



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, 2021

## 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 . . . . .	10-27
<b>Supplemental Information:</b>	
Schedule of Expenses . . . . .	28
Schedule of Capital Assets . . . . .	29
Budgetary Comparison Schedule . . . . .	30
Notes to Budgetary Comparison Schedule . . . . .	31
<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> . . . . .	32-33
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance . . . . .	34-36
Schedule of Expenditures of Federal Awards . . . . .	37
Notes to the Schedule of Expenditures of Federal Awards. . . . .	38
Schedule of Findings and Questioned Costs . . . . .	39-40
Corrective Action Plan . . . . .	41
Supplementary Information	
Bond Covenant Compliance:	
Debt Service Coverage Ratio . . . . .	42
Days Cash on Hand . . . . .	43

CERTIFICATE OF BOARD¶

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Brooks Academies of Texas f/k/a Brooks Academy of Science & Engineering¶

(A charter school under Somerset Academy, Inc.¶

Federal Employer Identification Number 31-1569428¶

¶  
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¶

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, 2021, at a meeting of the Board of Trustees of such school district on the 18 day of November, 2021.¶

¶

*Aua 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 (the “School”), a charter school sponsored by Somerset Academy, Inc. (the “Charter Holder”), which comprise the statement of financial position as of June 30, 2021, 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)

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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, 2021, 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, 2021, 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, 2021 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 Matters***

In connection with our audit, nothing came to our attention that caused us to believe that the School failed to comply with the terms, covenants, provisions, or conditions of Section 5.09 and Section 5.12 of the Loan Agreement dated March 1, 2021 with Regions Bank, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the School’s noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Indenture, insofar as they relate to accounting matters.

***Restricted Use Relating to the Other Matter***

The communication related to compliance with the aforementioned Indenture described in the Other Matter paragraph is intended solely for the information and use of the board of directors and management of Brooks Academy of Science & Engineering and Regions Bank and is not intended to be and should not be used by anyone other than these specified parties.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
November 18, 2021  
Licensed by the Texas State Board of Public Accountancy

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, 2021

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Assets

Current assets:

Cash and cash equivalents	\$ 3,227,659
Restricted cash held by trustee	2,816,750
Due from state	5,539,446
Due from pass-through grants from TEA	1,261,804
Other receivables	46,944
Prepaid expenses and other assets	<u>86,878</u>

Total current assets 12,979,481

Property and equipment, net 43,403,947

Total assets \$ 56,383,428

Liabilities and Net Assets

Current liabilities:

Accounts payable	406,999
Accrued expenses	2,631,767
Accrued bond interest payable	623,095
Current portion of long term debt	<u>747,622</u>

Total current liabilities 4,409,483

Long-term debt	589,177
Bonds payable	<u>43,496,316</u>

Total liabilities 48,494,976

Net assets - With donor restrictions 7,888,452

Total liabilities and net assets \$ 56,383,428

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
<b>Local support:</b>			
Contributions	\$ -	\$ 630,174	\$ 630,174
Food Service	-	77,860	77,860
Fundraising Revenues	-	319,596	319,596
Other Revenues	-	25,163	25,163
<b>Total local support</b>	<b>-</b>	<b>1,052,793</b>	<b>1,052,793</b>
<b>State program revenue:</b>			
Foundation school program	-	30,973,438	30,973,438
Food service	-	7,452	7,452
State-Funded Special Revenue Funds	-	68,212	68,212
<b>Total state program revenues</b>	<b>-</b>	<b>31,049,102</b>	<b>31,049,102</b>
<b>Federal program revenues:</b>			
National School Breakfast, Lunch and Summer Program	-	303,344	303,344
Title I, Part A - Grants to Local Education Agencies	-	1,259,938	1,259,938
Title I, SIP - Academy Grant	-	65,500	65,500
Title II, Part A - Supporting Effective Instruction	-	214,917	214,917
Title III, Part A, English Language Enhancement	-	25,054	25,054
Title IV, Part A, Subpart 1	-	78,795	78,795
Career and Technical Education	-	52,596	52,596
IDEA Part B	-	453,233	453,233
ESSER Grant	-	597,383	597,383
ESSER III Grant	-	503,407	503,407
Coronavirus Relief Fund (CRF)	-	286,411	286,411
<b>Total federal program revenues</b>	<b>-</b>	<b>3,840,578</b>	<b>3,840,578</b>
<b>Net assets released from restrictions:</b>			
Restrictions satisfied by payments	35,501,060	(35,501,060)	-
<b>Total Revenues</b>	<b>\$ 35,501,060</b>	<b>\$ 441,413</b>	<b>\$ 35,942,473</b>

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses			
11 Instruction	\$ 24,004,186	\$ -	\$ 24,004,186
12 Instructional resources and media services	127,731	-	127,731
13 Curriculum and instructional staff development	498,271	-	498,271
21 Instructional leadership	201,029	-	201,029
23 School leadership	2,278,096	-	2,278,096
31 Guidance, counseling and evaluation services	452,700	-	452,700
32 Social work services	152,837	-	152,837
33 Health services	216,122	-	216,122
34 Student (pupil) transportation	47,188	-	47,188
35 Food services	563,507	-	563,507
36 Extracurricular activities	624,437	-	624,437
41 General administration	2,399,436	-	2,399,436
51 Facilities maintenance and operations	2,280,649	-	2,280,649
52 Security and monitoring services	675,712	-	675,712
53 Data processing services	296,182	-	296,182
61 Community services	39,518	-	39,518
71 Debt service	643,459	-	643,459
Total expenses	<u>35,501,060</u>	<u>-</u>	<u>35,501,060</u>
Change in net assets	<u>-</u>	<u>441,413</u>	<u>441,413</u>
Net assets, beginning of year	<u>-</u>	<u>7,447,039</u>	<u>7,447,039</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 7,888,452</u>	<u>\$ 7,888,452</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, 2021

	Program Activities		Supporting Activities	Total
	Instructional Activities		General and Administrative	
<b>Expenses</b>				
Salaries and Wages	\$ 17,844,961		\$ 1,464,858	\$ 19,309,819
Benefits	2,161,468		161,116	2,322,584
Payroll Taxes	246,835		20,317	267,152
Total Payroll Expenses	\$ 20,253,264		\$ 1,646,291	\$ 21,899,555
Rental Expense	\$ 4,474,548		\$ 428,798	\$ 4,903,346
Office Expenses	662,867		645	663,512
Maintenance and Repairs	129,844		-	129,844
Administration Overhead	16,965		8,776	25,741
Utilities	650,429		4,079	654,508
Depreciation	830,890		24,051	854,941
Supplies	763,671		71,024	834,695
Food	246,199		-	246,199
Travel	21,835		30,593	52,428
Instructional Materials	422,639		-	422,639
Insurance and Bonding	380,286		16,067	396,353
Professional Fees and Dues	149,358		2,288,790	2,438,148
Interest Expense	647,965		-	647,965
Fundraising Expense	327,992		-	327,992
Other	844,776		158,418	1,003,194
Total Non-payroll Expenses	\$ 10,570,264		\$ 3,031,241	\$ 13,601,505
Total Expenses	\$ 30,823,528		\$ 4,677,532	\$ 35,501,060

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, 2021

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Cash Flows From Operating Activities	
Change in net assets	\$ 441,413
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	850,435
Change in assets and liabilities:	
Due from state	(154,709)
Due from pass-through grants from TEA	(775,495)
Other receivables	(14,764)
Prepaid expenses and other assets	37,657
Accounts payable	247,192
Accrued expenses	328,296
	<u>518,612</u>
Net Cash Provided by Operating Activities	<u>960,025</u>
Cash Flows From Investing Activities	
Acquisition of property and equipment	<u>(41,364,145)</u>
Net Cash Used in Investing Activities	<u>(41,364,145)</u>
Cash Flows From Financing Activities	
Proceeds from long term debt	1,252,838
Repayment of principal	(1,468,052)
Net proceeds from bond issuance	<u>43,500,822</u>
Net Cash Provided by Financing Activities	<u>43,285,608</u>
Net increase in cash and equivalents	<u>2,881,488</u>
Cash and cash equivalents, at beginning of year	<u>3,162,921</u>
Cash and cash equivalents, at end of year	\$ 3,227,659
Restricted cash held by trustee	<u>2,816,750</u>
	<u>\$ 6,044,409</u>
<u>Supplemental Disclosure of Cash Flow Information</u>	
Cash paid for interest	<u>\$ 24,870</u>

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

### **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 63 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 (5 at June 30, 2021). 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 (5 at June 30, 2021) 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. On August 1, 2020 the charter agreement was renewed until July 31, 2030.

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, 2021.

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.

## **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, 2021 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").

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.

**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.

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.

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.

**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.

Due from State

Due from state consists of the instructional days in June 2021 that relate to the 2021-2022 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.

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:

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

Property and Equipment (continued)

Assets purchased under capital leases, vehicles, furniture and equipment	5 Years
Leasehold improvements	15 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, 2021.

Bond Issuance Costs, Discounts, and Premiums

Costs incurred in issuing the Series 2021A and 2021B bonds are recorded in other assets and are amortized using the effective interest method over the term of the related debt. Amortization of bond issuance costs is included in interest expense in the accompanying statement of activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. The net bond issuance costs, discounts, and premiums are reported as a direct reduction of the carrying value of the debt.

Cash Held in Escrow by Trustee for Bond

The cash and cash equivalents held in escrow are related to the amounts that the Organization is required to segregate in connection with the issuance of bonds, including sinking fund and reserve requirements, as well as amounts segregated for capital projects of the Organization. The Indenture of Trust requires the establishment of the Funds for the bonds and accounts within such funds, all of which shall be special trust funds and accounts held by Trustee.

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.

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.



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

### 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 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. At the time of termination or two weeks’ notice of resignation, employees may be eligible for payment of unused accrued leave time at the board approved rate.

### Pronouncements Issued but not yet Effective

The FASB issued ASU 2016-02 which establishes a right-of-use (“ROU”) model that requires the lessee to recognize the ROU asset and liability on the statement of financial position for all leases with a term longer than 12 months. The new standard is effective for periods beginning after December 15, 2021. The School is currently evaluating the effect the implementation of the new standard will have on its financial statements.

### Adoption of New Accounting Pronouncement

The FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The purpose of this pronouncement is to provide guidance in determining whether transactions are non-exchange (within the scope of Topic 958) or exchange (within the scope of Topic 606) and determining whether contributions are conditional. The School adopted the provisions of ASU 2018-08 for contributions received on a modified prospective basis as of July 1, 2019. Therefore, it is applied to any remaining portion of existing agreements not yet recognized as of July 1, 2019, in addition to all new agreements entered into after that date. The School adopted the provisions for contributions made on July 1, 2020. The adoption of this pronouncement did not have a material effect on these financial statements.

### *ASU 2014-09: “Revenue from Contracts with Customers”*

In May 2014, the FASB issued ASU No. 2014-09, which along with amendments issued in 2015 and 2016 supersedes the revenue recognition requirements in ACS 605, “Revenue Recognition” and most industry-specific guidance. The guidance applies to all contracts, but specifically excludes contribution income. The School adopted the provisions of ASU 2018-08 for contributions received on a modified prospective basis as of July 1, 2020. The adoption of this pronouncement did not have a material effect on these financial statements.

### Subsequent Events

The School has evaluated subsequent events and transactions for potential recognition or disclosure through November 18, 2021, 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, 2021, the School's deposits consisted of cash balances of \$3,216,524. 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, 2021, bank balances in potential excess of FDIC coverage was approximately \$2,967,000.

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

Cash and cash equivalents	\$ 3,227,659
Due from governmental agencies	6,801,250
Prepaid expenses and other current assets	133,822
	<u>\$ 10,162,731</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.

### **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, 2021 consist of the following:

<u>Due from state:</u>	
Days of instruction	\$ 4,751,543
Settlement of current year underpayment	787,903
	<u>\$ 5,539,446</u>

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

<u>Due from pass-through grants from TEA:</u>	
Title I, Part A - Grants to Local Education	
Agencies	\$ 319,986
Title I, SIP - Academy Grant	17,957
Title II, Part A - Supporting Effective Instruction	59,141
Career and Technical Education	20,851
Title III, Part A	6,965
Title IV, Part A	63,222
IDEA Part B	128,616
ESSER	141,659
ESSER III	503,407
	<u>\$ 1,261,804</u>

**Note 5 – Property and Equipment**

The following schedule provides a summary of property and equipment at June 30, 2021:

Land improvements	\$ 8,205,380
Furniture, fixtures and equipment	5,234,983
Leasehold improvements	34,624,859
Vehicles	277,510
Asset purchased under capital lease	842,317
	<u>49,185,049</u>
Less accumulated depreciation	<u>(5,781,102)</u>
Net property and equipment	<u>\$ 43,403,947</u>

Depreciation expense for the year ended June 30, 2021 totaled approximately \$855,000. 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.

**Note 6 – Long Term Debt**

Series 2021 Education Revenue Bonds

On March 18, 2021, Arlington Higher education Finance Corporation issued series 2021A Education Revenue Bonds in the aggregate principal amount of \$42,795,000. In addition, Arlington Higher education Finance Corporation issued series 2021B Education Revenue Bonds in the aggregate principal amount of \$165,000, collectively “Series 2021 Bonds”.

The bonds were used to (i) finance or refinance the costs of acquiring, constructing, improving and equipping Brooks Collegiate Academy located at 4802 Vance Jackson Road, San Antonio, Texas and Brooks Lone Star Academy located at 25 Burwood Lane, San Antonio, Texas, (ii) funding a debt service reserve fund, and (iii) paying costs of issuance of the Series 2021 Bonds.

Interest on the Series 2021A Bonds will accrue from the date of initial delivery and will be calculated on the basis of a 360-day year consisting of twelve 30 months. These bonds are subject to interest rates ranging from 4.00% to 5.00%. and mature between June 15, 2031 through June 15, 2051. The bonds were issued at par value plus premium of \$1,580,567. The Series 2021B Bonds mature on June 15, 2023, were issued at par and are subject to interest rate of 3.5%.

The bond is secured by a deed of trust and security agreement to the trustee as security for the bonds on collateral identified in such agreement including but not limited to the real property, buildings and improvements, furniture, equipment and supplies purchased with the bonds. The Series 2021 bonds contain restrictive covenants related to debt service coverage ratio, days cash on hand requirements, student enrollment and reporting requirements. In the event of default, the maturity date can be accelerated and/or the underlying collateral may be subject to foreclosure.

The debt service on the bonds financing for the School is as follows:

Year	Principal	Interest
2022	\$ -	\$ 2,499,226
2023	745,000	2,068,325
2024	775,000	2,045,125
2025	805,000	2,008,350
2026	840,000	1,976,150
2027-2031	4,720,000	9,350,150
2032-2036	5,865,000	8,211,000
2037-2041	7,480,000	6,590,750
2042-2046	9,550,000	4,523,750
2047-2051	12,180,000	1,880,475
	<u>\$ 42,960,000</u>	<u>\$ 41,153,301</u>

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

Premiums and debt issuance costs on the bonds are as follows:

Bonds payable	\$ 42,960,000
Plus: premium on bonds payable, net	1,567,397
Less: Debt issuance costs, net	<u>(1,031,081)</u>
	43,496,316

Amortization of bond premium and issuance cost as of June 30, 2021 amounted to \$13,170 and \$8,664, respectively, which is included in interest expense.

Notes Payable

On July 9, 2016, the Charter Holder entered into an interim financing lease agreement with Zion Credit Corporation, on behalf of the School, for equipment financing of up to \$1,000,000. The financing was available for the purchase of equipment for a maximum of 6 months. On completion of the 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. 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. The outstanding balance as of June 30, 2021, was \$159,858.

On September 20, 2017, and on June 25, 2020, the Charter Holder entered into financing lease agreements with JP Morgan Chase Bank on behalf of the School for approximately \$870,653. These agreements had terms maturing though June 25, 2024. However during the year, the School refinanced the outstanding balance with new equipment financing loans from Regions bank.

During 2020, the School obtained equipment financing from Regions bank and issued notes payable for a total loan balance of \$918,831. The purpose of the loans is the acquisition of capital assets. The facilities require between 36 -48 monthly payments of principal and interest at interest rates ranging from 3.25% - 3.50%. As of June 30, 2021, the outstanding balance on the notes was \$843,934.

Line of Credit

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 rate of 1.85% per annum and is due in full with all accrued interest at maturity on March 31, 2022. The line of credit is secured by all business assets of the Charter Holder. As of June 30, 2021 the outstanding balance was \$333,007.

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

Long-term debt at June 30, 2021 consisted of the following:

Capital tax lease	\$ 159,858
Purchased financing lease	843,934
Lines of credit	<u>333,007</u>
Total	<u>\$ 1,336,799</u>

Future maturities of long-term debt are as follows:

Fiscal year ending:	
2022	\$ 747,622
2023	253,976
2024	183,513
2025	135,968
2026	<u>15,720</u>
Total	<u>\$ 1,336,799</u>

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

The School leases modular portable classrooms under various agreements. Monthly payments under these agreements range from \$1,200 to \$2,275 plus insurance and other fees.

The School is leasing office equipment for approximately \$162,000 per year through 2024.

The School leases property on two of its four campuses under two non-cancellable lease agreements. On March 31, 2021, the School issued bonds for the purchase of two of its facilities that were formerly under operating leases, Brooks Collegiate Academy and Lonestar campus.

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. Monthly payments under the lease agreements range from \$45,796 to \$54,340 plus CPI.

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

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

In addition, on September 1, 2020, the Charter Holder entered into a lease agreement on behalf of the School with Base School Facilities LLC as landlord for facilities totaling 39,822 square feet through August 31, 2041 with the option to extend for two additional periods of five years each. Monthly rent starting with the building occupancy date ranges from approximately \$100,000 to \$154,000 plus CPI adjustments. Rental expense for the year ending June 30, 2021 totaling \$375,000 was waived by the landlord and included as in kind income and expense in the statement of activities.

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. Monthly rent payments under the agreement are \$10,417.

Rental expense for the year ended June 30, 2021 totaled approximately \$4,903,000. Future minimum payments under these agreements are as follows:

Fiscal year ending:		
	2022	\$ 2,934,294
	2023	3,694,544
	2024	3,964,514
	2025	4,311,784
	2026	4,311,784
	2027-2031	13,709,955
	2032-2036	9,250,000
	2037-2041	9,250,000
Total		<u>\$ 51,426,875</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.

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

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.

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, 2021, the School incurred approximately \$81,800 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 7.5% of the School's covered payroll. The School's contribution to the System for the year ended June 30, 2021 was approximately \$395,000.



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

### 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.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload 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, 2020, TRS’ total plan assets (dollars in thousands) were \$184,361,871 and the plan was 76.8% 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.

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

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.

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.

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

	<u>Contribution Rates</u>
	<u>2021</u>
Member	7.7%
NECE	7.5%
Employers	7.5%
Employer contributions	\$ 153,411
Member contributions	\$ 1,260,486
Non-OASDI contributions	\$ 241,739
Health plan contributions	\$ 1,335,596

**Note 10 – Health Care Coverage**

During the year ended June 30, 2021, 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, 2021, the School contributed \$1,335,596 to the health plan on behalf of the employees.

**Note 11 – Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2021 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	\$ 8,016,368
Title I, Part A	175,861
Title I School Improvement	33,964
Title II, Part A	3,449
IDEA Part B	14,493
Career And Technical Ed.	2,912
National School Breakfast, Lunch and Summer Program	(317,911)
Advance Placement Incentives	83
Instructional Materials Allotment	24,955
Federal Funded Special Revenue	(11,254)
Esser III	273,016
Coronavirus Relief Fund (CRF)	(7,756)
Other State	4,369
Other Local Sources	(324,097)
	<u>\$ 7,888,452</u>

**Note 11 – Temporarily Restricted Net Assets (Continued)**

Net Assets for the year ended June 30, 2021 were released from donor restriction by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Foundation School Program	\$ 31,473,308
Title I, Part A - Grants to Local Education Agencies	1,259,938
Title I School Improvement	65,500
IDEA Part B	447,108
IDEA Special Education Discretionary	6,125
National School Breakfast, Lunch and Summer Program	390,656
Title II, Part A - Supporting Effective Instruction	214,916
Title III, Part A, English Language Enhancement	25,054
Title IV, Part A	78,795
Career And Technical Ed.	52,596
ESSER	597,383
ESSER III	503,407
Coronavirus Relief Fund (CRF)	286,411
Fundraising Revenue	319,596
Other State	39,952
Other Local	181,728
	<u>\$ 35,942,473</u>

**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, 2021, the fee recorded by the School totaled approximately \$1,971,000.

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, 2021

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Expenses:

6100 Payroll costs	\$ 21,917,964
6200 Professional and contracted services	8,885,540
6300 Supplies and materials	2,231,058
6400 Other operating costs	1,818,533
6500 Debt service	<u>647,965</u>
Total Expenses	<u>\$ 35,501,060</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, 2021

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Object Code	Asset Classification	Ownership Interest			Total
		Local Funds	State Funds	Federal Funds	
1510	Land and Improvements	\$ -	\$ 8,205,380	\$ -	\$ 8,205,380
1520	Buildings and Improvements	-	34,624,859	-	34,624,859
1531	Vehicles	-	277,510	-	277,510
1539	Furniture and equipment over \$500	114,760	992,264	492,784	1,599,808
1549	Furniture and equipment under \$500	11,202	3,030,344.0	415,997	3,457,543
1559	Asset purchased under capital lease	-	842,317	-	842,317
1569	Library books	78,445	99,187.00	-	177,632
Total Capital Assets		<u>\$ 204,407</u>	<u>\$ 48,071,861</u>	<u>\$ 908,781</u>	<u>\$ 49,185,049</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, 2021

	Budgeted Amounts			Variances	
	Original	Final	Actual Amounts	Variance from	Variance
				Final Budget and Actual Amounts	from Original and Final Budget
<b>Revenues</b>					
5700 Local support	\$ 353,763	\$ 683,422	\$ 1,052,793	\$ 369,371	\$ (329,659)
5800 State program revenue	32,578,013	32,353,839	31,049,102	(1,304,737)	224,174
5900 Federal program revenues	3,059,090	3,927,414	3,840,578	(86,836)	(868,324)
Total revenues and other support	<u>\$ 35,990,866</u>	<u>\$ 36,964,675</u>	<u>\$ 35,942,473</u>	<u>\$ (1,022,202)</u>	<u>\$ (973,809)</u>
<b>Expenses</b>					
11 Instruction	23,852,626	24,565,830	24,004,186	(561,644)	(713,204)
12 Instructional resources and media services	122,266	131,504	127,731	(3,773)	(9,238)
13 Curriculum and instructional staff development	532,659	501,758	498,271	(3,487)	30,901
21 Instructional leadership	207,609	201,544	201,029	(515)	6,065
23 School leadership	2,198,012	2,376,713	2,278,096	(98,617)	(178,701)
31 Guidance, counseling and evaluation services	436,450	477,892	452,700	(25,192)	(41,442)
32 Social work services	139,332	152,837	152,837	-	(13,505)
33 Health services	184,229	219,306	216,122	(3,184)	(35,077)
34 Student (pupil) transportation	79,069	52,404	47,188	(5,216)	26,665
35 Food services	1,326,216	590,806	563,507	(27,299)	735,410
36 Extracurricular activities	332,942	652,566	624,437	(28,129)	(319,624)
41 General administration	2,742,629	2,426,323	2,399,436	(26,887)	316,306
51 Facilities maintenance and operations	2,383,445	2,405,622	2,280,649	(124,973)	(22,177)
52 Security and monitoring services	754,344	712,787	675,712	(37,075)	41,557
53 Data processing services	279,699	324,972	296,182	(28,790)	(45,273)
61 Community services	40,675	40,675	39,518	(1,157)	-
71 Debt service	79,233	27,485	643,459	615,974	51,748
Total expenses	<u>35,691,435</u>	<u>35,861,024</u>	<u>35,501,060</u>	<u>(359,964)</u>	<u>(169,589)</u>
Change in net assets	<u>299,431</u>	<u>1,103,651</u>	<u>441,413</u>	<u>(662,238)</u>	<u>(804,220)</u>
Net assets at beginning of year	<u>7,447,039</u>	<u>7,447,039</u>	<u>7,447,039</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 7,746,470</u>	<u>\$ 8,550,690</u>	<u>\$ 7,888,452</u>	<u>\$ (662,238)</u>	<u>\$ (804,220)</u>

**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. Budget variances are explained in Note 2 below.

**Note 2 – Budgetary Variances**

Revenue

57XX - Budget was increased to incorporate GASB 84 changes of Activity Account reporting

59XX - Increase of Federal Funds throughout the school year that was not initially anticipated

Expenses

FUNCTION 33 - Budget was increased to accommodate Health Services needed due to Covid 19

FUNCTION 34 - Initial budget anticipated students return to campus; budget was decreased to reflect reduction of expenses with online learning

FUNCTION 35 - Initial budget anticipated students return to campus; budget was decreased to reflect reduction of expenses with online learning

FUNCTION 36 - Budget was increased to incorporate GASB 84 changes of Activity Account reporting

FUNCTION 41 - Fees associated with District expenses decreased due to enrollment loss

FUNCTION 53 - Increased need of IT services given online learning

FUNCTION 71 - Budgeted Amount did not account for Accrued Interest from Bond Closing. Entry was done during audit to correct.

## 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

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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 (the “School”), a charter school sponsored by Somerset Academy, Inc. (the “Charter Holder”), which compose the statement of financial position as of June 30, 2021, 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 November 18, 2021.

**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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

***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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
November 18, 2021  
Licensed by the Texas State Board of Public Accountancy



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 (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, 2021. 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.

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, 2021.

### ***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.

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

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

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

*HLB Gravier, LLP*

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
November 18, 2021  
Licensed by the Texas State Board of Public Accountancy



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, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Identifying Number Pass Through Entity	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE/PASSED THROUGH THE STATE DEPARTMENT OF AGRICULTURE</b>			
School Breakfast Program	10.553	201919N109946	\$ 75,208
National School Lunch Program	10.555	201919N109946	<u>216,141</u>
Total United States Department of Agriculture passed through State Department of Agriculture			<u>\$ 291,349</u>
<b>U.S. DEPARTMENT OF EDUCATION/PASSED THROUGH THE STATE DEPARTMENT OF EDUCATION</b>			
Title I, Part A - Grants to Local Educational Agencies	84.010A	S010A180043	\$ 1,259,938
Title I - School Improvement (SIP) Academy Grant	84.377A	S010A180043	65,500
Title II, Part A - Supporting Effective Instruction	84.367A	S367A180041	214,917
Title III, Part A - English Language Acquisition	84.365A	S365A160043	25,054
Title IV, Part A - Student Support and Academic Enrichment	84.424A	S424A180045	78,795
Career and Technical Education	84.048A	V048A180043	52,596
Special Education Grants - IDEA B	84.027A	H027A180008	447,108
Special Education Grants - IDEA Preschool	84.173		6,125
Elementary and secondary school emergency relief fund	84.425D,U		<u>1,100,790</u>
Total United States Department of Education passed through State Department of Education			<u>\$ 3,250,823</u>
<b>U.S. DEPARTMENT OF THE TREASURY/PASSED THROUGH THE STATE DEPARTMENT OF EDUCATION</b>			
Coronavirus Relief Fund	21.019		<u>\$ 286,411</u>
Total United States Department of the Treasury passed through State Department of Education			<u>\$ 286,411</u>
Total expenditures of federal awards			<u><u>\$ 3,828,583</u></u>

**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, 2021. The schedule includes only the expenditure of federal awards of the School as of June 30, 2021 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, 2021

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**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? \_\_\_\_\_ Yes  X  None Reported

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

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number(s)	Expenditures
Title I, Part A - Grants to Local Educational Agencies	84.010A	\$ 1,259,938
Elementary and secondary school emergency relief fund	84.425D,U	1,100,790
Coronavirus Relief Fund	21.019	286,411

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

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

**Section II – Financial Statement Findings**

A. Internal Control: None

B. Compliance: None

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

A. Internal Control: None

B. Compliance: None

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

**2020-01 Internal Accounts**

Condition: We noted the following: Purchase orders were not utilized for some of the purchases tested, deposits were missing receipts for cash collections, some of the deposits did not agree to the Recap of Collections Forms, Recap did not have reviewer signatures, and lack of adequate documentation for some of the items tested.

Recom-  
mendation: We recommend that the School adheres to its internal control policies and procedures relating to the internal account. In addition, we recommend the School's treasurers and staff that are accepting cash receipts or making purchases to receive additional internal account training to ensure compliance with these policies.

Updated status: While some improvement was noted on certain internal control policies, several exceptions were noted on the conditions noted above. We recommend further training and monitoring related to the internal account so that internal policies are adhered to.

**BROOKS ACADEMIES OF TEXAS**

November 18<sup>th</sup>, 2021

HLB Gravier, LLP  
396 Alhambra Circle, 9<sup>th</sup> 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:

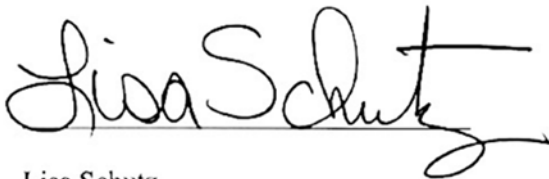
**2020-01 Internal Accounts**

We recommend that the School adheres to its internal control policies and procedures relating to the internal account. In addition, we recommend the School's treasurers and staff that are accepting cash receipts or making purchases to receive additional internal account training to ensure compliance with these policies.

**Management Response**

Management will adhere to auditor's recommendations. We will continue to provide more training to individuals involved with activity accounts, switching from twice a year to four times a year. School has already made staffing changes to further ensure all necessary compliance and will evaluate the addition of more management in all approvals paths to create additional checks and balances.

Sincerely,

A handwritten signature in black ink that reads "Lisa Schutz". The signature is written in a cursive style with a long horizontal stroke at the end.

Lisa Schutz  
Superintendent, Brooks Academies of Texas

**Brooks Academy of Science & Engineering  
 (Charter schools under Somerset Academy, Inc.)  
 Calculation of Long-Term Debt Service Coverage Ratio  
 For the year ended June 30, 2021**

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Total Revenues	\$ 35,941,936
Total Expenditures	<u>35,501,060</u>
Excess of revenues over expenditures	440,876
Add backs:	
Depreciation	854,941
Interest expense	<u>643,459</u>
Available for debt service	\$ 1,939,276
 Annual Debt Service	 <u>\$ 862,360</u>
 Long-Term Debt Service Coverage Ratio	 <u>2.25</u>
 Minimum Long-Term Debt Service Coverage Ratio	 <u>1.10</u>

Notes to Calculation of Long-Term Debt Service Coverage Ratio

The calculation is prepared in accordance with the provisions of the mortgage and loan agreement on the basis of accounting, consistent with generally accepted accounting principles.

**Brooks Academy of Science & Engineering  
(Charter schools under Somerset Academy, Inc.)  
Calculation of Days Cash on Hand  
For the year ended June 30, 2021**

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Unrestricted Cash and Equivalents	\$ 3,227,659
Total Cash	<u>3,227,659</u>
Total Operating Expenses	35,501,060
Minus Depreciation Expense	
Depreciation expense	854,941
Operation Expenses minus Non-cash	<u>\$ 34,646,119</u>
Cash Per Day	<u>94,921</u>
Days Cash on Hand	<u>34</u>
Minimum Days Cash on Hand	<u>30</u>

Notes to Calculation of Days Cash on Hand

The calculation is prepared in accordance with the provisions of the mortgage and loan agreement on the basis of accounting, consistent with generally accepted accounting principles.