,433)
Payments to Vendors for Goods and Services	(5,534,078)
Interest Paid	<u>(480,616)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>6,716,301</u>
<b>CASH FLOWS PROVIDED (USED) BY</b>	
<b>INVESTING ACTIVITIES</b>	
Purchase of Property and Equipment	<u>(6,364,273)</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>(6,364,273)</u>
<b>CASH FLOWS PROVIDED (USED) BY</b>	
<b>FINANCING ACTIVITIES</b>	
Issuance of Promissory Notes	32,643,271
Principal Payments on Notes Payable	(7,609,854)
Debt Issuance Costs Paid	<u>(950,730)</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>24,082,687</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 24,434,715
 <b>BEGINNING CASH AND CASH EQUIVALENTS</b>	 <u>5,041,356</u>
 Ending Unrestricted Cash	 8,478,804
Ending Restricted Cash	<u>20,997,267</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 29,476,071</u></u>

COMPASS ROSE PUBLIC SCHOOLS  
 CHARTER SCHOOL STATEMENT OF CASH FLOWS (CONT.)  
 FOR THE YEAR ENDED AUGUST 31, 2022

**RECONCILIATION OF CHANGES IN NET  
 ASSETS TO NET CASH PROVIDED (USED) BY  
 OPERATING ACTIVITIES**

Increase (Decrease) in Net Assets	\$ 10,654
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	396,354
Amortization of Debt Issuance Costs	127,596
Loss on Debt Refinancing	210,941
(Increase) Decrease in Current Assets:	
Accounts Receivable:	
Texas Education Agency	(1,733,183)
Other	8,828
Prepaid Expenses	(125,822)
Security Deposits	(12,000)
Increase (Decrease) in Liabilities:	
Accounts Payable	2,969,709
Payroll Deductions and Withholdings	44,378
Accrued Wages	335,194
Accrued Interest	136,545
Due to Student Groups	(2,317)
Unearned Grant Revenue	67,831
Deferred Rent	4,281,593
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u>\$ 6,716,301</u></b>

COMPASS ROSE PUBLIC SCHOOLS  
 CHARTER SCHOOL BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2022

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUE</b>				
<i>Local Revenues</i>				
5720 Services to Other Schools	\$ -	\$ -	\$ 19,600	\$ 19,600
5740 Other Local Revenues	-	7,000	19,667	12,667
5750 Enterprising Revenues	-	-	24,818	24,818
<i>State Program Revenues</i>				
5810 Foundation School Program	26,300,000	20,210,000	20,370,673	160,673
5820 Other State Programs	-	240,000	360,802	120,802
5830 State Programs Through Other Agencies	-	-	43,732	43,732
<i>Federal Program Revenues</i>				
5920 Passed Through Texas Education Agency	9,130,000	8,200,000	6,965,017	(1,234,983)
5930 Passed Through Other State Agencies	-	30,000	29,960	(40)
5940 Other Federal Sources	-	-	88,000	88,000
<b>TOTAL REVENUE</b>	<u>35,430,000</u>	<u>28,687,000</u>	<u>27,922,269</u>	<u>(764,731)</u>
<b>EXPENSES</b>				
11 Instruction	13,960,000	10,770,000	10,885,621	(115,621)
13 Curriculum Development and Instructional Student Development	1,565,000	1,310,000	1,202,865	107,135
23 School Leadership	3,320,000	3,155,000	3,093,684	61,316
31 Guidance and Counseling	210,000	152,000	145,343	6,657
32 Social Work Services	95,000	22,500	25,693	(3,193)
33 Health Services	260,000	246,000	239,712	6,288
34 Student Transportation	1,460,000	1,300,000	1,250,322	49,678
35 Food Services	2,330,000	1,100,000	1,157,101	(57,101)
36 Extracurricular Activities	75,000	50,000	69,420	(19,420)
41 General Administration	1,920,000	220,000	231,550	(11,550)
51 Plant Maintenance	4,430,000	7,395,000	7,867,398	(472,398)
52 Security	5,000	4,500	4,515	(15)
53 Data Processing Services	590,000	400,000	378,095	21,905
61 Community Service	470,000	405,000	404,598	402
71 Debt Service	490,000	450,000	744,757	(294,757)
<b>TOTAL EXPENSES</b>	<u>31,180,000</u>	<u>26,980,000</u>	<u>27,700,674</u>	<u>(720,674)</u>
<b>NET OPERATING INCOME</b>	4,250,000	1,707,000	221,595	(1,485,405)
Loss on Debt Refinancing	-	-	(210,941)	(210,941)
<b>CHANGE IN NET ASSETS</b>	4,250,000	1,707,000	10,654	(1,696,346)
<b>BEGINNING NET ASSETS</b>	<u>1,596,684</u>	<u>1,596,684</u>	<u>1,596,684</u>	<u>-</u>
<b>ENDING NET ASSETS</b>	<u>\$ 5,846,684</u>	<u>\$ 3,303,684</u>	<u>\$ 1,607,338</u>	<u>\$ (1,696,346)</u>

See Independent Auditor's Report.

COMPASS ROSE PUBLIC SCHOOLS  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2022

BUDGET AMENDMENTS

The original budget was based on an estimated enrollment of 2,500. As that enrollment was not achieved, amendments were approved to reduce expenses to be in line with the actual enrollment. This impacted the following functions:

- 11 Instruction
- 13 Curriculum Development and Instructional Student Development
- 31 Guidance and Counseling
- 32 Social Work Services
- 34 Student Transportation
- 35 Food Services
- 36 Extracurricular Activities
- 53 Data Processing Services
- 61 Community Service

Compass Rose has been seeking new campuses and amending the Plant Maintenance function to account for the lease agreements for these new campuses and the expansion of existing facilities. This required increasing the budget during the year.

The budget for General Administration was reduced during the year as the Charter Holder (Compass Rose Education) obtained philanthropy to cover some of these costs.

BUDGET OVERAGES

The following functional expenses exceeded the amended budget by more than 10%.

36 Extracurricular Activities – Management reduced the budget for extracurricular activities based on enrollment but this underestimated the level of participation from students.

71 Debt Service – The budget did not contemplate the amortization of debt issuance costs or the accrual of interest on a master indenture entered into in August 2022.

COMPASS ROSE PUBLIC SCHOOLS  
SCHEDULE OF EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2022

**EXPENSES**

6100 Payroll	\$ 13,912,005
6200 Professional and Contracted Services	9,247,922
6300 Supplies and Materials	3,393,464
6400 Other Operating Costs	402,526
6500 Debt Service	<u>744,757</u>
Total Expenses	<u>\$ 27,700,674</u>



COMPASS ROSE PUBLIC SCHOOLS  
SCHEDULE OF CAPITAL ASSETS  
AUGUST 31, 2022

	<u>Local</u>	<u>State</u>	<u>Federal</u>
1110 Cash	\$ 287,388	\$ 29,188,683	\$ -
1510 Land and Improvements	-	-	-
1520 Leasehold Improvements	-	9,056,819	-
1531 Vehicles	-	82,526	-
1539 Furniture and Equipment	-	-	90,389
1580 Construction in Progress	-	6,336,442	-
Total Property and Equipment	<u>\$ 287,388</u>	<u>\$ 44,664,470</u>	<u>\$ 90,389</u>

COMPASS ROSE PUBLIC SCHOOLS  
SCHEDULE OF REAL PROPERTY OWNERSHIP INTERESTS  
AUGUST 31, 2022

Not Applicable

COMPASS ROSE PUBLIC SCHOOLS  
SCHEDULE OF RELATED PARTY TRANSACTIONS  
AUGUST 31, 2022

Not Applicable

COMPASS ROSE PUBLIC SCHOOLS  
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS  
AUGUST 31, 2022

Not Applicable

COMPASS ROSE PUBLIC SCHOOLS  
SPECIAL PROGRAM COMPLIANCE SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2022

<u>Data Codes</u>		<u>Responses</u>
<b><u>Section A: Compensatory Education Programs</u></b>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 2,551,768
AP4	List the actual direct program expenditures for state compensatory education during the LEA's fiscal year (PICs 24, 26, 28, 29, 30, 34)	\$ 1,430,652
<b><u>Section B: Bilingual Education Programs</u></b>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 161,922
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 89,060

**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, 2022, 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 18, 2023.

#### ***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 other matters that we have reported to management in a separate letter dated January 18, 2023.

## **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 18, 2023





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**

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

We have audited Compass Rose Education, Inc.'s 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 Compass Rose Education, Inc.'s major federal programs for the year ended August 31, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Compass Rose Education, Inc. 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 Compass Rose Education, Inc.'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 Compass Rose Education, Inc.'s federal programs.

## ***Auditor's 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 Compass Rose Education, Inc.'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 GAAS, *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 Compass Rose Education, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Compass Rose Education, Inc.'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 Compass Rose Education, Inc.'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 Compass Rose Education, Inc.'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**

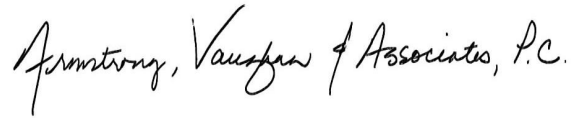
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Auditor's 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

January 18, 2023

COMPASS ROSE EDUCATION, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2022

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
10.553, 10.555	Child Nutrition Cluster
84.010A	Title I

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 EDUCATION, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2022

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	22610101015838	\$ 990,442
IDEA B Formula*	84.027A	226600010158386000	373,201
IDEA B Formula - ARP*	84.027X	225350010158385000	89,613
Carl Perkins	84.048A	22420006015838	42,078
Elementary and Secondary School Emergency Relief			
CRSSA ESSER II	84.425D	21521001015838	1,492,208
ARPA ESSER III	84.425U	21528001015838	2,318,071
Texas COVID Learning Assistance and Support	84.425U	21528042015838	404,892
Title III Part A English Language Acquisition	84.365A	22671001015838	25,711
Title IV Part A Subpart 1	84.424A	22680101015838	49,983
Title II Part A	84.367A	22694501015838	129,681
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>5,915,880</u>
FEDERAL COMMUNICATIONS COMMISSION			
<i>Direct</i>			
Emergency Connectivity Fund	32.009		88,000
TOTAL FEDERAL COMMUNICATIONS COMMISSION			<u>88,000</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Texas Education Agency</i>			
ELC Reopening Schools	93.323	39352201	44,510
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>44,510</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Department of Agriculture</i>			
School Breakfast Program*	10.553	71402201	279,972
National School Lunch Program*	10.555	71302201	738,280
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,018,252</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,066,642</u>

\*Indicates cluster program under OMB Compliance Supplement.

Cluster Totals

Child Nutrition	1,018,252
Special Education	462,814

Program Totals

Elementary and Secondary School Emergency Relief	84.425	4,215,171
IDEA-B Formula	84.027A	462,814

COMPASS ROSE EDUCATION, INC.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2022

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 elected to not use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.

The following schedule reconciles federal revenue on the financial statements to the schedule of federal expenditures:

Total Federal Revenue Reported on Statement of Activities	\$ 7,082,977
School Health and Related Services	<u>(16,335)</u>
Total Expenditures of Federal Awards	<u><u>\$ 7,066,642</u></u>