



Brooks Academies of Texas  
F/k/a Brooks Academy of Science & Engineering  
(A charter school sponsored by Somerset Academy, Inc.)

Financial Statements and  
Independent Auditors' Report

June 30, 2019

## TABLE OF CONTENTS

Certificate of Board . . . . .	1
Independent Auditors' Report . . . . .	2-4
 <b>Financial Statements:</b>	
Statement of Financial Position . . . . .	5
Statement of Activities . . . . .	6-7
Statement of Functional Expenses . . . . .	8
Statement of Cash Flows . . . . .	9
Notes to Financial Statements . . . . .	10-25
 <b>Supplemental Information:</b>	
Schedule of Expenses . . . . .	26
Schedule of Capital Assets . . . . .	27
Budgetary Comparison Schedule . . . . .	28
Notes to Budgetary Comparison Schedule . . . . .	29
 <b>Compliance Section:</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> . . . . .	30-31
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance . . . . .	32-34
Schedule of Expenditures of Federal Awards . . . . .	35
Notes to the Schedule of Expenditures of Federal Awards. . . . .	36
Schedule of Findings and Questioned Costs . . . . .	37-39
Corrective Action Plan . . . . .	40

CERTIFICATE OF BOARD

Brooks Academy of Science & Engineering  
(A charter school under Somerset Academy, Inc.  
Federal Employer Identification Number 31-1569428

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended June 30, 2019, at  approved at a meeting of the Board of Trustees of such school district on the  day of December, 2019.

Ana Diaz

---

Signature of Board Secretary



---

Signature of Board president



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School Sponsored by Somerset Academy, Inc.  
San Antonio, Texas

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

We have audited the accompanying financial statements of Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering (the “School”), a charter school sponsored by Somerset Academy, Inc. (the “Charter Holder”), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

396 Alhambra Circle, Suite 900, Coral Gables, FL 33134 • Tel: 305.446.3022 • Fax: 305.446.6319  
[www.hlbgravier.com](http://www.hlbgravier.com)

HLB Gravier, LLP is a member of HLB International. A world-wide organization of accounting firms and business advisers.

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 the School, as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1, the accompanying financial statements referred to above present only the financial position of the School as of June 30, 2019, and the respective changes in its net assets and its cash flows for the year then ended, and is not intended to be a complete presentation of Somerset Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Somerset Academy, Inc. as of June 30, 2019 and its changes in its net assets and its cash flows for year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Supplementary Information and Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the School's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "HB Gruber, CPA".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida

December 19, 2019

Licensed by the Texas State Board of Public Accountancy

ID No. P05554

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
 (A Charter School Sponsored by Somerset Academy, Inc.)  
 Statement of Financial Position  
June 30, 2019

---

Assets

Current assets:

Cash and cash equivalents	\$ 1,920,239
Due from state	5,042,061
Due from pass-through grants from TEA	717,363
Other receivables	32,453
Prepaid expenses and other assets	<u>292,208</u>
 Total current assets	8,004,324
 Property and equipment, net	<u>3,041,232</u>
 Total assets	<u>\$ 11,045,556</u>

Liabilities and Net Assets

Current liabilities:

Accounts payable	308,365
Accrued expenses	2,148,065
Deferred revenues	48,513
Current portion of long term debt	<u>689,731</u>
 Total current liabilities	3,194,674
 Long-term debt	<u>504,360</u>
 Total liabilities	<u>3,699,034</u>
 Net assets - With donor restrictions	<u>7,346,522</u>
 Total liabilities and net assets	<u>\$ 11,045,556</u>

The accompanying notes are an integral part  
 of this financial statement.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
 (A Charter School Sponsored by Somerset Academy, Inc.)  
 Statement of Activities  
 For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Local support:			
Contributions	\$        -	\$ 844,775	\$ 844,775
Food Service	-	325,715	325,715
Other Revenues	<u>-       </u>	<u>328,538</u>	<u>328,538</u>
Total local support	<u>-       </u>	<u>1,499,028</u>	<u>1,499,028</u>
State program revenue:			
Foundation school program	-	29,383,202	29,383,202
Food service	-	6,828	6,828
State-Funded Special Revenue Funds	<u>-       </u>	<u>110,684</u>	<u>110,684</u>
Total state program revenues	<u>-       </u>	<u>29,500,714</u>	<u>29,500,714</u>
Federal program revenues:			
National School Breakfast and Lunch Program	-	997,581	997,581
Title I, Part A - Grants to Local Education Agencies	-	732,832	732,832
Title I, SIP - Academy Grant	-	56,398	56,398
Title II, Part A - Supporting Effective Instruction	-	79,352	79,352
Title III, Part A, English Language Enhancement	-	15,737	15,737
Title I, Part C - Migrant Education	-	1,714	1,714
Career and Technical Education	-	37,891	37,891
IDEA Part B	-	474,330	474,330
Federally Funded Special Revenue Funds	<u>-       </u>	<u>30,127</u>	<u>30,127</u>
Total federal program revenues	<u>-       </u>	<u>2,425,962</u>	<u>2,425,962</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>32,615,233</u>	<u>(32,615,233)</u>	<u>-</u>
Total Revenues	<u>32,615,233</u>	<u>810,471</u>	<u>33,425,704</u>

The accompanying notes are an integral part  
 of this financial statement.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
 (A Charter School Sponsored by Somerset Academy, Inc.)  
 Statement of Activities - Continued  
 For the Year Ended June 30, 2019

---

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Expenses</b>			
11 Instruction	\$ 22,154,854	\$ -	\$ 22,154,854
12 Instructional resources and media services	172,831	-	172,831
13 Curriculum and instructional staff development	255,494	-	255,494
21 Instructional Leadership	12,854	-	12,854
23 School leadership	1,728,451	-	1,728,451
31 Guidance, counseling and evaluation services	367,104	-	367,104
33 Health services	96,636	-	96,636
34 Student (pupil) transportation	104,887	-	104,887
35 Food services	1,348,814	-	1,348,814
36 Extracurricular activities	495,772	-	495,772
41 General administration	2,840,877	-	2,840,877
51 Facilities maintenance and operations	2,201,364	-	2,201,364
52 Security and monitoring services	575,228	-	575,228
53 Data processing services	143,804	-	143,804
61 Community services	8,935	-	8,935
62 School district administrative support services	15,925	-	15,925
71 Debt service	91,403	-	91,403
Total expenses	<u>32,615,233</u>	<u>-</u>	<u>32,615,233</u>
Change in net assets	-	810,471	810,471
Net assets, beginning of year	-	6,536,051	6,536,051
Net assets, end of year	<u>\$ -</u>	<u>\$ 7,346,522</u>	<u>\$ 7,346,522</u>

The accompanying notes are an integral part  
 of this financial statement.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
 (A Charter School Sponsored by Somerset Academy, Inc.)  
 Statement of Functional Expenses  
 For the Year Ended June 30, 2019

---

	Program Activities		Supporting Activities		Total	
	Instructional Activities		General and Administrative			
<b>Expenses</b>						
Salaries and Wages	\$ 16,159,682		\$ 1,504,264		\$ 17,663,946	
Benefits	1,418,201		108,821		1,527,022	
Payroll Taxes	229,890		20,796		250,686	
Total Payroll Expenses	\$ 17,807,773		\$ 1,633,881		\$ 19,441,654	
Rental Expense	3,943,619		189,847		4,133,466	
Office Expenses	417,773		40,442		458,215	
Maintenance and Repairs	166,440		-		166,440	
Administration Overhead	118,773		80,909		199,682	
Utilities	563,743		3,367		567,110	
Depreciation	613,034		42,432		655,466	
Supplies	785,280		88,525		873,805	
Food	1,025,053		-		1,025,053	
Travel	64,497		74,418		138,915	
Instructional Materials	94,366		-		94,366	
Insurance and Bonding	225,154		34,630		259,784	
Professional Fees and Dues	179,390		2,277,902		2,457,292	
Interest Expense	91,403		-		91,403	
Other	1,916,098		136,484		2,052,582	
Total Non-payroll Expenses	<u>\$ 10,204,623</u>		<u>\$ 2,968,956</u>		<u>\$ 13,173,579</u>	
 Total Expenses	 <u>\$ 28,012,396</u>		 <u>\$ 4,602,837</u>		 <u>\$ 32,615,233</u>	

The accompanying notes are an integral part  
 of this financial statement.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
 (A Charter School Sponsored by Somerset Academy, Inc.)  
 Statement of Cash Flows  
For the Year Ended June 30, 2019

---

Cash Flows From Operating Activities	
Change in net assets	\$ 810,471
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	655,465
Change in assets and liabilities:	
Due from state	(1,094,031)
Due from pass-through grants from TEA	(252,824)
Other receivables	5,152
Prepaid expenses and other assets	(33,019)
Accounts payable	(462,338)
Accrued expenses	1,382,728
Deferred revenues	27,903
	<hr/>
Net Cash Provided by Operating Activities	229,036
	<hr/>
	1,039,507
Cash Flows From Investing Activities	
Acquisition of property and equipment	(419,497)
Net Cash Used in Investing Activities	<hr/> (419,497)
Cash Flows From Financing Activities	
Proceeds from long term debt	350,000
Repayment of principal	(1,891,741)
Net Cash Used in Financing Activities	<hr/> (1,541,741)
Net decrease in cash and equivalents	<hr/> (921,731)
Cash and cash equivalents, at beginning of year	<hr/> 2,841,970
Cash and cash equivalents, at end of year	\$ 1,920,239
<u>Supplemental Disclosure of Cash Flow Information</u>	
Cash paid for interest	<hr/> \$ 91,403

The accompanying notes are an integral part  
 of this financial statement.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

## **Note 1 – Organization and Operations**

Somerset Academy, Inc. (the “Charter Holder”), is a not-for-profit 501(c)(3) corporation established in the state of Florida. The Charter Holder has enrollment charters for 57 charter schools, one of which is Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering (the “School”) which operates in the state of Texas. The other charters schools operate in Florida.

The Charter Holder is governed by a Board of Directors (the “Florida Board”) comprised of no less than 3 and no more than 11 members (8 at June 30, 2019). The Florida Board is selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions, appoint the chief executive officer, and significantly influence the operations of the Charter Holder, as well as the School. On July 31, 2014, the Florida Board created a Texas local governing body committee known as the Texas School Board to assist with the governance of the School in Texas. In accordance with the bylaws of the Charter Holder, the Texas School Board shall be composed of no less than 3 and no greater than 5 members (3 at June 30, 2019) appointed by the Florida Board. The majority of members of the Texas School Board must be qualified voters in the state of Texas.

In 2006, the State Board of Education (“SBOE”) of the state of Texas granted the Charter Holder an open-enrollment charter pursuant to chapter 12 of the Texas Education Code (“TEC”). The open-enrollment charter shall be in effect from the date of execution through July 31, 2010 unless renewed or terminated. Pursuant to the program described in the charter application approved by the SBOE of the state of Texas and the terms of the applicable contract for charter, the Charter Holder opened its first campus in August 2006, which serves grades kindergarten through twelve. The Charter Holder currently operates four campuses. The Charter Holder submitted to the Texas Education Agency (“TEA”) its open-enrollment charter renewal application upon expiration in July 31, 2010; however, the renewal remained pending for several years. On April 24, 2014, the SBOE of the state of Texas approved the current renewal of the open enrollment charter, which expires on July 31, 2020.

In 2017, the TEA approved the School’s notification of intent to change fiscal year start date to begin on July 1<sup>st</sup> and end on June 30<sup>th</sup> of the next calendar year. The accompanying financial statements are for the fiscal year ending June 30, 2019.

The School receives substantially all its funding from TEA based on the School’s average daily attendance. Since the School receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

## **Note 2 – Summary of Significant Accounting Policies**

### Basis of Accounting and Presentation

The School is sponsored by the Charter Holder. These financial statements include only the activities of the School. The School does not purport to and does not, present the financial position of Somerset Academy, Inc. and its changes in its net assets and its cash flows as of any date or for any period.

The accompanying financial statements for the School have been prepared on the accrual basis of accounting for the School's fiscal year end of June 30, 2019 in conformity with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

### Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support of they are received with donor stipulations that limit the use of the donated assets.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

## **Note 2 – Summary of Significant Accounting Policies (continued)**

### Contributions (continued)

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the end of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

### In-Kind Contributions and Services

In-Kind contributions of donated non-cash assets are recorded at their fair value in the period received. They consist primarily of volunteer services, donated books, facilities and supplies. Donations, ticket sales, auction sales and sponsorships revenues related to special events are recognized when the events take place net of the costs of direct donor benefits that are not program related costs and are provided in exchange transactions.

### Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

### New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering has adjusted the presentation of these statements accordingly.

### Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, salary and benefit, occupancy. Methods used include square footage, time and effort and direct use.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

## **Note 2 – Summary of Significant Accounting Policies (continued)**

### Fair Value of Financial Instruments

Cash and cash equivalents, receivables, and prepaid expenses, as well as account payable and accrued expenses as reflected in the statement of financial position at approximate fair value because of their generally short-term maturities.

### Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits (see Note 3). In addition, the School has an agreement with its bank institution where the bank provides pledged collateral in the School's name in the event deposits exceed FDIC limits. The School has not experienced any losses in such accounts.

### Due from State

Due from state consists of the instructional days in June 2019 that relate to the 2019-2020 school year, as well as underpayments for the foundation school program made to the School from the TEA.

### Due from Pass-Through Grants From TEA

The School considers all government grants and contracts as exchange transactions rather than contributions. The School recognizes revenue from fee for service transactions as services are rendered and for grants, as eligible expenditures are incurred. Advances from government agencies are recorded as deferred revenues. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as due from pass-through grants from TEA. Any of the funding agencies may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of any noncompliance with the terms of the grant or contract.

### Revenue Recognition

Capitation received, including base capitation, entitlements and special services, is recognized in the period services are provided. Revenues from TEA are earned based on reported attendance. Public and private grants received are recognized in the period received and when the terms of the grant are met.

### Property and Equipment

The School's plant and equipment with useful lives of more than one year are stated at historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

## **Note 2 – Summary of Significant Accounting Policies (continued)**

### Property and Equipment (continued)

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Assets purchased under capital leases	5 Years
Vehicles	5 Years
Leasehold improvements	15 Years
Furniture and equipment	5 Years

### Impairment of Long-Lived Assets

The School reviews the carrying value of property and equipment for impairment whenever events and circumstances indicated the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to the amount by which the carrying value exceeds the fair value of the assets. The factors considered by management include current operating results, trends and prospects and other economic factors. The School did not recognize an impairment loss during the year ended June 30, 2019.

### Compensated Absences

The School grants a specific number of personal days. Full time instructional employees are eligible for 2.67 hours per pay period or up to eight days during the ten-month contract period. Year-round full-time employees are eligible for 3.36 hours per pay period or up to ten days during the twelve-month contract period. In the event available time is not used by the end of the benefit year, employees may “rollover” a total of five days per year. There is an opportunity to “cash out” unused days at the end of one year prior to August of the following year or at termination of employment, whichever occurs first, at the employee’s daily rate.

### Income Taxes

Somerset Academy, Inc. (the charter holder) qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been recorded in the accompanying financial statements.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

## **Note 2 – Summary of Significant Accounting Policies (continued)**

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### Subsequent Events

The School has evaluated subsequent events and transactions for potential recognition or disclosure through December 19, 2019, which is the date the financial statements were available to be issued.

## **Note 3 – Liquidity and Cash Deposits**

### Liquidity

Current assets on the statement of financial position represents financial assets available within one year of the balance sheet date for general expenditures. The financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date, if any. The School structures its highly liquid financial assets to be available as its general expenditures, liabilities and other obligations come due by maintaining deposits in highly rated financial institutions.

### Deposits

The School maintains its cash and cash equivalents in one financial institution. As of June 30, 2019, the School's deposits consisted of cash balances of \$2,399,948. Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Somerset Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Somerset Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2019, bank balances in potential excess of FDIC coverage was approximately \$2,150,00; including fiduciary account bank balances.

The School's financial assets available within one year of the balance sheet date for general expenditures are as follow:

Cash and cash equivalents	\$ 1,920,239
Due from governmental agencies	5,759,424
Prepaid expenses and other current assets	324,661
	<hr/> <u>\$ 8,004,324</u>

As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

**Note 4 – Due From State/Due From Pass-Through Grants From the TEA**

Due from state and due from pass-through grants from the TEA at June 30, 2019 consist of the following:

Due from state:

Days of instruction	\$ 4,817,041
Settlement of current year underpayment	225,020
	<u>\$ 5,042,061</u>

Due from pass-through grants from TEA:

Title I, Part A - Grants to Local Education	
Agencies	\$ 524,444
Title I, SIP - Academy Grant	9,734
Title II, Part A - Supporting Effective Instruction	23,982
Career and Technical Education	8,982
IDEA Part B	150,221
	<u>\$ 717,363</u>

**Note 5 – Property and equipment**

The following schedule provides a summary of property and equipment at June 30, 2019:

Land improvements	\$ 125,631
Furniture, fixtures and equipment	4,141,372
Leasehold improvements	1,973,606
Vehicles	277,510
Asset purchased under capital lease	842,317
	<u>7,360,436</u>
Less accumulated depreciation	(4,319,204)
Net property and equipment	<u>\$ 3,041,232</u>

Depreciation expense for the year ended June 30, 2019 totaled \$655,465. Capital assets acquired with public funds received by the School constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

### **Note 6 – Long Term Debt**

On July 9, 2016, the Charter Holder entered into an interim financing lease agreement with Zion Credit Corporation, on behalf of the School, for interim equipment financing of up to \$1,000,000. The interim financing was available for the purchase of equipment for a maximum of 6 months. On completion of the interim financing on July 16, 2017, the total amount drawn of approximately \$625,500 converted into a capital tax lease, for a 60 month term at an interest rate of 4.03%. The capital tax lease is collateralized by the purchased equipment being financed. The monthly payments of principal and interest are \$11,055. The note matures on June 16, 2022 when the remaining principal balance and accrued interest shall be paid.

On June 20, 2018, the Charter Holder, entered into a term loan with Regions Bank, on behalf of the School, in the amount of \$1,000,000, for the purpose of refinancing a previous loan. The Region Bank loan is collateralized by the assets of the School and is due in 60 monthly installments of principal and interest until maturity date on June 20, 2023. The note may be prepaid at any time and payments are currently being made based on a two year plan. The monthly payments of principal and interest are \$49,755. The loan bears interest at a rate of 4.65%.

On April 4, 2017, the Charter Holder entered into a financing lease agreement with JP Morgan Chase Bank on behalf of the School for equipment financing of approximately \$673,000. The term of the note is for 48 months ending on September 20, 2021 and bears interest at a rate of 3.63% per annum. The note is collateralized by the purchased equipment being financed. The monthly payments of principal and interest are \$15,091.

The Charter Holder, entered into a revolving line of credit with a financial institution for working capital purposes on behalf of the School. The facility bears and interest reate of 4.00% per annum and is due in full with all accrued interest at maturity on March 12, 2022. The line of credit is secured by all business assets of the Charter Holder. During the year ended June 30, 2019, the School received an advance and repaid \$350,000. As of June 30, 2019, the outstanding balance was \$-0-.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

**Note 6 – Long Term Debt (continued)**

Long-term debt at June 30, 2019 consisted of the following:

Capital tax lease	\$ 402,030
Purchased financing lease	390,700
Term loan	401,361
Total	<u>\$ 1,194,091</u>

Future maturities of long-term debt are as follows:

2019	\$ 689,731
2020	299,501
2021	204,859
Total	<u>\$ 1,194,091</u>

**Note 7 – Operating Leases and Other Commitments**

The School leases property on its four campuses under four non-cancellable lease agreements. The School also leases modular portable classrooms under various agreements.

BASE Campus

The Charter Holder entered into various amended lease agreements with Goliath Grant, LLC, Goliad Grant II, LLC, Goliad Grant III, LLC for facilities totaling 83,640 square feet through 2028 with options to extend for an additional five years.

The landlord of these properties is related to the services provider referred to in Note 12 by common ownership.

Oaks Campus

The Charter Holder entered into a lease agreement with St. George Maronite Catholic Church through July 31, 2021 with two options to renew for additional five year terms.

BCA Campus

The Charter Holder, entered into a promissory note with TA Vance Acquisition Lender, LLC to purchase the land and buildings of the School's BCA Campus for \$22,889,431. Interest will accrue on the outstanding principal balance of the loan at the fixed rate of 5.00%. The interest payments are due on monthly installments through the maturity date of June 30, 2046. On the maturity date, a balloon payment of the outstanding principal balance and all accrued and unpaid interest shall be due and payable in full. The outstanding balance of the notes as of June 30, 2019 amounted to \$22,889,431, which is recorded in the charter holder's books.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

**Note 7 – Operating Leases and Other Commitments (continued)**

The Charter Holder entered into a Ground Lease for the BCA Campus property with TA Vance Property, L.P. for \$1 through June 30, 2046.

Subsequently, the Charter Holder entered into a Lease Agreement with TA Vance Property, L.P. (“Landlord”) for the land, building, and building improvements of the School’s BCA Campus. The lease agreement continues through June 30, 2046 and includes a purchase option termination fee of \$8,537,900 through June 30, 2022. It is the intention of the Charter Holder to exercise the purchase option therefore the value of the lease payments for the value of the improvements in made by the Landlord excess of the purchase price have been capitalized in the Charter Holders books.

Lonestar Campus

The Charter Holder, entered into a promissory note with TA San Antonio BL Acquisition Lender, LLC for the land and building of the School’s Lonestar Campus for \$4,019,242. Interest will accrue on the outstanding principal balance of the loan at the fixed rate of 5.00%. The interest payments are due on monthly installments through the maturity date of June 30, 2048. On the maturity date, a balloon payment of the outstanding principal balance all accrued and unpaid interest shall be due and payable in full. The outstanding balance of the notes as of June 30, 2019 amounted to \$4,019,242, which has been recorded in the Charter Holder’s books.

The Charter Holder entered into a Ground Lease for the Lonestar Campus property to TA San Antonio 25 BL, L.P. for \$1 effective as of July 18, 2018 through June 30, 2048.

Effective as of the commencement date, the Charter Holder, entered into a Lease Agreement with TA San Antonio 25 BL, L.P. (“Landlord”) for the land, building, and building improvements of the School’s Lonestar Campus. The lease agreement continues through June 30, 2048 and includes a purchase option termination fee of \$8,019,047 if the Charter Holder purchases the improvements by March 30, 2023. It is the intention of the Charter Holder to exercise the purchase option therefore the value of the lease payments for the value of the improvements made by the Landlord in excess of the purchase price have been capitalized in the Charter Holders books.

The School is paying all interest expense and lease payments on behalf of the Charter Holder and the payments are reflected as rent expense in the Schools statement of statement of activities. The full value of the lease commitments for TA Vance Property, L.P. and TA San Antonio 25 BL, L.P. are included in the future minimum payments below. For the year ended June 30, 2019 \$1,144,470 in interest expense payments are included in rent expense.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

**Note 7 – Operating Leases and Other Commitments (continued)**

Rental expense for the year ended June 30, 2019 totaled approximately \$3,690,000, including payments of approximately \$1,900,000 for related party leases. Future minimum payments under these agreements are as follows:

2020	\$ 2,849,199
2021	3,027,480
2022	3,402,486
2023	3,570,310
2024	3,599,980
2025-2029	18,872,944
2030-2034	10,605,903
2035-2039	12,402,012
2040-2044	14,534,832
2045-2047	6,466,392
Total	<u>\$ 79,331,538</u>

Concentrations and Contingencies

The School received substantially all of its revenues from state and federal governmental agencies that are governed by various statutes and regulations. As such, the School operates in a heavily regulated environment. 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.

The programs administered by the charter school have complex compliance requirements, and 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. The School receives a portion of its funding from federal and state programs that are governed by rules and regulations of the grantors. The ultimate determination of amounts received under these programs is generally based upon allowable costs reported to the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

### **Note 7 – Operating Leases and Other Commitments (continued)**

#### Trademark License and Affiliation Agreement

The School entered into an affiliation agreement with SLAM Foundation, Inc. to become a member of SLAM and adopt best practices, standards and procedures. This agreement shall remain in effect for a term equal to the duration of the term of the Schools charter contract. The agreement shall automatically renew for an additional term upon renewal of the Schools charter contract. The annual affiliation fee is 1% of the guaranteed basic support payment per pupil funding that the Schools generate and receive based on student enrollment at the Schools for all the students in all of the grade levels in which SLAM curriculum is offered. During the year ended June 30, 2019. The Schools incurred approximately \$31,566 in affiliation fees.

### **Note 8- Risk Management**

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past years. In addition, there were no reductions in insurance coverage from those in the prior year.

### **Note 9 – Defined Benefit Pension Plan**

The School participates in the Teacher Retirement System of Texas (the System), a public employee retirement system. It is cost-sharing, multiple-employer defined benefit pension plan with the exception that all risks and costs are not shared by the School, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries.

The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas. Under provisions in State law, plan members are required to contribute 7.7% of their monthly salary and the State of Texas contributes an amount equal to 6.8% of the School's covered payroll. The School's contribution to the System for the year ended June 30, 2019 was approximately \$1,749,000.

#### Plan Description

The School participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teachers Retirement System ("TRS"). The TRS defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's board of trustees does not have the authority to establish or amend benefit terms. The TRS plan does not include a collective-bargaining agreement.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

### **Note 9 – Defined Benefit Pension Plan (continued)**

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by TRS.

The TRS plan differs from single-employer plan in the following ways:

1. Charters are legally separate entities from the state and each other.
2. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another charter or ISD.
3. The unfunded obligations get passed along to other charters or ISDs.
4. There is not a withdrawal penalty for leaving the TRS system.

#### Pension Plan Fiduciary Net Position

At August 31, 2019, TRS’ total plan assets were \$157,978,199,075; accumulated benefit obligation was \$209,961,325,288; and the plan was 75.24% funded.

Detailed information about TRS’ fiduciary net position is available in a separately issued Comprehensive Annual Financial Report (“CAFR”) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

#### Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate not less than 6% and not more than 10% of the aggregate annual compensation paid to members of TRS during the fiscal year. Texas Government Code, Section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, of the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code, Section 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code, Section 825.402 for member contributions and established employee contribution rates for fiscal year 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (“OASDI”) on certain employees effective for fiscal year 2015, as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (“GAA”) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, GAA established the employer contribution rates for fiscal years 2016 and 2017.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering

(A Charter School sponsored by Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2019

---

**Note 9 – Defined Benefit Pension Plan (continued)**

Contributors to the plan include members, the School, and the state of Texas as the only nonemployer contributing entity (“NECE”). The state is the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the state contributes to the plan in accordance with state statutes and the GAA.

As the NECE for public education and junior colleges, the state of Texas contributes to TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the School. The School is required to pay the employer contribution rate in the following instances:

- On the portion of the members’ salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the TEC.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from noneducational and general, or local funds.
- When the employing district is a public junior college or junior college district, the district shall contribute to TRS an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the School employer contributions listed below, when employing a retiree of TRS, the School shall pay both the member contribution and the state contribution as an employment after retirement surcharge. The School’s contribution to TRS does not represent more than 5% of the total contributions to the TRS plan. Other than in member contribution rates, there have been no changes that would affect the comparison of employer contributions from year to year.

Contribution Rates

2019

---

Member	7.7%
NECE	6.8%
Employers	6.8%
Employer contributions	\$ 189,700
Member contributions	\$ 1,234,429
Non-OASDI contributions	\$ 240,471
Health plan contributions	\$ 1,007,542

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

---

### **Note 10 – Health Care Coverage**

During the year ended June 30, 2019, employees of the School were covered by a health insurance plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers. For the year ended June 30, 2019, the School contributed approximately \$1,007,542 to the health plan on behalf of the employees.

### **Note 11 – Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2019 consisted of assets that are subject to grantor or donor imposed stipulations that require the passage of time or the occurrence of a specified event. The majority of the assets are pass-through from TEA as follows:

Foundation School Program	\$ 7,119,685
Career And Technical Ed.	1,474
Federal Funded Special Revenue	1,451
Other Local Sources	223,912
	<hr/>
	\$ 7,346,522

Net Assets for the year ended June 30, 2019 were released from donor restriction by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Foundation School Program	\$ 28,986,519
Title I, Part A - Grants to Local Education Agencies	902,894
Title I, Part C - Education Migratory Children	1,714
Title I School Improvement	56,398
Federal Funded Special Revenue	28,676
IDEA Part B	381,764
IDEA Special Education Discretionary	150,221
National School Breakfast and Lunch Program	1,348,819
Title II, Part A - Supporting Effective Instruction	97,489
Title III, Part A, English Language Enhancement	15,737
Career And Technical Ed.	43,921
Other State	115,051
Other Local	486,030
	<hr/>
	\$ 32,615,233

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering

(A Charter School sponsored by Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2019

---

### **Note 12 – Services Agreement**

The Charter Holder has a services agreement with Academica SW, LLC to provide administrative services specifically to the School including but not limited to facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the accounting books and records, bookkeeping, budgeting and financial reporting. The fee charged is per student full-time equivalent of the School per annum and is adjusted annually for the consumer price index. During the year ended June 30, 2019, the fee recorded by the School totaled approximately \$2,052,000.

**SUPPLEMENTAL INFORMATION**

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering

(A Charter School Sponsored by Somerset Academy, Inc.)

Schedule of Expenses

For the Year Ended June 30, 2019

---

Expenses:

6100 Payroll costs	\$ 19,501,079
6200 Professional and contracted services	9,087,223
6300 Supplies and materials	2,582,740
6400 Other operating costs	1,352,788
6500 Debt service	<u>91,403</u>
 Total Expenses	 <u>\$ 32,615,233</u>

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
 (A Charter School Sponsored by Somerset Academy, Inc.)  
 Schedule of Capital Assets  
June 30, 2019

---

Object Code Asset Classification	Ownership Interest				Total
	Local Funds	State Funds	Federal Funds		
1510 Land and Improvements	\$ -	\$ 125,631	\$ -	\$ 125,631	
1520 Buildings and Improvements	-	1,973,606	-	1,973,606	
1531 Vehicles	-	277,510	-	277,510	
1539 Furniture and equipment over \$500	153,387	391,078	39,466	583,931	
1549 Furniture and equipment under \$500	11,202	2,961,964	412,212	3,385,378	
1559 Asset purchased under capital lease	-	842,317	-	842,317	
1569 Library books	78,445	93,618	-	172,063	
Total Capital Assets	<u>\$ 243,034</u>	<u>\$ 6,665,724</u>	<u>\$ 451,678</u>	<u>\$ 7,360,436</u>	

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
 (A Charter School Sponsored by Somerset Academy, Inc.)  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2019

	Budgeted Amounts			Variances	
	Original	Final	Actual Amounts	Variance from Final Budget and Actual Amounts	Variance from Original and Final Budget
Revenues					
5700 Local support	\$ 383,924	\$ 250,000	\$ 325,715	\$ 75,715	\$ 133,924
5800 State program revenue	28,413,735	28,743,118	29,500,714	757,596	(329,383)
5900 Federal program revenues	921,364	950,000	997,581	47,581	(28,636)
Total revenues and other support	<u>\$ 29,719,023</u>	<u>\$ 29,943,118</u>	<u>\$ 30,824,010</u>	<u>\$ 880,892</u>	<u>\$ (224,095)</u>
Expenses					
11 Instruction	19,332,367	19,450,197	20,404,235	954,038	(117,830)
12 Instructional resources and media services	1,752	42,772	44,945	2,173	(41,020)
13 Curriculum and instructional staff development	465,794	219,034	161,540	(57,494)	246,760
21 Instructional Leadership	-	-	6,859	6,859	-
23 School leadership	1,761,370	1,677,454	1,668,504	(8,950)	83,916
31 Guidance, counseling and evaluation services	369,595	263,877	266,575	2,698	105,718
33 Health services	78,506	49,920	53,853	3,933	28,586
34 Student (pupil) transportation	77,880	138,640	104,887	(33,753)	(60,760)
35 Food services	-	1,515,430	1,348,814	(166,616)	(1,515,430)
36 Extracurricular activities	412,153	495,281	481,165	(14,116)	(83,128)
41 General administration	2,756,020	2,896,496	2,806,465	(90,031)	(140,476)
51 Facilities maintenance and operations	2,403,107	2,550,589	2,201,218	(349,371)	(147,482)
52 Security and monitoring services	567,182	513,362	574,621	61,259	53,820
53 Data processing services	373,967	191,824	120,194	(71,630)	182,143
71 Debt service	302,999	81,542	91,403	9,861	221,457
Total expenses	<u>28,902,692</u>	<u>30,086,418</u>	<u>30,335,278</u>	<u>248,860</u>	<u>(1,183,726)</u>
Change in net assets	<u>816,331</u>	<u>(143,300)</u>	<u>488,732</u>	<u>632,032</u>	<u>959,631</u>
Net assets at beginning of year	<u>6,536,051</u>	<u>6,536,051</u>	<u>6,536,051</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 7,352,382</u>	<u>\$ 6,392,751</u>	<u>\$ 7,024,783</u>	<u>\$ 632,032</u>	<u>\$ 959,631</u>

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Budgetary Comparison Schedule  
June 30, 2019

---

### **Note 1 – Budgetary Matters**

In accordance with the TEA Special Supplement to the Financial Accountability System Resource Guide Charter Schools, if the budgetary comparison schedule discloses variances between the final budgeted amounts and the actual amounts that exceed 10% of the final budgeted amounts or 10% between the original and budgeted amounts, a written statement discussing the causes of the variances is required.

### **Note 2 – Budgetary Variances**

The actual amounts varied by more than 10% from the final amended budget as follows:

#### Revenue

Local support variances due to number of students in attendance increased more than budgeted.

#### Expenses

Function 13 – Staff development services decreased from prior year expense.

Function 34 – Budget was increased to accommodate initial year expense; however, the School was overly conservative with the expenses.

Function 35 – Food department did a great job on being conservative with lunch related expenses, while still providing best services to students

Function 51 – Budget was increased to accommodate initial year expense; however, school was conservative in expenses.

Function 52 – School invested on increasing security of students to ensure a safe environment.

Function 53 – Data processing services decreased from prior year expense.

Function 71 – Debt service percentage increased from prior year.

## **COMPLIANCE SECTION**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

---

To the Board of Directors  
Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School Sponsored by Somerset Academy, Inc.  
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering (the “School”), a charter school sponsored by Somerset Academy, Inc. (the “Charter Holder”), which compose the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School’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 the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019.01 that we consider to be significant deficiencies.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School'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 reported to management in a separate management letter dated December 19, 2019.

### ***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 School'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.

A handwritten signature in blue ink that reads "HB Gravis, CPA".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida

December 19, 2019

Licensed by the Texas State Board of Public Accountancy

ID No. P05554



INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School Sponsored by Somerset Academy, Inc.  
San Antonio, Texas

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

We have audited Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering's (the "School"), a charter school sponsored by Somerset Academy, Inc. (the "Charter Holder"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2019. The School'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

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

396 Alhambra Circle, Suite 900, Coral Gables, FL 33134 • Tel: 305.446.3022 • Fax: 305.446.6319  
[www.hlbgravier.com](http://www.hlbgravier.com)

HLB Gravier, LLP is a member of HLB International. A world-wide organization of accounting firms and business advisers.

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

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

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-02. Our opinion on each major federal program is not modified with respect to these matters.

The School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of the School 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 the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-02 to be a significant deficiency.

The School's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The Organization's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

A handwritten signature in blue ink that reads "HLB Grauer, LLP".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida

December 19, 2019

Licensed by the Texas State Board of Public Accountancy

ID No. P05554

Brooks Academies of Texas f/k/a Brooks Academy of Science and Engineering  
 (A Charter School Sponsored by Somerset Academy, Inc.)  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2019

---

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Identifying Number	Federal Pass Through Entity	Federal Expenditures
---	---------------------	--------------------	-----------------------------	----------------------

**U.S. DEPARTMENT OF AGRICULTURE/PASSED THROUGH  
 THE STATE DEPARTMENT OF AGRICULTURE**

School Breakfast Program	10.553	201919N109946	\$ 183,721
National School Lunch Program	10.555	201919N109946	<u>813,860</u>
Total United States Department of Agriculture passed through State Department of Agriculture			<u>\$ 997,581</u>

**U.S. DEPARTMENT OF EDUCATION/PASSED THROUGH  
 THE STATE DEPARTMENT OF EDUCATION**

Title I, Part A - Grants to Local Educational Agencies	84.010A	S010A180043	\$ 732,832
Title I - School Improvement (SIP) Academy Grant	84.377A	S010A180043	56,398
Title I, Part C - Migrant Education	84.011	S011A180044	1,714
Title II, Part A - Supporting Effective Instruction	84.367A	S367A180041	79,352
Title III, Part A - English Language Enhancement	84.365A	S365A160043	15,737
Title IV, Part A - Student Support and Academic Enrichment	84.424A	S424A180045	28,676
Career and Technical Education	84.048A	V048A180043	37,891
IDEA B - Formula	84.027A	H027A180008	<u>474,330</u>
Total United States Department of Education passed through State Department of Education			<u>\$ 1,426,930</u>
Total expenditure of federal awards			<u>\$ 2,424,511</u>

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2019

---

**Note 1 – Basis of Presentation and Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Brooks Academies of Texas f/k/a Brooks Academy of Science and Engineering ("the School") during the year ended June 30, 2019. The schedule includes only the expenditure of federal awards of the School as of June 30, 2019 and is not intended to be a complete presentation of the expenditures of federal awards of Somerset Academy, Inc., the Charter Holder.

The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

Expenditures on the schedule are reported on the accrual basis of accounting. Some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

The School has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Schedule of Findings and Questioned Costs  
June 30, 2019

---

## Section I - Summary of Auditor's Results

### Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes \_\_\_\_\_ None  
Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes X No

### Federal Awards

Internal control over major programs:

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

Material weakness(es) identified? \_\_\_\_\_ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes \_\_\_\_\_ None  
Reported

Any audit findings disclosed that are required to be reported as defined by the Uniform Guidance (2 CFR 200.516(a))? X Yes \_\_\_\_\_ No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number(s)	Expenditures
School Breakfast and National School Lunch Program	10.553/10.555	\$ 997,581
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000	
Auditee qualified as low-risk auditee?	<u>X</u> Yes	No

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Schedule of Findings and Questioned Costs  
June 30, 2019

---

## **Section II – Financial Statement Findings**

### A. Internal Control:

#### **2019-01 Timely Reconciliation of Accounts**

Criteria:	The School has monthly and annual closing policies and procedures in place whereby reconciliation of all accounts is to be performed in a timely manner.
Condition:	We noted that while all accounts were eventually reconciled and adjusted as necessary, the process was not performed in a timely manner and several post-closing adjustments were required to properly reconcile the accounts.
Cause:	The condition resulted from turnover of accounting personnel that occurred during the year ended June 30, 2019.
Effect:	Failure to perform timely reconciliations can result in misstatements in the financial statements.
Recom-mendation:	We recommend the School reconcile all accounts within a two-week period or no later than thirty days after the close of a period.
Views of Responsible officials:	See corrective action plan for view of responsible officials.

### B. Compliance: None

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Schedule of Findings and Questioned Costs  
June 30, 2019

---

### **Section III – Major Federal Awards Program Findings and Questioned Costs**

Compliance:

#### **2019-02 Procurement**

Criteria:	The TEA Special Supplement to the Financial Accountability System Resource Guide provides methods of procurement to be used when making purchases.
Condition:	We noted that procurement procedures were not properly documented for two of the purchases tested (two separate vendors). The annual purchases paid to those vendors was below \$50,000.
Cause:	The condition resulted from not assessing aggregate payments made to the vendors for compliance with TEA requirements.
Effect:	Failure to perform the procedures mentioned above resulted in noncompliance with TEA requirements.
Recommendation:	We recommend that the School perform an annual review of vendor payments to ensure compliance with the criteria described above.
Views of Responsible officials:	See corrective action plan for view of responsible officials.

### **Section IV – Summary Schedule of Prior Audit Findings**

#### **2018-01 – School Lunch Program Eligibility**

Condition: We noted one instance where eligibility classification was incorrect.

##### Updated status

Based on current year testing of the lunch program eligibility testing, we noted no exceptions.

Brooks Academies of Texas F/k/a Brooks Academy of Science & Engineering  
(A Charter School sponsored by Somerset Academy, Inc.)  
Corrective Action Plan  
June 30, 2019

---

## BROOKS ACADEMIES OF TEXAS

December 19th, 2019

HLB Gravier, LLP  
396 Alhambra Circle, 9th Floor  
Coral Gables, FL 33134

### RE: MANAGEMENT'S RESPONSE TO AUDITOR'S RECOMMENDATION

The following is the response by the School's Administrator to your recommendations:

#### **Timely Reconciliation of Accounts**

##### **Recommendation**

We recommend that the School reconcile all accounts within a two-week period or no later than 30 days after the close of the period

##### **Management Response**

Management will adhere to the auditor's recommendation. The service provider will ensure that bank reconciliations are completed within the requested time frame for all the school's bank accounts.

#### **Documentation of Competitive Purchasing for Small Purchases**

##### **Recommendation**

We recommend that the School adhere to its policies and procedures for procurement in accordance with State and Federal guidelines and that those policies be implemented and evidenced through proper documentation

##### **Management Response**

Management will review purchasing policies with staff members involved in procurement process and provide additional training on a quarterly basis. Service provider will assist in ensuring such policies are adhered to.

Sincerely,

Lisa Schutz

Lisa Schutz

Superintendent, Brooks Academies of Texas