

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2021 and 2020

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of June 30, 2021 and 2020	3
Statement of Activities for the year ended June 30, 2021	4
Statement of Activities for the year ended June 30, 2020	5
Statements of Functional Expenses for the years ended June 30, 2021 and 2020	6
Statements of Cash Flows for the years ended June 30, 2021 and 2020	7
Notes to Financial Statements for the years ended June 30, 2021 and 2020	8
Supplementary Information:	
Schedules of Expenses for the years ended June 30, 2021 and 2020	13
Schedules of Capital Assets as of June 30, 2021 and 2020	14
Schedule of Real Property Ownership Interest as of June 30, 2021	15
Schedule of Related Party Transactions for the year ended June 30, 2021	16
Schedule of Related Party Compensation and Benefits for the year ended June 30, 2021	17
Statements of Activities by Function for the years ended June 30, 2021 and 2020	18
Budgetary Comparison Schedule for the year ended June 30, 2021	19
Explanations for Budget Variances for the year ended June 30, 2021 (unaudited)	20
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	21
Schedule of Findings and Responses for the year ended June 30, 2021	23

Independent Auditors' Report

To the Board of Directors of
Valor Texas Education Foundation
(dba Valor Public Schools):

Report on the Financial Statements

We have audited the accompanying financial statements of Valor Texas Education Foundation (dba Valor Public Schools), which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, of functional expenses and of cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valor Texas Education Foundation (dba Valor Public Schools) as of June 30, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

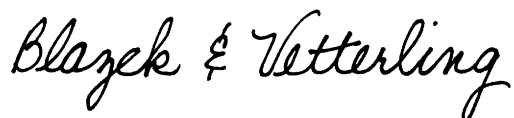
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 13 through 19 is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Unaudited Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The explanation for budget variances on page 20 is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the basic financial statements. The explanation for budget variances has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2021 on our consideration of Valor Texas Education Foundation's (dba Valor Public Schools) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Valor Texas Education Foundation's (dba Valor Public Schools) 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 Valor Texas Education Foundation's (dba Valor Public Schools) internal control over financial reporting and compliance.



November 16, 2021

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Statements of Financial Position as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash	\$ 2,552,628	\$ 1,853,503
Government grants receivable	1,994,683	1,011,305
Prepaid expenses and other receivables	<u>26,997</u>	<u>90,162</u>
Total current assets	4,574,308	2,954,970
Other assets		50,000
Property, net (<i>Note 3</i>)	<u>15,466,017</u>	<u>12,276,975</u>
TOTAL ASSETS	<u>\$ 20,040,325</u>	<u>\$ 15,281,945</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 170,199	\$ 132,151
Accrued payroll expenses	414,993	165,687
Construction payable		438,910
Accrued interest	46,843	54,731
Current portion of notes payable (<i>Note 4</i>)	<u>198,515</u>	<u> </u>
Total current liabilities	830,550	791,479
Notes payable, net (<i>Note 4</i>)	<u>12,869,616</u>	<u>9,868,857</u>
Total liabilities	<u>13,700,166</u>	<u>10,660,336</u>
Commitments (<i>Note 7</i>)		
Net assets:		
Without donor restrictions	2,853,299	230,970
With donor restrictions (<i>Note 5</i>)	<u>3,486,860</u>	<u>4,390,639</u>
Total net assets	<u>6,340,159</u>	<u>4,621,609</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,040,325</u>	<u>\$ 15,281,945</u>

See accompanying notes to financial statements.

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Statement of Activities for the year ended June 30, 2021

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Contributions:			
Government grants <i>(Note 6)</i>		\$ 10,878,066	\$ 10,878,066
Other contributions	\$ 522,207		522,207
Program service fees	<u>165,428</u>		<u>165,428</u>
Total revenue	687,635	10,878,066	11,565,701
Net assets released from restrictions:			
Program expenditures	8,796,845	(8,796,845)	
Capital expenditures	<u>2,985,000</u>	<u>(2,985,000)</u>	
Total	<u>12,469,480</u>	<u>(903,779)</u>	<u>11,565,701</u>
EXPENSES:			
Program expenses:			
Instructional program	8,447,546		8,447,546
Auxiliary services	<u>556,740</u>		<u>556,740</u>
Total program expenses	9,004,286		9,004,286
Supporting activities:			
Management and general	739,139		739,139
Fundraising	<u>103,726</u>		<u>103,726</u>
Total expenses	<u>9,847,151</u>		<u>9,847,151</u>
CHANGES IN NET ASSETS	2,622,329	(903,779)	1,718,550
Net assets, beginning of year	<u>230,970</u>	<u>4,390,639</u>	<u>4,621,609</u>
Net assets, end of year	<u>\$ 2,853,299</u>	<u>\$ 3,486,860</u>	<u>\$ 6,340,159</u>

See accompanying notes to financial statements.

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Statement of Activities for the year ended June 30, 2020

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Contributions:			
Government grants <i>(Note 6)</i>		\$ 5,176,237	\$ 5,176,237
Other contributions	\$ 226,737	2,480,000	2,706,737
Program service fees	<u>134,135</u>	<u> </u>	<u>134,135</u>
Total revenue	360,872	7,656,237	8,017,109
Net assets released from restrictions:			
Program expenditures	<u>4,680,869</u>	<u>(4,680,869)</u>	<u> </u>
Total	<u>5,041,741</u>	<u>2,975,368</u>	<u>8,017,109</u>
EXPENSES:			
Program expenses:			
Instructional program	4,386,127		4,386,127
Auxiliary services	<u>316,039</u>		<u>316,039</u>
Total program expenses	4,702,166		4,702,166
Supporting activities:			
Management and general	386,843		386,843
Fundraising	<u>54,627</u>		<u>54,627</u>
Total expenses	<u>5,143,636</u>		<u>5,143,636</u>
CHANGES IN NET ASSETS	(101,895)	2,975,368	2,873,473
Net assets, beginning of year	<u>332,865</u>	<u>1,415,271</u>	<u>1,748,136</u>
Net assets, end of year	<u>\$ 230,970</u>	<u>\$ 4,390,639</u>	<u>\$ 4,621,609</u>

See accompanying notes to financial statements.

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Statements of Functional Expenses for the years ended June 30, 2021 and 2020

	<u>PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2021 TOTAL EXPENSES</u>
Payroll and related benefits	\$ 5,124,391	\$ 263,293	\$ 68,967	\$ 5,456,651
Professional fees and contract labor	1,123,301	252,869		1,376,170
Supplies and materials	950,498	18,797	18,387	987,682
Rent	629,506	30,430		659,936
Interest	422,724			422,724
Depreciation	319,506	16,816		336,322
Utilities	205,701	10,826		216,527
Food	120,141			120,141
Insurance	59,265	3,119		62,384
Travel	6,036	33,384		39,420
Dues, memberships and subscriptions	11,914	8,344		20,258
Other	<u>31,303</u>	<u>101,261</u>	<u>16,372</u>	<u>148,936</u>
Total expenses	<u>\$ 9,004,286</u>	<u>\$ 739,139</u>	<u>\$ 103,726</u>	<u>\$ 9,847,151</u>

	<u>PROGRAM EXPENSES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2020 TOTAL EXPENSES</u>
Payroll and related benefits	\$ 2,785,807	\$ 116,360	\$ 39,140	\$ 2,941,307
Professional fees and contract labor	505,155	181,782	1,103	688,040
Supplies and materials	535,437	4,801	8,196	548,434
Rent	573,643	28,485	492	602,620
Interest	23,195			23,195
Utilities	118,072	6,214		124,286
Food	58,124			58,124
Insurance	37,667	1,982		39,649
Travel	44,667	20,016		64,683
Dues, memberships and subscriptions	9,092	8,344	660	18,096
Other	<u>11,307</u>	<u>18,859</u>	<u>5,036</u>	<u>35,202</u>
Total expenses	<u>\$ 4,702,166</u>	<u>\$ 386,843</u>	<u>\$ 54,627</u>	<u>\$ 5,143,636</u>

See accompanying notes to financial statements.

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Statements of Cash Flows for the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,718,550	\$ 2,873,473
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contribution restricted for property acquisition	(25,000)	(1,420,000)
Depreciation	336,322	
Amortization of debt issuance costs	68,314	23,195
Changes in operating assets and liabilities:		
Government grants receivable	(983,378)	(409,188)
Prepaid expenses and other receivables	63,165	(44,812)
Other assets	50,000	164,394
Accounts payable	38,048	29,372
Accrued payroll expenses	249,306	56,884
Accrued interest	<u>(7,888)</u>	<u>54,731</u>
Net cash provided by operating activities	<u>1,507,439</u>	<u>1,328,049</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property	<u>(606,824)</u>	<u>(1,760,450)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contribution restricted for property acquisition	25,000	1,420,000
Capitalized debt issuance costs	<u>(226,490)</u>	<u>(231,953)</u>
Net cash provided (used) by financing activities	<u>(201,490)</u>	<u>1,188,047</u>
NET CHANGE IN CASH	699,125	755,646
Cash, beginning of year	<u>1,853,503</u>	<u>1,097,857</u>
Cash, end of year	<u>\$ 2,552,628</u>	<u>\$ 1,853,503</u>
<i>Supplemental disclosure of cash flow information:</i>		
Purchase of property funded by notes payable	\$3,357,450	\$10,077,615
Interest paid	\$508,752	\$161,559

See accompanying notes to financial statements.

Valor Texas Education Foundation (dba Valor Public Schools)

Notes to Financial Statements for the years ended June 30, 2021 and 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Valor Texas Education Foundation (dba Valor Public Schools) (Valor) is a nonprofit organization incorporated in Texas in January 2016. The school is located in Austin, Texas and has approximately 1,100 students from kindergarten through 10th grade for the 2020-2021 school year. Valor’s mission is to create the highest quality K-12 tuition-free charter schools, educating the whole person for authentic freedom and a full human life. Valor is a single charter holder and does not conduct any other charter or non-charter activities.

Federal income tax status – Valor is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2).

Cash includes demand deposits. At June 30, 2021, the carrying amount and bank balances of Valor’s demand deposits were \$2,552,628. Amounts on deposit in excess of the Federal Deposit Insurance Corporation limit are collateralized by security agreements with the banks.

Government grants receivable that are expected to be collected within one year are reported at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows. At June 30, 2021, all government grants receivable are expected to be collected within one year.

Allowance for doubtful accounts – An allowance for receivables is provided when it is believed the balances may not be collected in full. Balances are written off against the allowance when management determines the receivable will not be collected. The amount of bad debt expense or loss on valuation of receivables recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and account-by-account analysis of receivable balances each period. Valor considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is recorded in these financial statements.

Property is reported at cost if purchased or, if donated, at fair value at the date of gift. Purchases of \$5,000 or more with a useful life of more than one year are capitalized. Depreciation is calculated using the straight-line method over the estimated useful life of the assets.

Capitalized debt issuance costs represent costs incurred related to the issuance of notes payable and are amortized as interest expense over the term of the notes. Unamortized debt issuance costs are netted against related debt.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be

maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *net assets with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Valor is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when conditions have been met. During 2020, approximately 91% of other contributions recognized are from two donors.

Program service fees are derived from after-school programs, food service fees and extracurricular programs. Program service fees are due when the goods and services are provided to the student and are recognized at that time. All performance obligations related to program service fees are satisfied within the academic year which is contained within the fiscal year. There are no contract assets or liabilities resulting from other program fees at June 30, 2021, 2020 or 2019.

Functional allocation of expenses – Expenses are reported by their functional classification. Program expenses are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Plant maintenance and operation costs, security and monitoring service costs and data processing service costs are allocated based on management’s estimates of costs utilized by each department.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 2,552,628	\$ 1,853,503
Government grants receivable	1,994,683	1,011,305
Other receivables	<u>6,476</u>	<u>10,899</u>
Total financial assets available for general expenditure	<u>\$ 4,553,787</u>	<u>\$ 2,875,707</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Valor considers all expenditures related to its ongoing programmatic activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. As part of Valor’s liquidity management, financial assets have been structured to be available as its general expenditures, liabilities, and other obligations become due by maintaining a significant portion of its assets in cash.

NOTE 3 – PROPERTY

Property is comprised of the following:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 4,029,373	\$ 2,295,873
Buildings and improvements	10,265,964	8,154,947
Equipment	27,602	
Construction in progress	<u>1,479,400</u>	<u>1,826,155</u>
Total property, at cost	15,802,339	12,276,975
Accumulated depreciation	<u>(336,322)</u>	<u></u>
Property, net	<u>\$ 15,466,017</u>	<u>\$ 12,276,975</u>

NOTE 4 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2021</u>	<u>2020</u>
<p>A \$9.8 million loan agreement with a bank, net of unamortized debt issuance costs of \$109,657 and \$140,988 at June 30, 2021 and 2020, respectively. The proceeds were used to acquire, construct and renovate the Valor North Campus. The loan bears interest at 4.29%. Interest is due monthly until September 2021 when principal and interest are due monthly until maturity on August 1, 2046. The loan is secured by real property.</p>	\$ 9,690,343	\$ 8,986,627
<p>A \$1,700,000 loan agreement with a foundation, net of unamortized debt issuance costs of \$27,923 at June 30, 2021. The proceeds were used to finance the land purchase for the Valor Kyle Campus. The loan bears interest at 0.25%, which is due annually. Principal is due at maturity on December 16, 2022. The loan is secured by real property.</p>	1,672,077	
<p>A \$950,000 loan agreement with a charter school facility financing organization, net of unamortized debt issuance costs of \$52,710 and \$67,770 at June 30, 2021 and 2020, respectively. The proceeds were used to acquire, construct and renovate the Valor North Campus. The loan bears interest at 6%. Interest is due monthly until September 2021, when principle and interest are due monthly until maturity on December 20, 2024. The loan is secured by real property.</p>	897,290	882,230
<p>A \$3,711,000 loan agreement with Raza Development Fund, net of unamortized debt issuance costs of \$176,644 at June 30, 2021. The proceeds are being used to acquire, construct and renovate the Valor Kyle Campus. The loan bears interest at 6.25%, which is due monthly. Principal is due at maturity on March 5, 2026. The loan is secured by real property.</p>	653,886	
<p>A \$16,413,000 loan agreement with a bank. The proceeds are being used to acquire, construct and renovate the Valor Kyle Campus. The loan bears interest at 3.5%, which is due monthly. Principal is due at maturity on March 5, 2026. The loan is secured by real property.</p>	<u>154,535</u>	<u></u>
Notes payable, net	<u>\$ 13,068,131</u>	<u>\$ 9,868,857</u>

Capitalized interest on the notes payable totaled approximately \$146,000 and \$216,000 in 2021 and 2020, respectively. Interest on the notes payable recognized as expenses totaled approximately \$354,000 in 2021.

Maturities of notes payable at June 30, 2021 are as follows:

2022	\$ 198,515
2023	1,947,926
2024	401,600
2025	1,408,742
2026	845,277
Thereafter	<u>8,633,005</u>
Total principal payments due	13,435,065
Unamortized debt issuance costs	<u>(366,934)</u>
Total	<u>\$ 13,068,131</u>

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Foundation School Program	\$ 3,486,860	\$ 1,375,639
Property acquisition		1,920,000
Valor North Campus start-up costs		1,040,000
Other		<u>55,000</u>
Total net assets with donor restrictions	<u>\$ 3,486,860</u>	<u>\$ 4,390,639</u>

NOTE 6 – GOVERNMENT GRANTS

Valor is the recipient of grants from state and federal agencies as follows:

	<u>2021</u>	<u>2020</u>
State grants:		
Foundation School Program	\$ 10,247,338	\$ 4,733,710
Other	<u>176,437</u>	<u>38,229</u>
Total state grants	<u>10,423,775</u>	<u>4,771,939</u>
Federal grants:		
U. S. Department of Education	399,168	374,082
U. S. Department of Agriculture	41,815	30,216
U. S. Department of Treasury	<u>13,308</u>	<u> </u>
Total federal grants	<u>454,291</u>	<u>404,298</u>
Total government grants	<u>\$ 10,878,066</u>	<u>\$ 5,176,237</u>

Government funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Valor with the terms of the contracts. Management believes such disallowances, if any, would not be material to Valor's financial position or changes in net assets.

NOTE 7 – COMMITMENTS

At June 30, 2021, Valor had outstanding commitments of approximately \$17 million related to the construction of Valor Kyle Campus.

NOTE 8 – MULTIEMPLOYER PENSION PLAN

Valor full-time employees participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. TRS is a cost-sharing, multiemployer, defined benefit pension plan. All risks and costs are not shared by Valor, but are the liability of the State of Texas. Plan members contributed 7.7% of their annual covered salary in 2021 and 2020. Valor contributes 7.5% for new members the first 90 days of employment, and the State of Texas contributes 7.5%. Additionally, Valor makes a 1.5% non-OASDI payment for all TRS eligible employees. Valor's contributions do not represent more than 5% of the TRS' total contributions. For 2021 and 2020, Valor contributed \$206,476 and \$120,019, respectively, to TRS.

The risks of participating in a multiemployer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is no withdrawal penalty for leaving TRS.

Total TRS plan assets as of August 31, 2020 and 2019 were \$184.4 billion and \$181.8 billion, respectively. Accumulated benefit obligations as of August 31, 2020 and 2019 were \$218.9 billion and \$209.9 billion, respectively. The plan was 76.8% funded at August 31, 2020 and 76.4% funded at August 31, 2019.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 16, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have material impact on reported net assets or changes in net assets.

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Schedules of Expenses for the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
EXPENSES:		
6100 Payroll costs	\$ 5,456,651	\$ 2,941,307
6200 Professional and contracted services	2,252,633	1,414,946
6300 Supplies and materials	1,107,823	606,558
6400 Other operating costs	607,320	157,630
6500 Interest expense	<u>422,724</u>	<u>23,195</u>
Total expenses	<u>\$ 9,847,151</u>	<u>\$ 5,143,636</u>

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Schedules of Capital Assets as of June 30, 2021 and 2020

		2021		
		OWNERSHIP INTEREST		
		<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>
1510	Land and improvements	\$ 4,029,373		
1520	Buildings and improvements	10,265,964		
1530	Furniture and equipment	27,602		
1580	Construction in progress	<u>1,479,400</u>		
Total capital assets		<u>\$ 15,802,339</u>	<u>\$ 0</u>	<u>\$ 0</u>

		2020		
		OWNERSHIP INTEREST		
		<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>
1510	Land and improvements	\$ 2,295,873		
1520	Buildings and improvements	8,154,947		
1580	Construction in progress	<u>1,826,155</u>		
Total capital assets		<u>\$ 12,276,975</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Schedule of Real Property Ownership Interest as of June 30, 2021

<u>DESCRIPTION</u>	<u>PROPERTY ADDRESS</u>	<u>TOTAL ASSESSED VALUE</u>	<u>OWNERSHIP INTEREST</u>		
			<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>
Lots 2 and 3, Block B, Wells Branch Phase U A0166 Jesse B Eaves	14200 N. Interstate Hwy. 35, Austin, TX 78728	\$ 8,636,821	\$ 8,636,821		
Survey, Acres 1 A0166 Jesse B Eaves	2355 Windy Hill Road, Kyle, TX 78640	270,390	270,390		
Survey, Acres 9, AKA Palomino AC PT LT 5 A0166 Jesse B Eaves	2355 Windy Hill Road, Kyle, TX 78640	188,470	188,470		
Survey, Acres 9, AKA Palomino AC PT LT 5 ABS 166 J B Eaves	2355 Windy Hill Road, Kyle, TX 78640	125,650	125,650		
Survey 6.5620 AC GEO#90620312	2355 Windy Hill Road, Kyle, TX 78640	<u>91,610</u>	<u>91,610</u>		
Total		<u>\$ 9,312,941</u>	<u>\$ 9,312,941</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Schedule of Related Party Transactions for the year ended June 30, 2021

<u>RELATED PARTY NAME</u>	<u>NAME OF RELATION TO THE RELATED PARTY</u>	<u>RELATIONSHIP</u>	<u>TYPE OF TRANSACTION</u>	<u>DESCRIPTION OF TERMS AND CONDITIONS</u>	<u>SOURCE OF FUNDS USED</u>	<u>PAYMENT FREQUENCY</u>	<u>TOTAL PAID DURING FISCAL YEAR</u>	<u>PRINCIPAL BALANCE DUE</u>
Kingfisher Education LLC	David William	President	Financial	IP licensing agreement	Local	Semi-annually	\$ 64,710	
Total							\$ 64,710	\$ 0

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Schedule of Related Party Compensation and Benefits for the year ended June 30, 2021

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

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Statements of Activities by Function for the years ended June 30, 2021 and 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS	
			<u>2021</u>	<u>2020</u>
REVENUE:				
Local program revenue:				
5740 Other revenue from local sources	\$ 634,712		\$ 634,712	\$ 2,813,634
5750 Revenue from co-curricular or enterprising services or activities	<u>52,923</u>		<u>52,923</u>	<u>27,238</u>
Total local program revenue	<u>687,635</u>		<u>687,635</u>	<u>2,840,872</u>
State program revenue:				
5810 Foundation School Program		\$ 10,247,338	10,247,338	4,733,710
5820 State program revenue distributed by Texas Education Agency (TEA)		<u>176,437</u>	<u>176,437</u>	<u>38,229</u>
Total state program revenue		<u>10,423,775</u>	<u>10,423,775</u>	<u>4,771,939</u>
Federal program revenue:				
5920 Federal revenue distributed by TEA		440,983	440,983	404,298
5930 Federal revenue distributed by other State of Texas government agencies		<u>13,308</u>	<u>13,308</u>	
Total federal program revenue		<u>454,291</u>	<u>454,291</u>	<u>404,298</u>
Net assets released from restrictions:				
Program expenditures	8,796,845	(8,796,845)		
Capital expenditures	<u>2,985,000</u>	<u>(2,985,000)</u>		
Total revenue	<u>12,469,480</u>	<u>(903,779)</u>	<u>11,565,701</u>	<u>8,017,109</u>
EXPENSES:				
11 Instruction	4,764,383		4,764,383	2,545,175
13 Curriculum development	646,992		646,992	321,604
21 Instructional leadership	91,750		91,750	33,000
23 School leadership	946,610		946,610	685,515
33 Health services	156,550		156,550	47,375
35 Food services	144,531		144,531	66,719
36 Extracurricular activities	185,786		185,786	137,658
41 General administration	663,377		663,377	345,079
51 Plant maintenance and operations	1,588,139		1,588,139	793,570
52 Security and monitoring services	2,016		2,016	755
53 Data processing services	94,567		94,567	40,963
61 Community services	36,000		36,000	48,401
71 Debt service	422,724		422,724	23,195
81 Fundraising	<u>103,726</u>		<u>103,726</u>	<u>54,627</u>
Total expenses	<u>9,847,151</u>		<u>9,847,151</u>	<u>5,143,636</u>
CHANGES IN NET ASSETS	2,622,329	(903,779)	1,718,550	2,873,473
Net assets, beginning of year	<u>230,970</u>	<u>4,390,639</u>	<u>4,621,609</u>	<u>1,748,136</u>
Net assets, end of year	<u>\$ 2,853,299</u>	<u>\$ 3,486,860</u>	<u>\$ 6,340,159</u>	<u>\$ 4,621,609</u>

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Budgetary Comparison Schedule for the year ended June 30, 2021

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE FROM</u>	
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>ACTUAL AND</u>	
				<u>FINAL BUDGET</u>	
REVENUE:					
Local program revenue:					
5740	Other revenue from local sources	\$ 2,362,260	\$ 569,260	\$ 634,712	\$ 65,452 (1)
5750	Revenue from co-curricular or enterprising services or activities	63,720	51,720	52,923	1,203
State program revenue:					
5810	Foundation School Program	9,726,696	10,296,696	10,247,338	(49,358)
5820	State program revenue distributed by TEA	151,007	151,007	176,437	25,430 (2)
Federal program revenue:					
5920	Federal revenue distributed by TEA	368,326	413,326	440,983	27,657
5930	Federal revenue distributed by other State of Texas government agencies			<u>13,308</u>	<u>13,308</u>
	Total revenue	<u>12,672,009</u>	<u>11,482,009</u>	<u>11,565,701</u>	<u>83,692</u>
EXPENSES:					
11	Instruction	5,166,906	4,881,906	4,764,383	(117,523)
12	Instructional resource and media	10,000			
13	Curriculum development	440,563	630,563	646,992	16,429
21	Instructional leadership	57,400	97,400	91,750	(5,650)
23	School leadership	1,104,618	974,618	946,610	(28,008)
31	Guidance counseling and evaluation services	5,000	5,000		(5,000) (3)
32	Social work services	10,000	10,000		(10,000) (3)
33	Health services	120,000	170,000	156,550	(13,450)
35	Food services	162,486	162,486	144,531	(17,955) (3)
36	Extracurricular activities	279,882	194,882	185,786	(9,096)
41	General administration	660,941	660,941	663,377	2,436
51	Plant maintenance and operations	1,708,928	1,608,928	1,588,139	(20,789)
52	Security and monitoring services	125,000	5,000	2,016	(2,984) (3)
53	Data processing services	47,000	92,000	94,567	2,567
61	Community services	35,000	35,000	36,000	1,000
71	Debt service	625,264	565,264	422,724	(142,540) (4)
81	Fundraising	<u>74,302</u>	<u>114,302</u>	<u>103,726</u>	<u>(10,576)</u>
	Total expenses	<u>10,633,290</u>	<u>10,208,290</u>	<u>9,847,151</u>	<u>(361,139)</u>
CHANGES IN NET ASSETS					
		2,038,719	1,273,719	1,718,550	444,831
	Net assets, beginning of year	<u>4,621,609</u>	<u>4,621,609</u>	<u>4,621,609</u>	<u>0</u>
	Net assets, end of year	<u>\$ 6,660,328</u>	<u>\$ 5,895,328</u>	<u>\$ 6,340,159</u>	<u>\$ 444,831</u>

**Valor Texas Education Foundation
(dba Valor Public Schools)**

Explanations for Budget Variances for the year ended June 30, 2021 (unaudited)

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

- (1) The variance in other revenue from local sources was due to unbudgeted E-rate program revenue of approximately \$30,000.
- (2) The variance in state program revenue distributed by TEA was due to an unbudgeted School Safety and Security grant of \$25,000.

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

- (3) Valor spent less on guidance counseling and evaluation services (function 31), social work services (function 32), food services (function 35), and security and monitoring services (function 52) than anticipated.
- (4) The variance in debt service was due capitalized interest of approximately \$146,000.

Original to final budget variances: Due to the ongoing COVID-19 pandemic, there were many uncertainties and shifts to the original budget throughout the year, and we will take the above-described elements into consideration in future budget preparation processes.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors of
Valor Texas Education Foundation
(dba Valor Public Schools):

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 Valor Texas Education Foundation (dba Valor Public Schools) (Valor), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valor's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Valor's internal control. Accordingly, we do not express an opinion on the effectiveness of Valor's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valor'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 Valor's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blazek & Vetterling

November 16, 2021

Valor Texas Education Foundation (dba Valor Public Schools)

Schedule of Findings and Responses for the year ended June 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unmodified qualified adverse disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are
not considered to be material weakness(es)? yes none reported

Noncompliance material to the financial statements noted? yes no

Section II – Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.