

LTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED AUGUST 31, 2021

TABLE OF CONTENTS

	Page No.
CERTIFICATE OF BOARD	
Independent Auditor's Report	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Independent Auditor's Report on Supplementary Information	18
SUPPLEMENTAL FINANCIAL STATEMENTS	
- Statement of Activities	19
- Schedule of Capital Assets	20
- Schedule of Expenses	21
- Budgetary Comparison Schedule	22
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	25
Schedule of Findings and Questioned Costs	27
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29
REAL PROPERTY OWNERSHIP AND RELATED PARTY TRANSACTIONS	
- Schedule of Real Property Ownership Interest for LTTS Charter School, Inc dba Universal Academy	30
- Schedule of Related Party Transactions for LTTS Charter School, Inc dba Universal Academy	31

LTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY
(Federal Employer Identification Number 75-2739703)
057-808

CERTIFICATE OF BOARD
August 31, 2021

We, the undersigned, certify that the attached Annual Financial and Compliance Report of LTTS Charter School, Inc. dba Universal Academy was reviewed and approved _____ disapproved for the year ended August 31, 2021, at a meeting of the governing body of said charter holder on the 27th day of JANUARY, 2022.


Signature of Board Secretary


Signature of Board President

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
LTTS Charter School, Inc. dba Universal Academy
Irving, TX

Report on the Financial Statements

We have audited the accompanying financial statements of LTTS Charter School, Inc. dba Universal Academy (“the Academy”) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 January 24, 2022, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy'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 Academy's internal control over financial reporting and compliance.



Houston, TX
January 24, 2022

LTTS CHARTER SCHOOL, INC. DBA UNIVERSAL ACADEMY
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2021

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 7,053,678
Restricted Cash	9,205,507
Grants Receivable	1,627,768
Other Receivables	48,588
TOTAL CURRENT ASSETS	<u>17,935,541</u>
PROPERTY AND EQUIPMENT	
Land	9,193,423
Building and Improvements	25,097,492
Furniture and Equipment	1,604,383
Vehicles	1,552,619
Construction in Progress	1,662,674
Operating Lease Right-of-Use Assets	252,386
	<u>39,362,977</u>
Less: Accumulated Depreciation	<u>(6,089,822)</u>
	<u>33,273,155</u>
TOTAL ASSETS	<u>\$ 51,208,696</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 231,890
Accrued Wages	946,189
Accrued Liabilities	250,843
Deferred Revenue	418,012
Interest Payable	1,445,328
Current Portion of Operating Lease Liabilities	118,866
Current Portion of Bonds Payable	485,000
TOTAL CURRENT LIABILITIES	<u>3,896,128</u>
LONG-TERM LIABILITIES	
Operating Lease Liabilities, Net of Current Portion	133,520
Bonds Payable, Net of Discount, Issuance Costs and Current Portion	43,817,392
TOTAL LONG-TERM LIABILITIES	<u>43,950,912</u>
TOTAL LIABILITIES	<u>47,847,040</u>
NET ASSETS	
With Donor Restrictions	<u>3,361,656</u>
TOTAL NET ASSETS	<u>3,361,656</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 51,208,696</u>

LTTS CHARTER SCHOOL, INC. DBA UNIVERSAL ACADEMY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Federal Program Revenues	\$ -	\$ 3,494,035	\$ 3,494,035
State Program Revenues	-	22,036,025	22,036,025
Contributions	-	-	-
Interest Income	3,378	79,947	83,325
Other Income	707	709,062	709,769
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	22,957,413	(22,957,413)	-
Total Revenues	<u>22,961,498</u>	<u>3,361,656</u>	<u>26,323,154</u>
EXPENSES			
Program Services			
Instruction and Instructional-Related Services	11,268,320	-	11,268,320
Instructional and School Leadership	1,255,446	-	1,255,446
Ancillary Services	33,600	-	33,600
Support Services - Student (Pupil)	1,255,257	-	1,255,257
Total Program Services	<u>13,812,623</u>	<u>-</u>	<u>13,812,623</u>
Support Services			
Administrative Support Services	1,213,259	-	1,213,259
Support Services - Non-Student Based	3,732,058	-	3,732,058
Debt Service	2,865,187	-	2,865,187
Fundraising	10,327	-	10,327
Total Support Services	<u>7,820,831</u>	<u>-</u>	<u>7,820,831</u>
Total Expenses	<u>21,633,454</u>	<u>-</u>	<u>21,633,454</u>
CHANGE IN NET ASSETS	<u>1,328,044</u>	<u>3,361,656</u>	<u>4,689,700</u>
NET ASSETS, beginning of year	<u>(1,328,044)</u>	<u>-</u>	<u>(1,328,044)</u>
NET ASSETS, end of year	<u>\$ -</u>	<u>\$ 3,361,656</u>	<u>\$ 3,361,656</u>

LTTS CHARTER SCHOOL, INC. DBA UNIVERSAL ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

	Program Services	Supporting Services			Total
	Program Expense	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 11,057,695	\$ 988,567	\$ -	\$ 988,567	\$ 12,046,262
Employee benefits	705,453	61,744	-	61,744	767,197
Payroll taxes	193,264	21,926	-	21,926	215,190
Professional fees	342,402	2,133,080	10,327	2,143,407	2,485,809
Utilities	-	290,218	-	290,218	290,218
Travel	-	496	-	496	496
Interest expense	-	2,649,002	-	2,649,002	2,649,002
Insurance	283,497	187,444	-	187,444	470,941
Depreciation	82,005	945,760	-	945,760	1,027,765
Amortization	-	216,185	-	216,185	216,185
Supplies	774,137	107,550	-	107,550	881,687
Operating lease expense	22,996	106,213	-	106,213	129,209
Miscellaneous expenses	203,920	86,696	-	86,696	290,616
Food	133,340	-	-	-	133,340
Repairs and maintenance	13,914	15,623	-	15,623	29,537
	<u>\$ 13,812,623</u>	<u>\$ 7,810,504</u>	<u>\$ 10,327</u>	<u>\$ 7,820,831</u>	<u>\$ 21,633,454</u>

LTTS CHARTER SCHOOL, INC. DBA UNIVERSAL ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	4,689,700
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense		1,027,765
Amortization Expense		216,185
Forgiveness of PPP Loan		(1,877,035)
(Increase) decrease in Grants Receivable		(1,627,768)
(Increase) decrease in Other Receivables		(48,588)
(Increase) decrease in Prepaid Expenses		51,842
Increase (decrease) in Accounts Payable		145,351
Increase (decrease) in Accrued Wages		427,400
Increase (decrease) in Accrued Liabilities		36,480
Increase (decrease) in Deferred Revenue		(96,208)
Increase (decrease) in Bond Interest Payable		(13,882)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		2,931,242

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Fixed Assets		(1,242,941)
		(1,242,941)

NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES		(1,242,941)
---	--	-------------

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Bonds		(455,000)
		(455,000)

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		(455,000)
--	--	-----------

NET INCREASE (DECREASE) IN CASH		1,233,301
---------------------------------	--	-----------

CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR		15,025,884
---	--	------------

CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$	16,259,185
---	----	------------

SUPPLEMENTAL DISCLOSURES

CASH PAID DURING THE YEAR FOR:

Interest	\$	2,649,002
----------	----	-----------

LTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

A. Organization:

LTTS Charter School, Inc. (a Texas non-profit corporation) doing business as Universal Academy (the “Academy”) provides educational services for students from pre-kindergarten through twelfth grade. The Academy operates under an enrollment charter granted by the State of Texas Board of Education. This charter was renewed November 5, 2012, for a period of ten years and is subject to review and renewal prior to the expiration date of July 31, 2022. The Academy is part of the public-school system of the State of Texas and is therefore entitled to distribution from the State’s available school fund. The Academy does not have the authority to impose ad valorem taxes or to charge tuition.

The charter holder LTTS Charter School dba Universal Academy only operates a single charter school and does not conduct any other charter or non-charter activities.

B. Summary of Significant Accounting Policies:

BASIS OF PRESENTATION

The financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The Academy reports its financial information based on the *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-205 Presentation of Financial Statements*. Under *FASB ASC 958-205*, an organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

CLASSIFICATION OF NET ASSETS

Net assets of the organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions— Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the organization. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

LTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

B. Summary of Significant Accounting Policies: (Continued)

CLASSIFICATION OF NET ASSETS (CONTINUED)

On occasion, the governing board may designate a portion of net assets without donor restrictions for a specific purpose. Designated net assets are not governed by donor-imposed restrictions and may be reversed by the governing board at any time.

SUPPORT AND REVENUE

Support and revenue are recorded based on the accrual method.

PRESENTATION OF DEBT ISSUANCE COSTS

The Academy presents debt issuance costs within the statement of financial position as a direct deduction from the face amount of the debt. Amortization of debt issuance costs is reported as interest expense. Debt issuance costs are recognized at historical cost as incurred. The cost of issuance of bonds is amortized over the life of each bond. The Academy nets issuance costs against long-term bonds payable amounts.

CASH DONATIONS AND DONATED SERVICES

Cash donations are considered to be available for unrestricted use unless specifically restricted by the donor. No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such donations. Nevertheless, a substantial number of volunteers have donated their time in connection with the program service and administration of the Academy.

CONTRIBUTIONS

In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-605 Revenue Recognition*, contributions received are recorded as with donor restrictions and without donor restrictions support depending on the existence or nature of any donor restrictions.

PROPERTY AND EQUIPMENT

Property and equipment purchased by the Academy are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All assets acquired with a value in excess of \$5,000 are recorded as fixed assets. Depreciation is provided on the straight-line method based upon estimated useful lives of 3 to 39 years based on classification of property and equipment. Gains or losses on retired or sold property and equipment are reflected in income for the period. The proceeds from such sales which are not legally required or expected to be reinvested in property and equipment are transferred to net assets without donor restrictions.

LTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

B. Summary of Significant Accounting Policies: (Continued)

FUNCTIONAL EXPENSES

Expenses are charged to each program based on direct expenditures incurred. Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff, or other reasonable methods for allocating the Academy's multiple function expenditures.

PLEDGES AND ACCOUNTS RECEIVABLE

Contributions are recognized when the donor makes a promise to give to the Academy, which is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in the net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

No provision has been made for uncollectible promises to give and accounts receivable as of the statement of financial position date, given that none have been identified.

INCOME TAXES

The Academy qualifies as a tax-exempt organization under section 501 (c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

CASH AND CASH EQUIVALENTS

The Academy considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Each account is insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000. During the year, some of the bank depository accounts may have exceeded federally insured limits. The Academy has not experienced any losses on such accounts.

ESTIMATES

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

LTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

B. Summary of Significant Accounting Policies: (Continued)

FAIR VALUE MEASUREMENTS

FASB ASC 820 *Fair Value Measurement* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2: Significant direct or indirect, observable inputs other than quoted prices;

Level 3: Unobservable inputs based on assumptions of the reporting entity.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NEW ACCOUNTING STANDARD AFFECTING LEASE ACCOUNTING

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (topic 815), and Leases (topic 842): Effective Dates*; ASU 2020-02, *Financial Instruments – Credit Losses (Topic 326) and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)*; and ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Academy elected to adopt these ASUs using the modified retrospective approach required by the standards and implementing the standards using the effective date method, which established September 1, 2020 as both the effective date and date of initial application. The Academy elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Academy to carry forward the historical lease classification. In addition, the Academy made the following elections: to use hindsight in determining the lease term for existing leases; to apply the short-term lease exception to all leases with a term of one year or less; and to use a risk-free discount rate for all operating leases, determined using a period comparable with that of the lease term.

LTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

C. Budget:

The official school budget is prepared for adoption for required Governmental Fund Types. The annual budget is adopted on a basis consistent with generally accepted accounting principles and is formally adopted by the Board of Directors.

D. Liquidity and Availability of Financial Assets:

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets at year-end		
Cash and Restricted Cash	\$	16,259,185
Grants and Other Receivables		<u>1,676,356</u>
Total Financial assets at year-end		<u>17,935,541</u>
Less those unavailable for general expenditures within one year, due to:		
Use limitations or other reserve requirements imposed under debt agreements:		9,205,507
Financial assets available to meet cash needs for general expenditure within one year	\$	<u><u>8,730,034</u></u>

The Organization manages its liquid assets conservatively within standard depository bank accounts at national banks. Cash is managed to provide sufficient funds for meeting program expenditures of the Organization.

E. Pension Plan:

Plan Description

The Academy contributes to the Teacher Retirement System of Texas (“TRS”), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the Academy, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public-school systems of Texas.

The plan operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805 respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

LTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

E. Pension Plan: (Continued)

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2021 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2021	Total Pension Liability 2021	Percent Funded
TRS	\$ 231,172,755,000	\$ 227,273,464,000	88.79%

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 7.7% for the 2021 fiscal period. The state’s contribution rate as a non-employer contributing entity was 7.5% for fiscal year 2021. The Academy’s employee contributions to the system for the year ended August 31, 2021 were \$841,552 equal to the required contributions for the year.

Other contributions made from federal and private grants and from the Academy for salaries above the statutory minimum were contributed at a rate of 7.5% totaling \$380,397 for the year ended August 31, 2021. The Charter School’s contributions into this plan do not represent more than 5% of the total contributions to the plan. The Academy was not assessed a surcharge.

LTTs CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

F. Bonds Payable:

The Academy has secured bond financing pursuant to Chapter 53 of the Texas Education Code, \$27,855,000 of Tax-Exempt Education Revenue Bonds, Series 2014A and \$1,585,000 of Taxable Education Revenue Bonds, Series 2014B. The bonds are limited obligations of the issuer payable solely from revenues received by the issuer pursuant to a loan agreement between the issuer and the borrower. No state, city, political corporation, subdivision, or agency of the state is pledged to the payment of the principal of premium, or interest on the bonds.

The Series 2014A Bonds are dated as of March 1, 2014, and shall mature on March 1 in the years and in the amounts set forth below, and shall bear interest at the following rates:

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2024	\$ 2,255,000	5.875%
2029	\$ 3,275,000	6.625%
2034	\$ 4,545,000	7.000%
2044	\$17,780,000	7.125%
	<u>\$ 27,855,000</u>	

The Series 2014B Bonds are dated as of March 1, 2014, and matured on March 1 in the years and in the amounts set forth below, and formerly paid interest at the following rate:

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2021	\$ 1,585,000	7.25%

The Academy has also secured bond financing pursuant to Chapter 53 of the Texas Education Code, \$17,875,000 of Tax-Exempt Education Revenue Bonds, Series 2019A and \$640,000 of Taxable Education Revenue Bonds, Series 2019B. The bonds are limited obligations of the issuer payable solely from revenues received by the issuer pursuant to a loan agreement between the issuer and the borrower. No state, city, political corporation, subdivision, or agency of the state is pledged to the payment of the principal of premium, or interest on the bonds.

The Series 2019A Bonds are dated as of December 1, 2019 and shall mature on March 1 beginning in 2025 and concluding in 2049. The Series 2019A Bonds are subject to optional redemption prior to scheduled maturity, in whole or in part, on March 1, 2030 and on any day thereafter at the option of the Academy.

LTTs CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

F. Bonds Payable: (Continued)

The Series 2019A Bonds shall mature on March 1 in the years and in the amounts set forth below, and shall bear interest at the following rates:

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2025	\$ 350,000	5.45%
2026	\$ 370,000	5.45%
2027	\$ 390,000	5.45%
2028	\$415,000	5.45%
2029	\$435,000	5.45%
2030	\$460,000	5.45%
2031	\$485,000	5.45%
2032	\$510,000	5.45%
2033	\$540,000	5.45%
2034	\$565,000	5.45%
2035	\$600,000	5.45%
2036	\$630,000	5.45%
2037	\$665,000	5.45%
2038	\$700,000	5.45%
2039	\$740,000	5.45%
2040	\$780,000	5.45%
2041	\$825,000	5.45%
2042	\$870,000	5.45%
2043	\$915,000	5.45%
2044	\$965,000	5.45%
2045	\$1,015,000	5.45%
2046	\$1,075,000	5.45%
2047	\$1,130,000	5.45%
2048	\$1,190,000	5.45%
2049	\$1,255,000	5.45%
	<u>\$ 17,875,000</u>	

The Series 2019B Bonds are dated as of December 1, 2019 and shall mature on March 1 in the years and in the amounts set forth below, and shall bear interest at the following rate:

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2024	\$ 640,000	3.5%

The Series 2019B Bonds are subject to mandatory sinking fund redemption and cannot be redeemed prior to the date of maturity.

LTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

F. Bonds Payable: (Continued)

Bonds payable at August 31, 2021 consist of the following:

2014A Bonds, interest due in September 1 and March 1 semi-annual installments, commencing September 1, 2014; Maturity dates range from 2024 to 2044 with various interest rates noted in Table – 2014A. \$ 27,135,000

2019A Bonds, interest due in September 1 and March 1 semi-annual installments, commencing March 1, 2020; Maturity dates range from 2025 to 2049 with an interest rate of 5.45%. 17,875,000

2019B Bonds, interest due in September 1 and March 1 semi-annual installments, commencing March 1, 2020; Maturity date in 2024 with interest rate noted in Table – 2019B. 640,000

Total	\$ 45,650,000
Less current portion of bonds payable	(485,000)
Less unamortized discount	(277,814)
Net of unamortized bond issuance costs	(1,069,794)
Long-term portion of bonds payable net of discount	\$ 43,817,392

Future maturities of bond payable debt at August 31, 2021 are as follows:

Year Ending August 31,	Principal	Interest	Total
2022	\$ 485,000	\$ 2,874,466	\$ 3,359,466
2023	825,000	2,845,238	3,670,238
2024	865,000	2,803,369	3,668,369
2025	920,000	2,757,250	3,677,250
2026	985,000	2,698,922	3,683,922
Thereafter	41,570,000	33,202,308	74,772,308
Total	\$ 45,650,000	\$ 47,181,553	\$ 92,831,553

The Academy must maintain a debt service reserve fund. At August 31, 2021, the debt service reserve fund had a balance of \$3,777,554.

G. Paycheck Protection Program (PPP) Loan:

The Academy was approved for and received a loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The loan was dated April 21, 2020 and was formally forgiven in June 2021. The Academy has recognized forgiveness of the loan as a contribution in accordance with ASC 958-605 and reflected the forgiven loan balance in its operating revenues in the current fiscal year.

LTTs CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

H. Debt Covenants:

The bond agreements contain certain restrictions and covenants. Among these requirements is a requirement that the Academy maintain a debt service coverage ratio equal to at least 110 percent the annual debt service requirements. The Academy attained a debt service coverage ratio that exceeded the established debt service coverage threshold and has complied with this requirement.

In addition, the Academy is required to meet certain student enrollment targets by October 1 of each fiscal year. The Projected Enrollment Covenant requires that the school enroll at least 2,100 students in the 2016-17 school year and in subsequent fiscal years. The Academy met its enrollment target for the fiscal year ended August 31, 2021.

The Academy is also required to maintain an operating cash reserve that covers 45 days of budgeted expenses at the end of the current fiscal year, and in fiscal years thereafter. For the fiscal year ending August 31, 2021, the Academy maintained the required level of cash on hand. Failure to meet the conditions established under borrowing agreements could have an adverse effect on the operations of the Academy.

I. Operating Leases:

The Academy leases portable buildings and land under month-to-month agreements that management intends to continue for at least the next twenty four months. The Academy also leases equipment under non-cancelable operating lease agreements. Future minimum payments required under lease agreements are as follows:

<u>Year ending August 31,</u>	<u>Amount</u>
2022	\$ 118,954
2023	115,386
2024	12,118
2025	<u>6,364</u>
Total operating lease payments	252,822
Less: present value discount	(436)
Total operating lease liabilities	<u>\$ 252,386</u>

Right-of-use assets under operating leases were as follows:

Rental lot	\$ 20,369
Portable buildings	149,243
Office equipment	<u>82,774</u>
	<u>\$ 252,386</u>

LTTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

J. Net Assets with Donor Restrictions:

Net assets with donor restrictions at August 31, 2021 are restricted as follows:

Periods after August 31, 2021	\$ 3,361,656
Total restricted funds	<u>\$ 3,361,656</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Texas Education Agency-Federal	\$ 1,384,607
Other State Sources	232,393
Texas Education Agency-State	<u>21,340,413</u>
Total restrictions released	<u>\$ 22,957,413</u>

K. Health Care Coverage:

During the year ended August 31, 2021 employees of the Academy were covered by a health insurance plan. The school contributed \$225 per month per employee (depending upon coverage selected) to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer.

L. Commitments and Contingencies:

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

M. Restricted Cash:

Restricted cash at August 31, 2020 consisted of debt service and debt service reserve fund bond cash accounts. These funds are to be solely used in the construction and acquisition of new facilities and repayment of bond liabilities and cannot be used for normal operating expenditures.

N. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through January 24, 2022, the date which the financial statements were available to be issued.

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
LTTS Charter School, Inc. dba Universal Academy
Irving, Texas

We have audited the financial statements of LTTS Charter School, Inc. dba Universal Academy ("the Academy") as of and for the year ended August 31, 2021, and our report thereon dated January 24, 2022, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules for Individual Charter School dated August 31, 2021 and appearing on pages 19 to 22 and 30 to 31, are presented for purposes of additional analysis and are 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.



Houston, TX
January 24, 2022

LTTS CHARTER SCHOOL, INC. DBA UNIVERSAL ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Local Support:			
5740 Other Revenues from Local Sources	\$ 4,055	\$ 787,689	\$ 791,744
5750 Revenue from Cocurricular Activities	30	1,320	1,350
Total Local Support	4,085	789,009	793,094
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	21,981,056	21,981,056
5820 State Program Revenues Distributed by Texas Education Agency	-	54,969	54,969
Total State Program Revenues	-	22,036,025	22,036,025
Federal Program Revenues:			
5920 Federal Revenue Distributed by Texas Department of Agriculture	-	1,384,608	1,384,608
5930 Federal Revenue Distributed by Other State Agencies	-	232,392	232,392
5940 Federal Revenues Distributed Directly from Federal Government Agencies	-	1,877,035	1,877,035
Total Federal Program Revenues	-	3,494,035	3,494,035
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	22,957,413	(22,957,413)	-
Total Revenues	22,961,498	3,361,656	26,323,154
EXPENSES			
11 Instruction	10,874,201	-	10,874,201
12 Instructional Resources and Media Services	146,519	-	146,519
13 Curriculum Development and Instructional Staff Development	247,604	-	247,604
21 Instructional Leadership	417,712	-	417,712
23 School Leadership	837,733	-	837,733
31 Guidance, Counseling and Evaluating Services	237,651	-	237,651
33 Health Services	169,019	-	169,019
34 Student (Pupil) Transportation	428,731	-	428,731
35 Food Services	297,001	-	297,001
36 Cocurricular/Extracurricular Activities	122,854	-	122,854
41 General Administration	1,213,258	-	1,213,258
51 Plant Maintenance and Operations	2,885,071	-	2,885,071
52 Security and Monitoring Services	518,686	-	518,686
53 Data Processing Services	328,300	-	328,300
61 Community Services	33,600	-	33,600
71 Debt Service	2,865,187	-	2,865,187
81 Fundraising	10,327	-	10,327
Total Expenses	21,633,454	-	21,633,454
CHANGE IN NET ASSETS	1,328,044	3,361,656	4,689,700
NET ASSETS, beginning of year	(1,328,044)	-	(1,328,044)
NET ASSETS, end of year	\$ -	\$ 3,361,656	\$ 3,361,656

LTTS CHARTER SCHOOL, INC. DBA UNIVERSAL ACADEMY
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED AUGUST 31, 2021

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 16,259,185	\$ -
1520 Land	-	9,193,423	-
1520 Building and Improvements	-	26,760,166	-
1531 Vehicles	-	1,552,619	-
1532 Right-of-Use Assets	-	252,386	-
1539 Furniture and Equipment	-	1,535,095	10,294
1549 Furniture and Equipment	-	58,994	-
Total Capital Assets	<u>\$ -</u>	<u>\$ 55,611,868</u>	<u>\$ 10,294</u>

LTTS CHARTER SCHOOL, INC. DBA UNIVERSAL ACADEMY
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

EXPENSES

6100 Payroll Costs	\$ 13,156,546
6200 Professional and Contracted Services	2,934,773
6300 Supplies and Materials	1,015,027
6400 Other Operating Costs	1,661,921
6500 Debt	2,865,187
Total Expenses	<u>\$ 21,633,454</u>

LTTS CHARTER SCHOOL, INC. DBA UNIVERSAL ACADEMY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES, GAINS AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ 50,000	\$ 1,898,613	\$ 791,744	\$ (1,106,869)
5750 Revenue from Cocurricular Activities	-	-	1,350	1,350
Total Local Support	<u>50,000</u>	<u>1,898,613</u>	<u>793,094</u>	<u>(1,105,519)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	24,363,738	22,839,187	21,981,056	(858,131)
5820 State Program Revenues Distributed by Texas Education Agency	-	-	54,969	54,969
Total State Program Revenues	<u>24,363,738</u>	<u>22,839,187</u>	<u>22,036,025</u>	<u>(803,162)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	1,230,527	1,050,460	1,384,608	334,148
5930 Federal Revenues Distributed by Other State Agencies	-	-	232,392	232,392
5940 Federal Revenues Distributed Directly From Federal Government Agencies	-	-	1,877,035	1,877,035
Total Federal Program Revenues	<u>1,230,527</u>	<u>1,050,460</u>	<u>3,494,035</u>	<u>2,443,575</u>
Total Revenues	<u>25,644,265</u>	<u>25,788,260</u>	<u>26,323,154</u>	<u>534,894</u>
EXPENSES				
11 Instruction	13,120,707	9,586,856	10,874,201	(1,287,345)
12 Instructional Resources and Media Services	254,445	119,996	146,519	(26,523)
13 Curriculum Development and Instructional Staff Development	932,810	346,004	247,604	98,400
21 Instructional Leadership	87,482	349,942	417,712	(67,770)
23 School Leadership	694,394	757,187	837,733	(80,546)
31 Guidance, Counseling and Evaluating Services	197,763	199,690	237,651	(37,961)
33 Health Services	207,751	154,496	169,019	(14,523)
34 Student (Pupil) Transportation	643,688	411,795	428,731	(16,936)
35 Food Services	422,690	285,472	297,001	(11,529)
36 Cocurricular/Extracurricular Activities	175,020	115,143	122,854	(7,711)
41 General Administration	1,393,736	1,165,656	1,213,258	(47,602)
51 Plant Maintenance and Operations	1,946,950	2,993,060	2,885,071	107,989
52 Security and Monitoring Services	681,834	492,298	518,686	(26,388)
53 Data Processing Services	351,202	340,022	328,300	11,722
61 Community Services	62,826	40,800	33,600	7,200
71 Debt Service	2,412,715	3,291,972	2,865,187	426,785
81 Fundraising	137,004	-	10,327	(10,327)
Total Expenses	<u>23,723,017</u>	<u>20,650,389</u>	<u>21,633,454</u>	<u>(983,065)</u>
CHANGE IN NET ASSETS	<u>1,921,248</u>	<u>5,137,871</u>	<u>4,689,700</u>	<u>(448,171)</u>
NET ASSETS, beginning of year	<u>(1,328,044)</u>	<u>(1,328,044)</u>	<u>(1,328,044)</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ 593,204</u>	<u>\$ 3,809,827</u>	<u>\$ 3,361,656</u>	<u>\$ (448,171)</u>

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

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

To the Board of Directors of
LTTS Charter School, Inc. dba Universal Academy
Irving, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of LTTS Charter School, Inc. dba Universal Academy ("the Academy") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Ramsey & Company". The signature is written in black ink and is positioned above the typed text.

Houston, TX
January 24, 2022

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

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

To the Board of Directors of
LTTS Charter School, Inc. dba Universal Academy
Irving, Texas

Report on Compliance for Each Major Federal Program

We have audited LTTS Charter School, Inc. dba Universal Academy's ("the 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 Academy's major federal programs for the year ended August 31, 2021. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Academy 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 August 31, 2021.

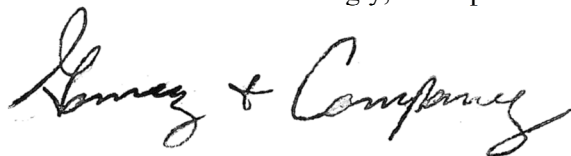
Report on Internal Control Over Compliance

Management of the Academy 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 Academy'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 Academy's internal control over compliance.

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

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

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



Houston, TX
January 24, 2022

LTTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2021

Summary of Audit Results

1. The auditor’s report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses on internal control over financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses on internal control over major federal award programs.
5. The auditor’s report on compliance for the major federal award programs expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any audit findings which are required to be reported in accordance with 2 CFR section 200.516(a).
7. Major programs:

U.S. Department of Education	
Passed – Through Texas Education Agency	
IDEA-B Formula*	CFDA Number 84.027
IDEA-B Preschool*	CFDA Number 84.173
Education Stabilization Fund	CFDA Number 84.425
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. The Academy qualifies as a low-risk auditee.

<u>Current Year Findings</u>	<u>Questioned Costs</u>
No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516(a).	<u>\$ -0-</u>

<u>Summary Schedule of Prior Year Findings</u>	<u>Questioned Costs</u>
No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516(a) for the year ended August 31, 2020.	<u>\$ -0-</u>

* Denotes cluster

LTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed - Through Texas Education Agency:			
ESEA, Title I, Part A, Improving Basic Skills	84.010A	21610101057808	\$ 210,137
Title II, Part A- Supporting Effective Instruction	84.367A	21694501057808	38,485
ESEA, Title III, Part A, LEP	84.365A	21671001057808	125,508
ESEA, Title III, Part A, LEP	84.365A	21671003057808	17,355
Idea - B Preschool	84.173A	216610010578086000	4,708
Idea - B Formula	84.027A	216600010578086000	314,836
Title IV, Part A: Student Support and Academic Enrichment Program (SSAE)	84.424A	21680101057808	17,757
Total U.S. Department of Education, non-COVID-19 Assistance			728,786
Passed - Through Texas Education Agency:			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER)	84.425D	20521001057808	187,410
COVID-19 - Prior Purchase Reimbursement Program	84.425D	52102135	171,052
COVID-19 - Elementary and Secondary School Emergency Relief Fund III (ESSER III)	84.425D	21528001057808	93,574
Total U.S. Department of Education, COVID-19 Assistance			452,036
Total U.S. Department of Education			1,180,822
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
Breakfast	10.553	71402001	2,861
Breakfast	10.553	71402101	54,100
Lunch	10.555	71302001	4,572
Lunch	10.555	71302101	142,252
Total U.S. Department of Agriculture Non-COVID Assistance			203,785
Passed - Through Texas Department of Agriculture			
COVID-19 - Emergency Operations Cost Reimbursement	10.555		42,916
Total U.S. Department of Agriculture			246,701
<u>U.S. Department of the Treasury</u>			
Passed - Through Education Service Center			
COVID-19 - Coronavirus Relief Fund	21.019		189,477
Total Expenditures of Federal Awards			\$ 1,617,000

LTTS CHARTER SCHOOL, INC. dba UNIVERSAL ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (“the Schedule”) includes federal award activity of LTTS Charter School, Inc. dba Universal Academy (“the Academy”) under programs of the federal government for the year ended August 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of the Academy, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Academy.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

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

Subrecipients

The Organization did not provide federal awards to subrecipients.

NOTE 2 – OTHER SOURCES OF FEDERAL REVENUES

Other sources of federal revenues totaled \$1,877,035 in forgiveness of Paycheck Protection Program (PPP) debt, which is not includible in the Schedule of Expenditures of Federal Awards (SEFA).

Reconciliation of Federal Revenues and SEFA:

Total expenditure of federal awards per the SEFA	\$ 1,617,000
PPP loan forgiveness	<u>1,877,035</u>
Total federal revenue per the Statement of Activities	<u>\$ 3,494,035</u>

LTTS CHARTER SCHOOL, INC. DBA UNIVERSAL ACADEMY

SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST

FOR THE YEAR ENDED AUGUST 31, 2021

Description	Property Address	Total Assessed	Ownership Interest - Local	Ownership Interest - State	Ownership Interest - Federal
BLK A LOT 1 6.0196 AC	2616 N Macarthur Blvd	\$ 10,633,379	\$ -	\$ 10,633,379	\$ -
BLK 1 LT 2.1 ACS 0.1231	1003 E Sandy Lake Rd	62,227	-	62,227	-
BLK 1 PT LT 2 ACS 0.6790	189 S Macarthur Blvd	343,233	-	343,233	-
BLK 1 PT LOT 1R ACS 4.1765	1001 E Sandy Lake Rd	8,059,248	-	8,059,248	-
BLK 1 LOT 1R.1 ACS 0.5589	199 S Macarthur Blvd	282,523	-	282,522.53	-
BLK 1 LOT 3R ACS 3.8398	1001 E Sandy Lake Rd	7,889,047	-	7,889,047	-
BLK 1 LOT 4R ACS 2.1231	1001 E Sandy Lake Rd	7,021,259	-	7,021,259	-

See accompanying notes to financial statements.

LTTS CHARTER SCHOOL, INC. DBA UNIVERSAL ACADEMY

SCHEDULE OF RELATED PARTY TRANSACTIONS

FOR THE YEAR ENDED AUGUST 31, 2021

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid During FY	Principal Balance Due
--------------------	---	--------------	------------------------	---	-------------------------	----------------------	-------------------------	--------------------------

None

See accompanying notes to financial statements.