ANNUAL FINANCIAL REPORT

of

KI EDUCATION FOUNDATION

DBA
Ki Charter Academy

For the Years Ended
June 30, 2021 and 2020

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KI CHARTER ACADEMY

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June 30, 2021 and 2020

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KI CHARTER ACADEMY

CERTIFICATE OF BOARD

ki education foundation		46-2295875
Name of Charter Holder		Federal Employer ID Number
Ki Charter Academy	Hays	105-803
Name of Charter School	County	Co. Dist. Number

We, the undersigned, certify that the attached financial and compliance reports of the above named Charter Holder were reviewed and (check one) ✓ approved _____ disapproved for the year ended June 30, 2021, at a meeting of the governing body of the Charter Holder on the 8th day of November, 2021.

Signature of Board Secretary

Signature of Board President

NOTE: If the governing body of the Charter Holder does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ki Charter Academy:

Report on the Financial Statements

We have audited the accompanying financial statements of ki education foundation (the "Charter Holder") dba Ki Charter Academy (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 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 Charter Holder'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 Charter Holder'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter Holder 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial schedules noted as supplemental information in the table of contents are presented for purposes of additional analysis and are not required parts of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2021 on our consideration of the Charter Holder's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter Holder's 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 Charter Holder's internal control over financial reporting and compliance.

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 3, 2021

FINANCIAL STATEMENTS

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KI CHARTER ACADEMY

STATEMENTS OF FINANCIAL POSITION - EXHIBIT A-1

June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 3,579,777	$ 3,869,818
Due from Texas Education Agency	903,251	746,705
Other receivables	1,785	250
Prepaid expenses	40,348	47,017
Total current assets	4,525,161	4,663,790
Noncurrent assets:		
Property and equipment, net	242,837	148,047
Total noncurrent assets	242,837	148,047
Total Assets	$ 4,767,998	$ 4,811,837
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 6,371	$ 23,346
Accrued wages	357,322	220,864
Withholding payable	212,321	176,420
Total Liabilities	576,014	420,630
Net assets:		
Without donor restrictions	241,899	145,389
With donor restrictions	3,950,085	4,245,818
Total Net Assets	4,191,984	4,391,207
Total Liabilities and Net Assets	$ 4,767,998	$ 4,811,837

See Notes to Financial Statements.

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KI CHARTER ACADEMY

STATEMENTS OF ACTIVITIES - EXHIBIT A-2

For the Years Ended June 30, 2021 and 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Revenues				
Local support:				
5740 Other revenues from local sources	$ 4,030	$ -	$ 4,030	$ 51,508
Total local support	4,030	-	4,030	51,508
State program revenues:				
5810 Foundation school program act revenues	-	4,805,305	4,805,305	4,040,905
5820 State program revenues distributed by Texas Education Agency	-	62,405	62,405	21,330
Total state program revenues	-	4,867,710	4,867,710	4,062,235
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	921,451	921,451	370,283
5930 Federal revenues distributed by other agencies	-	12,317	12,317	70,647
Total federal program revenues	-	933,768	933,768	440,930
Net assets released from restrictions:				
Restrictions satisfied by payments	6,097,211	(6,097,211)	-	-
Total Revenues	6,101,241	(295,733)	5,805,508	4,554,673
Expenses				
Program services				
Educational services	5,455,311	-	5,455,311	3,086,729
Support services				
General and administrative services	549,420	-	549,420	510,496
Total Expenses	6,004,731	-	6,004,731	3,597,225
Change in Net Assets	96,510	(295,733)	(199,223)	957,448
Beginning net assets	145,389	4,245,818	4,391,207	3,433,759
Ending Net Assets	$ 241,899	$ 3,950,085	$ 4,191,984	$ 4,391,207

See Notes to Financial Statements.

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KI CHARTER ACADEMY

STATEMENTS OF FUNCTIONAL EXPENSES - EXHIBIT A-3

For the Years Ended June 30, 2021 and 2020

	Program Activities	Supporting Activities	Total	
	Educational Services	General and Administrative	2021	2020
Expenses				
Salaries and wages	$ 3,665,975	$ 274,470	$ 3,940,445	$ 2,498,956
Benefits	577,060	40,736	617,796	462,433
Payroll taxes	56,397	3,722	60,119	36,750
Total Payroll Expenses	4,299,432	318,928	4,618,360	2,998,139
Rental expense	23,361	5,482	28,843	13,996
Contract labor	232,075	29,221	261,296	76,777
Utilities	17,816	-	17,816	11,678
Depreciation	28,988	-	28,988	24,018
Supplies	652,075	25,456	677,531	144,584
Travel	25,287	18,686	43,973	16,722
Instructional materials	56,899	-	56,899	21,330
Insurance and bonding	-	24,480	24,480	12,901
Professional fees and dues	114,271	86,443	200,714	219,679
Accounting fees	-	19,895	19,895	19,895
Legal fees	-	16,713	16,713	16,370
Other	5,107	4,116	9,223	21,136
Total Nonpayroll Expenses	1,155,879	230,492	1,386,371	599,086
Total Expenses	$ 5,455,311	$ 549,420	$ 6,004,731	$ 3,597,225

See Notes to Financial Statements.

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KI CHARTER ACADEMY

STATEMENTS OF CASH FLOWS - EXHIBIT A-4

For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Foundation school program payments	$ 4,867,710	$ 4,062,235
Grant payments	777,222	472,944
Miscellaneous sources	2,495	52,258
Payments to vendors for goods and services rendered	(1,367,689)	(606,835)
Payments to charter school personnel for services rendered	(4,446,001)	(2,960,034)
Net Cash Provided (Used) by Operating Activities	(166,263)	1,020,568
Cash Flows from Investing Activities		
Payments for property and equipment	(123,778)	(79,069)
Net Cash (Used) by Investing Activities	(123,778)	(79,069)
Net Change in Cash and Cash Equivalents	(290,041)	941,499
Beginning cash and cash equivalents	3,869,818	2,928,319
Ending Cash and Cash Equivalents	$ 3,579,777	$ 3,869,818
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in net assets	$ (199,223)	$ 957,448
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	28,988	24,018
(Increase) decrease in:		
Due from Texas Education Agency	(156,546)	32,014
Other receivables	(1,535)	750
Prepaid expenses	6,669	(37,515)
Increase (decrease) in:		
Accounts payable	(16,975)	5,748
Accrued wages	136,458	(145)
Withholding payable	35,901	38,250
Net Cash Provided (Used) by Operating Activities	$ (166,263)	$ 1,020,568

See Notes to Financial Statements.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of ki education foundation (the "Charter Holder") dba Ki Charter Academy (a nonprofit organization) were prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The Charter Holder is a not-for-profit organization incorporated in the State of Texas (the "State") in March 2013 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter Holder is governed by a board of directors comprised of five members. The Board of Directors (the "Board") is selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions, appoint the chief executive officer of the Charter Holder, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of the Charter Holder.

Since the Charter Holder received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

In March 2013, the State Board of Education of the State of Texas granted the Charter Holder an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Ki Charter Academy was opened. Ki Charter Academy was organized to provide educational services to residential treatment facility students. The Charter Holder's Board governs their programs, services, activities, and functions. For the school year 2020-2021, Ki Charter Academy served grades 1 through 12.

On February 11, 2019, the Charter Holder's Board approved an expansion plan to acquire the State's second largest residential treatment facility, Meridell Achievement Center (the "Meridell campus"), located in Liberty Hill, Texas to serve grades 1 through 12. The addition of the Meridell campus has increased the Charter Holder's maximum enrollment from 220 to 360 students and expanded the current geographical boundary to include Liberty Hill Independent School District. The Meridell campus opened for the 2020-2021 school year.

On February 10, 2021, the Charter Holder's Board approved an expansion plan to acquire the State's residential treatment facility, Hickory Trail Hospital – Behavioral Health Services, located in De Soto, Texas to serve grades 1 through 12. The addition of the Hickory Trail Hospital will increase the Charter Holder's maximum enrollment from 360 to 420 students and will expand the current geographical boundary to include De Soto Independent School District effective July1, 2021.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Net assets with donor restrictions revenue whose restrictions are met in the same year as received are shown as net assets without donor restrictions revenue. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Charter Holder, the charter school, and/or the passage of time. When a restriction expires, 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.

Use of Estimates

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

Contributions

The Charter Holder accounts for contributions as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

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

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general purpose financial statements. Capital assets are defined by the Charter Holder as assets with an individual cost of more than $5,000 and a useful life in excess of one year. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to five years, using the straight-line method of depreciation. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at acquisition value at the date of donation, which is then treated as cost.

Budget

The official budget is prepared for adoption for the general fund. The annual budget is adopted on a basis consistent with generally accepted accounting principles and is formally adopted by the Board.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents held as of June 30, 2021 were as follows:

	2021		
	Cost Basis	Market Value	Weighted Average Maturity (Years)
Cash on hand and in financial institutions	$ 1,324,195	$ 1,324,195	-
TexPool	2,255,582	2,255,582	0.08
Total	$ 3,579,777	$ 3,579,777	0.08
Portfolio weighted average maturity			0.08

Cash and cash equivalents held as of June 30, 2020 were as follows:

	2020		
	Cost Basis	Market Value	Weighted Average Maturity (Years)
Cash on hand and in financial institutions	$ 1,616,235	$ 1,616,235	-
TexPool	2,253,583	2,253,583	0.09
Total	$ 3,869,818	$ 3,869,818	0.09
Portfolio weighted average maturity			0.09

The Charter Holder's cash is held in both interest bearing and noninterest bearing demand accounts at two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2021, the Charter Holder's cash balance was fully insured and collaterized.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

NOTE 3 – CAPITAL ASSETS

Capital assets at June 30, 2021 and 2020 were as follows:

	2021	2020
Building and improvements	$ 140,291	$ 83,636
Furniture and equipment	234,973	167,850
Total Capital Assets	375,264	251,486
Less accumulated depreciation	(132,427)	(103,439)
Capital Assets, Net	$ 242,837	$ 148,047

Capital assets acquired with public funds received by the Charter Holder for the operation of the charter school constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the schedule of capital assets.

Depreciation expense for the 2021 and 2020 fiscal years was $28,988 and $24,018, respectively.

NOTE 4 – PENSION PLAN OBLIGATIONS

Plan Description

The Charter Holder contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, defined benefit pension plan with one exception: all risks and costs are not shared by the Charter Holder, but are the liability of the State. Based on FASB Statement No. 87, a multiemployer plan is a pension plan to which two or more unrelated employers contribute, usually pursuant to one or more collective-bargaining agreements. Although TRS has no collective bargaining agreements, the defined benefit pension plan is considered to be a multi-employer plan for the purposes of a not-for-profit charter holder due to various significant factors. These factors include: 1) charter holders are legally separate entities from the State and each other; 2) assets contributed by one participating entity may be used to provide benefits to employees of other participating employers since assets contributed by one entity are not segregated in a separate account or restricted to provide benefits only to employees of that entity; 3) upon withdrawal from TRS, the unfunded obligation or net pension liability of that entity will be passed along to the remaining other entities who contribute to TRS; and 4) there is not a withdrawal penalty for leaving TRS.

TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701; by calling the TRS Communications Department at 1-800-223-8778; or by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publication Heading.

Funding Policy and Funded Status

Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. The State funding policy is as follows: (1) the State constitution requires the Legislature to establish a member contribution rate of not less than six percent of the member's annual compensation and a State

contribution rate of not less than six percent and not more than ten percent of the aggregate annual compensation of all members of TRS; (2) State statute prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action.

As of August 31, 2020, TRS' total plan assets were $165,416,245,243, the accumulated benefit obligation (or total pension liability) was $218,974,205,084, and TRS was 75.54 percent funded.

Contributions

State law provides for a member contribution rate of 7.7 percent for fiscal years 2021, 2020, and 2019, and a State contribution rate of 7.5 percent for fiscal years 2021 and 2020 and 6.8 percent for fiscal year 2019.

The Charter Holder employees' contributions to TRS for the years ending June 30, 2021, 2020, and 2019 were $275,771, $187,187, and $176,782, respectively, equal to the required contributions. Other contributions made from federal and private grants for the years ending June 30, 2021, 2020, and 2019 were $16,788, $9,400, and $6,257, respectively, equal to the required contributions. These contributions did not represent more than five percent of the total contributions to TRS.

In addition to the Charter Holder's contributions given above, when employing a new member to TRS, the Charter Holder is required to pay the state contribution for the new members in their first 90 days of employment. The Charter Holder's contribution for new members for fiscal years ending June 30, 2021, 2020, and 2019 were $10,593, $5,678, and $6,865, respectively.

The Charter Holder made contributions for the Non-Old Age Survivor and Disability Insurance (Non-OASDI) for certain employees. The total amounts contributed for Non-OASDI for fiscal years ending June 30, 2021, 2020, and 2019 were $56,843, $36,074, and $34,439 respectively.

The Charter Holder is required to pay the State's contribution on the portion of a member's TRS eligible salary that exceeds the statutory minimum. The State contribution rate was 7.5 percent for fiscal years 2021 and 2020. The Charter Holder's contribution for salaries paid above the statutory minimum for fiscal years ending June 30, 2021 and 2020 were $63,382 and $33,220 respectively.

NOTE 5 – RETIREE HEALTH CARE PLAN

Plan Description

The Charter contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for TRS-Care is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us; by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701; or by calling 1-800-223-8778.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State is contributing a percentage of payroll set at 1.25 percent for fiscal years ending 2021, 2020, and 2019. Active employee contributions were 0.65 percent for eligible pay for fiscal years 2021, 2020, and 2019. The Charter Holder is contributing a percentage of payroll set at 0.75 percent for fiscal years ending 2021, 2020, 2019. The federal/private funding remitted by the Charter Holder was 1.25 percent of eligible payroll for fiscal years 2021, 2020, and 2019. Per Texas Insurance Code, Chapter 1575, the school contribution may not be less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. For the fiscal years ended 2021, 2020, and 2019, the State's contributions to TRS-Care were $3,114 , $1,754, and $1,174, respectively; the active member contributions were $23,280, $15,803 and $14,923, respectively; and the Charter Holder's contributions were $26,861, $18,233, and $17,219, respectively; which equaled the required contributions.

NOTE 6 – HEALTH CARE COVERAGE

During the year ended June 30, 2021, employees of the Charter Holder were covered by Cigna (the "Plan"). The Charter Holder contributed $350 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay conributions or premiums for dependents. All premiums were paid to licensed insurers.

NOTE 7 – DUE FROM STATE

As of June 30, 2021 and 2020, the Charter Holder's due from State consisted of the following:

	2021	2020
State Foundation Program	$ 797,603	$ 702,853
ESEA Title I Part A – Improving Basic Programs	-	21,089
ESEA Title I Part D – Delinquent Program	45,446	9,557
IDEA - Part B, Formula	4,079	4,071
ESEA Title II Part A – Supporting Effective Instruction	346	1,316
ESSER III	55,777	7,324
Title IV, Part A, Subpart 1	-	495
Total	$ 903,251	$ 746,705

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Charter Holder receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency (TEA) and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the Charter Holder have complex compliance requirements and, should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by the TEA or the grantor agency.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2021 and 2020, the Charter Holder's net assets with donor restrictions consisted of the following:

	2021	2020
State Foundation Program	$ 3,950,085	$ 4,245,818
Total	$ 3,950,085	$ 4,245,818

NOTE 10 – LIQUIDITY AND AVAILABILITY

The following represents the Charter Holder's financial assets available for general expenditure within one year of June 30, 2021 and 2020:

Financial assets, at year end	2021	2020
Cash and cash equivalents	$ 3,579,777	$ 3,869,818
Due from Texas Education Agency	903,251	746,705
Other receivables	1,785	250
Total Financial Assets	4,484,813	4,616,773
Less amounts not available to be used within one year:		
Net assets with donor restrictions	3,950,085	4,245,818
Financial Assets Available to Meet General Expenditures Within One Year	$ 534,728	$ 370,955

NOTE 11 – STATE FOUNDATION PROGRAM REVENUE

Charter schools in the State participate in the State foundation program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period and, at the close of the year, actual attendance is calculated by the TEA. The attendance reports are subject to audit by the TEA and final State foundation program earnings may be adjusted as a result of any such audit. During the years ended June 30, 2021 and 2020, the Charter Holder was paid $4,805,305 and $4,040,905, respectively, of State foundation program funds, of which all was earned (before any possible TEA enrollment and attendance audit).

NOTE 12 – CHARTER HOLDER OPERATIONS

The Charter Holder operated one charter school, Ki Charter Academy, and did not conduct any other charter or noncharter activities.

On February 10, 2021, the Charter Holder's Board approved an expansion plan to acquire the State's residential treatment facility, Hickory Trail Hospital – Behavioral Health Services, located in De Soto, Texas to serve grades 1 through 12. The addition of the Hickory Trail Hospital will increase the Charter Holder's maximum enrollment from 360 to 420 students and will expand the current geographical boundary to include De Soto Independent School District effective July1, 2021.

NOTE 13 – SUBSEQUENT EVENTS

The Charter Holder has evaluated subsequent events through November 3, 2021.

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SUPPLEMENTAL INFORMATION

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KI CHARTER ACADEMY

SUPPLEMENTAL STATEMENTS OF ACTIVITIES - EXHIBIT B-1

For the Years Ended June 30, 2021 and 2020

		Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Revenues					
Local support:					
5740	Other revenues from local sources	$ 4,030	$ -	$ 4,030	$ 51,508
	Total local support	4,030	-	4,030	51,508
State program revenues:					
5810	Foundation school program act revenues	-	4,805,305	4,805,305	4,040,905
5820	State program revenues distributed by Texas Education Agency	-	62,405	62,405	21,330
	Total state program revenues	-	4,867,710	4,867,710	4,062,235
Federal program revenues:					
5920	Federal revenues distributed by Texas Education Agency	-	921,451	921,451	370,283
5930	Federal revenues distributed by other agencies	-	12,317	12,317	70,647
	Total federal program revenues	-	933,768	933,768	440,930
Net assets released from restrictions:					
	Restrictions satisfied by payments	6,097,211	(6,097,211)	-	-
	Total Revenues	6,101,241	(295,733)	5,805,508	4,554,673
Expenses					
11	Instruction	4,015,523	-	4,015,523	2,286,550
13	Curriculum development and instructional staff development	231,176	-	231,176	44,305
21	Instructional leadership	104,862	-	104,862	102,848
23	School leadership	675,281	-	675,281	413,988
31	Guidance, counseling, and evaluation services	190,723	-	190,723	106,225
32	Social work services	94,453	-	94,453	46,761
41	General administration	549,420	-	549,420	510,496
51	Plant maintenance and operations	13,629	-	13,629	5,034
53	Data processing services	129,664	-	129,664	81,018
	Total Expenses	6,004,731	-	6,004,731	3,597,225
	Change in Net Assets	96,510	(295,733)	(199,223)	957,448
Beginning net assets		145,389	4,245,818	4,391,207	3,433,759
	Ending Net Assets	$ 241,899	$ 3,950,085	$ 4,191,984	$ 4,391,207

See Notes to Financial Statements.

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KI CHARTER ACADEMY

SCHEDULES OF EXPENSES - EXHIBIT C-1

For the Years Ended June 30, 2021 and 2020

	Totals	
	2021	**2020**
Expenses		
6100 Payroll costs	$ 4,618,360	$ 2,998,139
6200 Professional and contracted services	545,277	358,394
6300 Supplies and materials	734,430	165,915
6400 Other operating costs	106,664	74,777
Total Expenses	$ 6,004,731	$ 3,597,225

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KI CHARTER ACADEMY

SCHEDULE OF CAPITAL ASSETS - EXHIBIT D-1

June 30, 2021 and 2020

		Ownership Interest		
		Local	**State**	**Federal**
1520	Building and improvements	$ -	$ 140,291	$ -
1539	Furniture and equipment	-	135,939	99,034
	Total Property and Equipment	$ -	$ 276,230	$ 99,034

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KI CHARTER ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND - EXHIBIT E-1

For the Year Ended June 30, 2021

		Budgeted Amounts			Variance With Final Budget Positive
		Original	Final	Actual	(Negative)
Revenues					
Local support:					
5740	Other revenues from local sources	$ 50,000	$ 3,590	$ 4,030	$ 440
	Total local support	50,000	3,590	4,030	440
5810	Foundation school program act revenues	6,117,629	4,882,578	4,805,305	(77,273)
5820	State program revenues distributed by Texas Education Agency	59,099	37,643	62,405	24,762
	Total state program revenue	6,176,728	4,920,221	4,867,710	(52,511)
5920	Federal revenues distributed by Texas Education Agency	673,253	921,451	921,451	-
5930	Federal revenues distributed by other agencies	78,000	12,318	12,317	(1)
	Total federal revenue	751,253	933,769	933,768	(1)
	Total Revenues	6,977,981	5,857,580	5,805,508	(52,072)
Expenses					
11	Instruction	3,816,837	3,977,093	4,015,523	(38,430)
13	Curriculum development and instructional staff development	158,511	230,866	231,176	(310)
21	Instructional leadership	115,000	104,482	104,862	(380)
23	School leadership	672,968	676,779	675,281	1,498
31	Guidance, counseling, and evaluation services	179,779	190,549	190,723	(174)
32	Social work services	95,171	94,159	94,453	(294)
41	General administration	562,899	549,015	549,420	(405)
51	Plant maintenance and operations	7,606	21,811	13,629	8,182
53	Data processing services	120,089	119,911	129,664	(9,753)
	Total Expenses	5,728,860	5,964,665	6,004,731	(40,066)
	Change in Net Assets	$ 1,249,121	$ (107,085)	(199,223)	$ (92,138)
	Beginning net assets			4,391,207	
			Ending Net Assets	$ 4,191,984	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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COMPLIANCE,
INTERNAL CONTROL,
AND
FEDERAL AWARDS

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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
Ki Charter Academy:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ki education foundation (the "Charter Holder") dba Ki Charter Academy (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter Holder'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 the Charter Holder's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Holder'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Charter Holder'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Holder'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 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 Charter Holder'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 Charter Holder's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 3, 2021

AUDITING TEXAS GOVERNMENTS WITH EXCELLENCE

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

To the Board of Directors of
Ki Charter Academy:

Report on Compliance for Each Major Federal Program

We have audited ki education foundation's (the "Charter Holder"), dba Ki Charter Academy (a nonprofit organization), 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 Charter Holder's major federal programs for the year ended June 30, 2021. The Charter Holder's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter Holder'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 Charter Holder'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 Charter Holder's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Charter Holder 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 Charter Holder 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 Charter Holder'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 Charter Holder's internal control over compliance.

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

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

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 3, 2021

KI CHARTER ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - EXHIBIT F-1

For the Year Ended June 30, 2021

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of audit report issued	Unmodified
Internal control over financial reporting:	
One or more material weakness(es) identified?	No
One or more significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
One or more material weakness(es) identified?	No
One or more significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of audit report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with uniform guidance?	No

Identification of major programs:

Assistance Listing (AL) Number(s)	Name of Federal Program or Cluste
84.010A	Title 1

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	No

II. FINANCIAL STATEMENT FINDINGS

None identified.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None identified.

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Ki Charter Academy

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - EXHIBIT G-1

For the Year Ended June 30, 2021

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None identified.

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KI CHARTER ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT H-1

For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing (AL) Number(s)	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency:			
Title I, Part A- Improving Basic Programs	84.010A	21610101105803	$ 68,958
Title I, Part D, Subpart 2 - Delinquent Programs	84.010A	21610103105803	552,017
Total AL Number 84.010A			620,975
IDEA-B Formula	84.027A	216600011058036000	85,554
Title II, Part A - Supporting Effective Instruction	84.367A	21694501105803	11,384
Instructional Continuity	84.377A	17610740105803	10,500
Title IV, Part A, Subpart 1	84.424A	21680101105803	19,047
Prior Purchase Reimbursement Program (PPRP)	84.425D	52102035	54,000
ESSER	84.425D	20521001105803	64,214
Total AL Number 84.425D			118,214
ARP ESSER III	84.425U	21528001105803	55,777
		Total U.S. Department of Education	921,451
		TOTAL EXPENDITURES OF FEDERAL AWARDS	$ 921,451

The accompanying notes are an integral part of this schedule.

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KI CHARTER ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

NOTE 1 – STANDARD FINANCIAL ACCOUNTING SYSTEM

For all federal programs, the Charter Holder used the net asset classes and codes specified by the TEA in the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*. Net assets with donor restrictions are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in net assets with donor restriction codes.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the Charter Holder. The information in the SEFA 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). Therefore, some amounts presented in the SEFA may differ from amounts presented or used in the preparation of the basic financial statements.

NOTE 3 – INDIRECT COST RATE

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

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