

**DRAW ACADEMY, INC  
DBA  
DRAW ACADEMY**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended  
August 31, 2023 and 2022**





**DRAW ACADEMY, INC**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
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**Draw Academy, Inc.**  
**(Federal Employer Identification Number: 76-0495959)**

**CERTIFICATE OF BOARD**

**DRAW Academy, Inc.**  
Name of Charter Holder

**76-0680496**  
Federal Employer ID Number

**DRAW Academy**  
Name of Charter School

**Harris**  
County

**101-856**  
County District Number

We, the undersigned, certify that the attached Annual Financial and Compliance Report of DRAW Academy was reviewed and \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2023, at a meeting of the governing body of said charter school on the 27 day of February 2024.

\_\_\_\_\_  
Signature of Board President

\_\_\_\_\_  
Signature of Board Secretary



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
DRAW Academy Inc.

### Report on the Audit of Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of DRAW Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DRAW Academy, Inc. (the "Academy") as of August 31, 2023, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months after the date that the financial statements are issued.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standard* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Academy's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Report on Summarized Comparative Information***

The 2022 financial statements were audited by other auditors who expressed an unmodified audit opinion on those audited financial statements in their report dated February 27, 2023.

#### ***Supplementary Information***


Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information identified in the table of contents and the 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *accompanying supplementary information* and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.



Board of Directors  
DRAW Academy, Inc.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024 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, Texas  
February 27, 2024



## **GENERAL PURPOSE FINANCIAL STATEMENTS**



**DRAW ACADEMY, INC**  
**STATEMENTS OF FINANCIAL POSITION**

*Exhibit A-1*

	August 31,	
	2023	2022 (Restated)
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 3,117,306	\$ 2,670,164
Due from Texas Education Agency	580,024	636,112
Prepaid Expenses	51,812	113,669
Other Receivables	40,963	109,314
<b>Total Current Assets</b>	<u>3,790,105</u>	<u>3,529,259</u>
<b>Noncurrent Assets:</b>		
Property and Equipment, net	5,717,306	6,468,074
<b>Total Noncurrent Assets</b>	<u>5,717,306</u>	<u>6,468,074</u>
<b>Total Assets</b>	<u>\$ 9,507,411</u>	<u>\$ 9,997,333</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 271,736	\$ 119,053
Payroll deductions and withholdings	36,420	-
Accrued salaries payable	178,646	237,631
Deferred revenue	-	52,400
Current portion of lease liability	785,084	725,257
<b>Total Current Liabilities</b>	<u>1,271,886</u>	<u>1,134,341</u>
Operating lease liability, net of current portion	4,822,367	5,607,451
<b>Total Liabilities</b>	<u>6,094,253</u>	<u>6,741,792</u>
<b>Net Assets:</b>		
Without donor restrictions	650,214	529,348
With donor restrictions	2,762,944	2,726,193
<b>Total Net Assets</b>	<u>3,413,158</u>	<u>3,255,541</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 9,507,411</u>	<u>\$ 9,997,333</u>

**DRAW ACADEMY, INC**  
**STATEMENTS OF ACTIVITIES**

*Exhibit A-2*

	Without Donor Restrictions	With Donor Restrictions	August 31,	
			2023	2022
<b>Revenues</b>				
<b>Local Support:</b>				
Earnings from deposits and investments	\$ 10,333	\$ -	\$ 10,333	\$ 1,887
Gifts and bequests	-	-	-	-
Other revenues from local sources	113,123	-	113,123	34,489
<b>Total Local Support</b>	<u>123,456</u>	<u>-</u>	<u>123,456</u>	<u>36,376</u>
<b>State Program Revenues:</b>				
Foundation School Program Act Revenues	-	7,208,371	7,208,371	7,925,981
State Program Revenues Distributed by Texas Education Agency	-	2,526	2,526	9,296
State Revenues from State of Texas Government Agencies	-	109,795	109,795	-
<b>Total State Program Revenues</b>	<u>-</u>	<u>7,320,692</u>	<u>7,320,692</u>	<u>7,935,277</u>
<b>Federal Program Revenues:</b>				
Federal revenues distributed by Texas Education Agency	-	3,246,689	3,246,689	1,918,950
Federal revenues distributed by Texas Government Agencies	-	-	-	22,812
Federal revenues distributed by directly from the Federal Government	-	145,117	145,117	115,822
<b>Total Federal Program Revenues</b>	<u>-</u>	<u>3,391,806</u>	<u>3,391,806</u>	<u>2,057,584</u>
<b>Net Assets Released from Restrictions:</b>				
Restrictions satisfied by payments	10,675,747	(10,675,747)	-	-
<b>Total Revenues</b>	<u>10,799,203</u>	<u>36,751</u>	<u>10,835,954</u>	<u>10,029,237</u>
<b>Expenses</b>				
Program Services:				
Educational services	7,625,753	-	7,625,753	6,823,042
Support Services:				
General and administrative services	3,052,584	-	3,052,584	2,641,518
<b>Total Expenses</b>	<u>10,678,337</u>	<u>-</u>	<u>10,678,337</u>	<u>9,464,560</u>
Change in Net Assets	120,866	36,751	157,617	171,810
<b>Net Assets, Beginning of Year, Restated</b>	529,348	2,726,193	3,255,541	3,083,731
<b>Net Assets, End of Year</b>	<u>\$ 650,214</u>	<u>\$ 2,762,944</u>	<u>\$ 3,413,158</u>	<u>\$ 3,255,541</u>

**DRAW ACADEMY, INC**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

*Exhibit A-2a*

	Program Activities		Supporting Activities		August 31,	
	Educational Services	General and Administrative	2023	2022		
<b>Expenses</b>						
Salaries and Wages	\$ 4,896,964	\$ 419,545	\$ 5,316,509	\$ 5,150,856		
Benefits and payroll taxes	802,124	51,402	853,526	485,151		
<b>Total Payroll Expenses</b>	<b>5,699,088</b>	<b>470,947</b>	<b>6,170,035</b>	<b>5,636,007</b>		
Contracted services	398,439	2,085,278	2,483,717	1,968,428		
Supplies	1,348,974	208,489	1,557,463	1,419,889		
Operating costs	179,252	287,870	467,122	440,236		
<b>Total Nonpayroll Expenses</b>	<b>1,926,665</b>	<b>2,581,637</b>	<b>4,508,302</b>	<b>3,828,553</b>		
<b>Total Expenses</b>	<b>\$ 7,625,753</b>	<b>\$ 3,052,584</b>	<b>\$ 10,678,337</b>	<b>\$ 9,464,560</b>		

**DRAW ACADEMY, INC**  
**STATEMENTS OF CASH FLOWS**

Exhibit A-3

	August 31,	
	2023	2022
<b>Cash Flows from Operating Activities:</b>		
Foundation school program payments	\$ 7,208,371	\$ 7,561,051
Grant payments	3,447,894	2,057,584
Other state and local revenue payments	251,728	34,489
Payments to vendors for goods and services rendered	(5,118,567)	(3,479,670)
Payments to charter school personnel for services rendered	(4,530,867)	(5,636,007)
<b>Net Cash Provided for (Used By) Operating Activities</b>	<u>1,258,559</u>	<u>537,447</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(86,160)	(99,481)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(86,160)</u>	<u>(99,481)</u>
<b>Cash Flows from Financing Activities:</b>		
Reduction lease liability	(725,257)	(626,926)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>(725,257)</u>	<u>(626,926)</u>
Net Change in Cash and Cash Equivalents	447,142	46,986
<b>Beginning Cash and Cash Equivalents</b>	2,670,164	2,623,178
<b>Ending Cash and Cash Equivalents</b>	<u>\$ 3,117,306</u>	<u>\$ 2,670,164</u>
<b>Unrestricted Cash and Cash Equivalents</b>	\$ 168,474	\$ 46,986
<b>Restricted Cash and Cash Equivalents</b>	<u>2,948,832</u>	<u>2,623,178</u>
	<u>\$ 3,117,306</u>	<u>\$ 2,670,164</u>
<b>Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:</b>		
Change in net assets	\$ 157,617	\$ 562,790
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	119,781	122,946
Amortization	717,147	390,980
(Increase) decrease in:		
Due from Texas Education Agency	56,088	(426,626)
Prepaid expenses	61,857	(32,916)
Accounts receivable	68,351	(85,134)
Increase (decrease):		
Accounts payable	152,683	(142,466)
Accrued salaries payable and related liabilities	(22,565)	95,473
Deferred revenue	(52,400)	52,400
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 1,258,559</u>	<u>\$ 537,447</u>



**DRAW ACADEMY, INC**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 1 - Summary of Significant Accounting Policies**

The general-purpose financial statements of DRAW Academy, Inc. (the “Academy”) were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board 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 2004 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 (the “Board”) comprised of five members. 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 2004, the State Board of Education 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, DRAW Academy was opened. DRAW Academy was organized to provide educational services to students in grades pre-kindergarten through eight. The Charter Holder’s Board governs its programs, services, activities, and functions. For the school year 2022-2023, DRAW Academy primarily serves children who are at risk of dropping out using state-defined criteria. DRAW Academy’s vision is to create an environment in which every student receives a quality education in a safe environment, and to ensure every student access to a learning environment that encourages them to be in school with other students learning to the best of their abilities.

***Basis of Accounting and Presentation***

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

***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. The most sensitive estimate affecting the Academy’s financial statements was the depreciation of capital assets and functional allocation of expenses.

***Contributions***

The Academy accounts for contributions in accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC Topic 958-605, contributions are recorded as support with or 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 with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, with donor restrictions are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**DRAW ACADEMY, INC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1 - Summary of Significant Accounting Policies (continued)**

***Cash and Cash Equivalents***

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

***Revenue Recognition***

State Foundation School Program revenues are recognized based on the reported student attendance. State and Federal grant revenues are recognized when services are rendered. Contributions and other revenues are recognized when received or unconditionally promised by a third party.

***Capital Assets***

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the Academy as assets with an individual cost of more than \$5,000 and a useful life over 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 thirty-nine years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expenses as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost. The Academy had no donated capital assets at August 31, 2023.

***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

***Net Assets***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as either without donor restrictions or with donor restrictions.

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. As of August 31, 2023, net assets without donor restrictions totaled \$650,214.

*Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of August 31, 2023, net assets with donor restrictions totaled \$2,822,627.

In accordance with state law, a charter holder is entitled to receive state aid for the charter school based on student attendance; however, before the charter holder may reclassify state aid from net assets with donor restrictions to net assets without donor restrictions, it must meet a two-part test.

1. First, the charter school must demonstrate that it expended state aid for the benefit of its students.
2. Second, the charter school must expend state aid consistent with TEC, §45.105(c).

The majority of Academy's revenue is comprised of state aid from the Texas Education Agency.

**DRAW ACADEMY, INC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Functional Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. The Texas Education Agency mandates a specific account coding that requires open enrollment charter schools to record expenses to a unique combination of function and object. Generally, the Academy records its expenses based on direct allocation by assigning each expense to a functional category based on direct usage.

**Income Taxes**

The Academy is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“the Code”) and comparable State of Texas law. The Academy did not conduct any unrelated business activities in the current fiscal year. Therefore, the Academy has made no provision for federal income taxes in the accompanying financial statements. The Academy has also been classified as a publicly supported Academy, which is not a private foundation under Section 509(a) of the Code. Accordingly, contributions to the Academy are tax deductible within the limitations prescribed by the Code. The Academy applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Academy believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**New Accounting Pronouncement**

ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets effective for fiscal years ending on June 30, 2022, and calendar years ending on December 31, 2022. This standard affects the presentation and disclosure of gifts in kind. The Organization did not have contributed nonfinancial assets for the current and prior fiscal years. There were not to report.

**Note 2 - Capital Assets**

Capital assets at August 31, 2023 and 2022, were as follows:

	<b>2023</b>	<b>2022</b>
Building and leasehold improvements	\$ 1,448,068	\$ 1,374,822
Vehicles	217,296	217,296
Furniture and playground equipment	307,942	295,028
Right-to-Use Asset	6,959,403	6,959,403
<b>Total Property and Equipment</b>	<b>8,932,709</b>	<b>8,846,549</b>
Less Accumulated Depreciation and Amortization	(3,215,403)	(2,378,475)
<b>Property and Equipment, Net</b>	<b>\$ 5,717,306</b>	<b>\$ 6,468,074</b>

Depreciation expense for the fiscal years ended August 31, 2023 and August 31, 2022, was \$119,781 and \$122,946, respectively. Amortization expense for fiscal years ended August 31, 2023 and 2022 were \$717,147 and \$390,80, respectively.

Capital assets acquired with public funds received by the Academy for the operation of DRAW Academy constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

**DRAW ACADEMY, INC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 3 - Concentration of Credit and Business Risk**

The Academy maintains demand deposits with a U.S. local banking institution. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Academy will not be able to recover its deposits. The Academy maintains deposits at a federally insured bank and strives to minimize its exposure to custodial credit risk. At August 31, 2023, the carrying amount of the Academy’s cash deposits was \$3,117,307 and the bank’s balance was \$3,044,229. All deposits at the banking institution were fully insured by the Federal Deposit Insurance Corporation’s (FDIC) or secured by a collateral from the financial institution as of August 31, 2023. The amounts disclosed above includes a sweep account with cash deposits of \$2,875,755 that were collateralized by a large pool of securities composed of mortgage-based securities and collateralized mortgage obligations that have an implicit guarantee of the United States Government. At August 31, 2022, the Charter Holder had cash deposits of \$155,098 that were fully insured. In addition, the Charter Holder had a sweep account with cash deposits of \$2,598,508 that were collateralized by a large pool of securities composed of mortgage-backed securities and collateralized mortgage obligations that have an implicit guarantee of the United States Government.

Approximately 67% of the Academy’s total revenue for fiscal year 2023 was provided by the State funding for the Per Capita and State Foundation Aid.

**Note 4 - Defined Benefit Pension Plans**

**A. 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 charter school, but are the liability of the State of Texas. TRS administers the 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. Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/TRS Documents/acfr-2022.pdf> or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

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 TRS Annual Comprehensive Financial Report available dated August 31, 2022 and August 31, 2021 indicated the following:

TRS Pension Fund	TRS Plan Fiduciary Total Plan Assets	TRS Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability	Percent Funded
2022	\$ 207,621,897,538	\$ 184,185,617,196	\$ 243,553,045,455	\$ 59,367,428,259	75.62%
2021	223,172,755,137	201,807,002,496	227,273,463,630	25,466,461,134	88.79%
2020	184,361,870,581	165,416,245,243	218,974,205,084	53,557,959,841	75.54%
2019	181,800,159,205	157,978,199,075	209,961,325,288	51,983,126,213	75.24%
2018	176,942,453,923	154,568,901,833	209,611,328,793	55,042,426,960	73.74%
2017	165,379,342,000	147,361,922,120	179,336,534,819	31,974,612,699	82.17%

**DRAW ACADEMY, INC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 4 - Defined Benefit Pension Plans (continued)**

**B. Funding Policy**

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System’s actuary. Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025. Measurement years for TRS begin on September 1st and end on August 31<sup>st</sup>.

	<b>Contribution Rates</b>	
	<b>Plan Fiscal Year</b>	
	<b>2022</b>	<b>2023</b>
Member	7.70%	8.00%
Employer	7.75%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%

The Academy’s employee contributions, and Non-OASDI payments for 2022 (the measurement year) and the current fiscal year (2023) are shown below.

	<b>Contributions Required and Made During the Measurement Year</b>	<b>TRS Contributions Made During the Fiscal Year</b>
Member (Employee)	\$385,000	\$427,978
Charter School	\$127,087	\$210,406
Non-OASDI Surcharge	\$81,812	\$96,295

These contributions did not represent more than 5.0 percent of the total contributions to TRS.

**DRAW ACADEMY, INC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5 - Defined Other Post-Employment Benefit Plan**

**A. Plan Description**

The Academy participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

Similar to the TRS Pension Plan discussed in Note C, 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 OPEB plans. Assets contributed to a multi-employer OPEB 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 TRS Annual Comprehensive Financial Report available dated August 31, 2021.

TRS Care Other Post- Employment Benefits (OPEB)	Total Plan Assets	TRS-Care Plan Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Percent Funded
2022	\$ 3,308,391,215	\$ 3,117,937,218	\$ 27,061,942,520	\$ 23,944,005,302	11.52%
2021	2,733,911,371	2,539,242,470	41,113,711,083	38,574,468,613	6.18%
2020	2,146,681,144	1,996,317,932	40,010,833,815	38,014,515,883	4.99%
2019	1,475,508,564	1,292,022,349	48,583,247,239	47,291,224,890	2.66%
2018	1,001,649,953	798,574,633	50,729,490,103	49,930,915,470	1.57%

**OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at [https://www.trs.texas.gov/TRS Documents/acfr-2021.pdf](https://www.trs.texas.gov/TRS_Documents/acfr-2021.pdf), or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

**DRAW ACADEMY, INC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5 - Defined Other Post-Employment Benefit Plan (continued)**

**B. Benefits Provided**

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

<b>TRS-Care Monthly for Retirees</b>		
	<b>Medicare</b>	<b>Non-Medicare</b>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

**C. Contributions**

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates. Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<b>Contribution Rates</b>	
	<b>2023</b>	<b>2022</b>
Active Employee	0.65%	0.65%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

In fiscal year 2023, the Academy contributed a total of \$62,642 of which, \$22,519 was for federally funded employees. Employees contributed a total of \$34,773 and covered payroll for TRS-Care was \$5,349,727. In fiscal year 2022, the Academy contributed a total of \$31,281 and employees contributed \$36,094. These contributions did not represent more than 5.0 percent of the total contributions to TRS.

**Note 6 - Charter Holder Operations**

The charter holder only operated a single charter school and did not conduct any other charter or non-charter activities.

**DRAW ACADEMY, INC****NOTES TO THE FINANCIAL STATEMENTS (continued)****Note 7 - Due from State and Other Governments and Due to State**

Amounts due from the Texas Education Agency at August 31, 2023 and 2022, consisted of the following:

	<b>2023</b>	<b>2022</b>
Foundation School Program	\$ 396,922	\$ 461,592
Child Nutrition	6,065	34,961
Title IV, Part A, Subpart 1	-	1,577
IDEA, Part B Formula	-	6,290
Title I, Part A	-	22,082
ESEA Title I, Improving Basic Program Year	-	2,625
ESEA Title II, Teacher and Principal Program Year	-	3,333
Emergency Relief Fund	177,037	103,652
<b>Total</b>	<b>\$ 580,024</b>	<b>\$ 636,112</b>

**Note 8 - Health Care Coverage**

During the years ended August 31, 2023 and 2022, employees of the Charter Holder were covered by an insurance plan offered by TRS Active Employee Insurance Plan (the "Plan"). The Charter Holder contributed \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

**Note 9 - Operating Lease**

The Academy leases property under operating leases. The Charter Holder entered into lease agreements with Aleph Investments (see Note 15 – Related Party Transactions) for space at 3920 Stoney Brook Drive, Houston, Texas ("3920 Stoney Brook"), 3911 Stoney Brook Drive, Houston, Texas ("3911 Stoney Brook"), and 7914 Westglen Drive, Houston, Texas ("Westglen"). Lease agreements will expire in 2029, 2030 and 2031. The discount rate used to calculate the interest is 5%, the Academy's incremental borrowing rate. The future principal and interest payments due are shown below.

<b>Fiscal Year Ending August 31</b>	<b>Amount</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 785,084	\$ 262,543	\$ 1,047,627
2025	825,251	222,377	1,047,628
2026	867,471	180,155	1,047,626
2027	911,853	135,774	1,047,627
2028	958,505	89,122	1,047,627
2029-2031	1,259,287	58,484	1,317,771
<b>Total</b>	<b>\$ 5,607,451</b>	<b>\$ 948,455</b>	<b>\$ 6,555,906</b>

The value of the right-to-use asset totals \$6,959,403. The Charter holder will amortize the asset over the straight-line basis. The total rent expense for fiscal year 2023 \$1,017,675.



## DRAW ACADEMY, INC

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### Note 10 - Commitments and Contingencies

The Academy receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily in 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.

#### Note 11 - State Aid

Charter schools in the State of Texas 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 and 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 period ended August 31, 2023, and August 31, 2022, the Charter Holder earned \$7,208,371 and \$7,925,981, respectively, of Per Capita and State Foundation Aid funds (before any possible TEA enrollment and attendance audit).

#### Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions as of August 31, 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022, Restated</b>
Foundation School Program	\$ 3,213,230	\$ 2,519,573
National School Breakfast and Lunch Program	199,517	206,620
Other Funds	411	-
<b>Total</b>	<b>\$ 3,413,158</b>	<b>\$ 2,726,193</b>

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

	<b>2023</b>	<b>2022</b>
State Funds	\$ 7,283,941	\$ 7,348,881
Federal Funds	3,391,806	2,057,584
<b>Total Restrictions Released</b>	<b>\$ 10,675,747</b>	<b>\$ 9,406,465</b>

**DRAW ACADEMY, INC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 13 - Liquidity and Availability**

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

	Fiscal Year	
	2023	2022
<b>Financial Assets, at Year End</b>		
Cash and cash equivalents	\$ 3,117,306	\$ 2,670,164
Other receivables	40,963	109,314
Due from other governments	580,024	636,112
<b>Financial Assets Available to Meet General Expenditures Within One Year</b>	<b>\$ 3,738,293</b>	<b>\$ 3,415,590</b>

Per the Texas Education Agency, Foundation School Program revenues should be classified as revenue with donor restrictions. However, the funds do not have a time restriction, but must be used for education purposes in accordance with State law. As such, there are cash and receivables that are due from the State and are available for use for educational purposes.

**Note 14 - Related Party**

DRAW Academy leases its facilities from Aleph Investments and Soledo LLC, limited partnerships controlled by Fernando Donatti, Superintendent (the “Superintendent”). Rental payments under these leases were \$960,788 during the fiscal year 2022 (see Note 12 – Operating Leases). The Superintendent has never voted in any matter related to these properties. In instances where there were discussions or decisions related to these properties, the Superintendent filed an “Affidavit and Abstention from Voting” form with the Board secretary in accordance with Local Government Code, Chapter 171, Subtitle C.

**Note 15 - Prior Period Adjustment – Implementation of New Accounting Standards**

During fiscal year 2023, the Academy implemented ASC 842 *Leases*. Because the Academy presents comparative statements, the prior year columns were restated. The net position for FY 2022 was restated by \$390,980.

**Note 16 - Management’s Review of Subsequent Events**

There were no subsequent events to be reported after the date of this report.

## **SUPPLEMENTARY INFORMATION**

**DRAW ACADEMY, INC**  
**SUPPLEMENTAL STATEMENTS OF ACTIVITIES**

*Exhibit B-1*

		2023			2022		
		Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Revenues</b>							
<b>Local Support:</b>							
5740	Other revenues from local sources	\$ 123,456	\$ -	\$ 123,456	\$ 34,489	\$ -	\$ 34,489
	<b>Total Local Support</b>	<u>123,456</u>	<u>-</u>	<u>123,456</u>	<u>34,489</u>	<u>-</u>	<u>34,489</u>
<b>State Program Revenues:</b>							
5810	Foundation school program act revenues	-	7,208,371	7,208,371	-	7,925,981	7,925,981
5820	State program revenues distributed by Texas Education Agency	-	2,526	2,526	-	9,296	9,296
5830	State revenues from State of Texas Government Agencies	-	109,795	109,795	-	-	-
	<b>Total State Program Revenue</b>	<u>-</u>	<u>7,320,692</u>	<u>7,320,692</u>	<u>-</u>	<u>7,935,277</u>	<u>7,935,277</u>
<b>Federal Program Revenues:</b>							
5920	Federal revenues distributed by Texas Education Agency	-	3,246,689	3,246,689	-	1,918,950	1,918,950
5930	Federal revenues distributed by Texas Government Agencies	-	-	-	-	22,812	22,812
5940	Federal revenues distributed directly from the Federal Government	-	145,117	145,117	-	115,822	115,822
	<b>Total Federal Program Revenue</b>	<u>-</u>	<u>3,391,806</u>	<u>3,391,806</u>	<u>-</u>	<u>2,057,584</u>	<u>2,057,584</u>
	Net assets released from restrictions	10,675,747	(10,675,747)	-	9,797,445	(9,797,445)	-
	<b>Total Revenues</b>	<u>10,799,203</u>	<u>36,751</u>	<u>10,835,954</u>	<u>9,831,934</u>	<u>195,416</u>	<u>10,027,350</u>
<b>Expenses</b>							
11	Instruction	6,388,168	-	6,388,168	5,689,568	-	5,689,568
12	Instructional resources and media services	495	-	495	109	-	109
13	Curriculum development and instructional staff development	55,563	-	55,563	28,003	-	28,003
21	Instructional leadership	78,688	-	78,688	55,414	-	55,414
23	School leadership	416,333	-	416,333	388,858	-	388,858
31	Guidance, counseling and evaluation services	9,228	-	9,228	7,135	-	7,135
33	Health services	4,119	-	4,119	3,968	-	3,968
35	Food service	673,159	-	673,159	579,953	-	579,953
41	General administration	254,120	-	254,120	187,676	-	187,676
51	Plant maintenance and operations	2,640,801	-	2,640,801	2,844,823	-	2,844,823
52	Security and monitoring services	109,870	-	109,870	9,608	-	9,608
53	Data processing services	47,793	-	47,793	60,425	-	60,425
	<b>Total Expenses</b>	<u>10,678,337</u>	<u>-</u>	<u>10,678,337</u>	<u>9,855,540</u>	<u>-</u>	<u>9,855,540</u>
	Change in Net Assets	120,866	36,751	157,617	(23,606)	195,416	171,810
	<b>Beginning Net Assets</b>	<u>529,348</u>	<u>2,726,193</u>	<u>3,255,541</u>	<u>552,954</u>	<u>2,530,777</u>	<u>3,083,731</u>
	<b>Ending Net Assets</b>	<u>\$ 650,214</u>	<u>\$ 2,762,944</u>	<u>\$ 3,413,158</u>	<u>\$ 529,348</u>	<u>\$ 2,726,193</u>	<u>\$ 3,255,541</u>

**DRAW ACADEMY, INC**  
**SCHEDULES OF EXPENSES**

*Exhibit C-1*

		August 31,	
		2023	2022
	<b>Expenses</b>		
6100	Payroll Costs	\$ 6,170,035	\$ 5,636,007
6200	Professional and Contract Services	2,483,717	2,105,286
6300	Supplies and Materials	1,557,463	1,293,541
6400	Other Operating Costs	467,122	429,726
	<b>Total Expenses</b>	<u>\$ 10,678,337</u>	<u>\$ 9,464,560</u>

**DRAW ACADEMY, INC**  
**SCHEDULES OF CAPITAL ASSETS**  
**For the Year Ended August 31, 2023**

*Exhibit D-1*

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1520	Building & improvements	\$ -	\$ 1,448,068	\$ -
1531	Vehicles	-	217,296	-
1539	Furniture and equipment	-	205,694	-
1549	Furniture and equipment	-	102,248	-
1550	Right-to-Use Asset	-	6,959,403	-
	<b>Total Property &amp; equipment</b>	<b>\$ -</b>	<b>\$ 8,932,709</b>	<b>\$ -</b>

**DRAW ACADEMY, INC**  
**SCHEDULES OF RELATED PARTY TRANSACTIONS**  
**For the Year Ended August 31, 2023**

**Exhibit E-1**

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During FY</u>	<u>Principal Balance Due</u>
Aleph Investments, L.P.	Fernando Donatti (Superintendent)	Owner	Financial	10 year lease term ending 9/30/29 for property at 3920 Stoney Brooke Dr. Rent began at \$25,403 with option for landlord to increase the base rent for each lease year after the first lease year based on the increase in the Consumer Price Index.	State	Monthly	\$ 324,373	N/A
Aleph Investments, L.P.	Fernando Donatti (Superintendent)	Owner	Financial	10 year lease term ending 2/28/29 for property at 3911 Stoney Brook Dr. Rent began at \$6,200 with option for landlord to increase the base rent for each lease year after the first lease year based on the increase in the Consumer Price Index.	State	Monthly	\$ 94,367	N/A
Soledo L.L.C.	Fernando Donatti (Superintendent)	Since January 2023, Ownership has been 58%; before January 2023 it was 69%	Financial	10 year lease term ending 4/30/2029 for property at 3903 Stoney Brook Dr. Rent began at \$24,890 with option for landlord to increase the base rent for each lease year after the first lease year based on the increase in the Consumer Price Index.	State	Monthly	\$ 344,481	N/A
Aleph Investments, L.P.	Fernando Donatti (Superintendent)	Owner	Financial	10 year lease term ending 4/30/31 for property at 7914 Westglen Dr. Rent began at \$17,786 with option for landlord to increase the base rent for each lease year after the first lease year based on the increase in the Consumer Price Index.	State	Monthly	\$ 234,123	N/A

**DRAW ACADEMY, INC**  
**SCHEDULES OF RELATED PARTY TRANSACTIONS COMPENSATION AND BENEFITS**  
**For the Year Ended August 31, 2023**

**Exhibit F-1**

Related Party Name	Name of Relation to the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total Paid During FY
Michelle Castillo	Fernando Donatti (Superintendent)	Spouse	Compensation	Monthly	Employee/program & campus administrator	State	\$ 54,856
Michelle Castillo	Fernando Donatti (Superintendent)	Spouse	Benefit	Monthly	Health insurance contribution	State	\$ 4,178
Michelle Castillo	Fernando Donatti (Superintendent)	Spouse	Compensation	Monthly	Employee/program & campus administrator	Federal	\$ 15,896
Michelle Castillo	Fernando Donatti (Superintendent)	Spouse	Benefit	Monthly	Health insurance contribution	Federal	\$ 1,393
Mario Soto	Fernando Donatti (Superintendent)	Step-daughter	Compensation	Monthly	Employee/teacher	Federal	\$ 81,919
Mario Soto	Fernando Donatti (Superintendent)	Step-daughter	Benefit	Monthly	Employee/teacher	Federal	\$ 5,354
Tomas Castillo	Fernando Donatti (Superintendent)	Father-in-law	Compensation	Monthly	Employee/maintenance	State	\$ 53,826
Tomas Castillo	Fernando Donatti (Superintendent)	Father-in-law	Benefit	Monthly	Employee/maintenance	State	\$ 554
Romina Sanchez	Roxanne Cuello (Board President)	Daughter	Compensation	Monthly	Employee/program & campus administrator	Federal	\$ 41,095
Romina Sanchez	Roxanne Cuello (Board President)	Daughter	Benefit	Monthly	Employee/program & campus administrator	Federal	\$ 4,220
Diego Gabriel Soto	Fernando Donatti (Superintendent)	Step-son	Compensation	Monthly	Employee/teacher aide	State	\$ 18,492
Diego Gabriel Soto	Fernando Donatti (Superintendent)	Step-son	Benefit	Monthly	Employee/program & campus administrator	State	\$ 2,077
Diego Gabriel Soto	Fernando Donatti (Superintendent)	Step-son	Compensation	Monthly	Employee/program & campus administrator	Federal	\$ 14,206
Diego Gabriel Soto	Fernando Donatti (Superintendent)	Step-son	Benefit	Monthly	Employee/program & campus administrator	Federal	\$ 2,077



**DRAW ACADEMY, INC**  
**BUDGETARY COMPARISON SCHEDULE (BUDGET BASIS) – GENERAL FUND**  
**For the Year Ended August 31, 2023**

*Exhibit G-1*

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
<b>Revenues</b>				
<b>Local Support:</b>				
5740	\$ 13,000	\$ 120,000	\$ 123,456	\$ 3,456
	<b>13,000</b>	<b>120,000</b>	<b>123,456</b>	<b>3,456</b>
<b>State Program Revenue</b>				
5810	7,437,302	7,385,000	7,320,692	(64,308)
	<b>7,437,302</b>	<b>7,385,000</b>	<b>7,320,692</b>	<b>(64,308)</b>
<b>Federal Program Revenues</b>				
5940	3,349,104	3,449,100	3,391,806	(57,294)
	<b>3,349,104</b>	<b>3,449,100</b>	<b>3,391,806</b>	<b>(57,294)</b>
	<b>\$ 10,799,406</b>	<b>\$ 10,954,100</b>	<b>\$ 10,835,954</b>	<b>\$ (118,146)</b>
<b>Expenses</b>				
11	6,615,189	6,400,100	6,388,168	11,932
12	1,000	1,000	495	505
13	52,025	57,222	55,563	1,659
21	94,100	85,100	78,688	6,412
23	395,400	415,400	416,333	(933)
31	7,800	8,580	9,228	(648)
33	5,075	5,075	4,119	956
35	635,000	698,500	673,159	25,341
41	225,625	248,187	254,120	(5,933)
51	2,475,095	2,722,604	2,640,801	81,803
52	144,800	130,800	109,870	20,930
53	62,925	57,925	47,793	10,132
71	-	30,000	-	30,000
	<b>10,714,034</b>	<b>10,860,493</b>	<b>10,678,337</b>	<b>182,156</b>
	<b>\$ 85,372</b>	<b>\$ 93,607</b>	<b>157,617</b>	<b>\$ 64,010</b>

Variances greater than 10% between the final budget amounts and actual amounts are explained below:

- Function 12 – Anticipated library purchases were not made before year end.
- Function 33 – Fewer health screenings were conducted than expected.
- Function 52 – Armed security and expenditures for security compliance were less than expected.
- Function 53 – Non-instructional services from Region 4 ESC and independent contractors were less than expected.
- Function 71 – Expected Debt Service for leases was calculated incorrectly.

**DRAW ACADEMY, INC**  
**USE OF FUNDS REPORT – SELECT STATE ALLOTMENT PROGRAMS**  
**For the Year Ended August 31, 2023**

**Exhibit J-4**

<b>Data Codes</b>	<b>Section A: Compensatory Education Programs</b>	<b>Responses</b>
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district’s fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district’s fiscal year.	\$ 1,108,931
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA’s fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 609,912 *
<b>Section B: Bilingual Education Programs</b>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA’s fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA’s fiscal year.	\$ 468,615
AP8	List the actual direct program expenditures for bilingual education programs during the LEA’s fiscal year. (PICs 25)	\$ 257,738 *

\* Excludes ESSER expenses.

## **COMPLIANCE AND INTERNAL CONTROLS**



**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  
DRAW Academy, Inc.

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 DRAW Academy, Inc. (the “Academy”), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated .

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

To the Board of Directors  
DRAW Academy, Inc.

**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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Whitley Penn LLP*

Houston, Texas  
February 27, 2024

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

To the Board of Directors  
DRAW Academy, Inc.

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

***Opinion on Each Major Program***

We have audited DRAW Academy, Inc.’s (the “Academy”) 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, 2023. 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.

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, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy’s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Academy’s federal programs.

To the Board of Directors  
DRAW Academy, Inc.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



To the Board of Directors  
DRAW Academy, Inc.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Whitley Penn LLP*

Houston, Texas  
February 27, 2024

**DRAW ACADEMY, INC**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2023**

**I. Summary of Auditors' Results**

**Financial Statements**

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Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

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Internal control over major programs:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) ?	No

**Identification of major programs:**

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
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**US Department of Education**

<i>Elementary and Secondary School Emergency Relief Fund (Covid-19)</i>	84.425D
<i>Elementary and Secondary School Emergency Relief Fund (Covid-19)</i>	84.425U
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low risk auditee?	Yes

**DRAW ACADEMY, INC**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended August 31, 2023**

**II. Financial Statement Findings**

None Reported

**III. Federal Awards Findings And Questioned Costs**

None Reported

**DRAW ACADEMY, INC**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2023**

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Assistance Listing Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<b>U. S. Department of Education</b>			
<b>Passed Through Texas Education Agency:</b>			
<i>IDEA-B Formula</i>	84.027A	23660001101856000	\$ 108,558
<i>IDEA-B Preschool</i>	84.173A	23661001101856000	1,263
<i>Total Special Education Cluster (84.027, 84.173)</i>			<u>109,821</u>
<i>Title I, Part A</i>	84.010A	23610101101856	478,547
<i>Title II, Part A, Supporting Effective</i>	84.367A	23694501101856	49,662
<i>Title III, Part A - ELA</i>	84.365A	23671001101856	68,559
<i>Title IV, Part A, Subpart 1</i>	84.424A	23680101101856	30,840
<i>CRRSA ESSER II (Covid-19)</i>	84.425D	21521001101856	658,084
<i>ARP ESSER III (Covid-19)</i>	84.425U	21528001101856	1,228,460
<b>Total U.S. Department of Education</b>			<b><u>2,623,973</u></b>
<b>U. S. Department of Agriculture</b>			
<b>Passed Through Texas Education Agency:</b>			
<i>National School Lunch Program</i>	10.555	71302201	48,923
<i>National School Lunch Program</i>	10.555	71302301	397,280
<i>School Breakfast Program</i>	10.553	71402201	26,964
<i>School Breakfast Program</i>	10.553	71402301	91,839
<b>Passed Through Texas Department of Agriculture:</b>			
<i>Supply Chain Assistance</i>	10.555	00473	34,482
<i>Non-cash assistance - Commodities</i>	10.555	00473	23,227
<i>Total Child Nutrition Cluster (10.553, 10.555)</i>			<u>622,715</u>
<b>Total U. S. Department of Agriculture</b>			<b><u>622,715</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 3,246,688</u></b>

**DRAW ACADEMY, INC**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1 - Basis of Presentation**

The schedule of expenditures of federal awards (“SEFA”) presents federal grant activity of the Academy for the fiscal year ended August 31, 2023, and is reported on the accrual basis of accounting. The information in the SEFA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) 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 in, or used in the preparation of, the Academy’s financial statements.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the SEFA 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 when available. The Academy has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3 - Relationship to Financial Report Submitted to Grantor Agencies**

Amounts reflected in the financial reports filed with grantor agencies for the program may not agree with the amounts in the SEFA because of accruals made to present the SEFA on the accrual basis (which would be included in the next report filed with the agencies), as well as matching requirements not included in the SEFA and differences in programs’ year-ends.

**Note 4 - Reconciliation of Basic Financial Statements**

The following is a reconciliation of expenditures of federal awards and revenues on Statement of Activities:

Total shown on Schedule of Expenditures of Federal Awards	\$ 3,246,688
Federal revenue accounted for in the general fund:	
USAC E-Rate	<u>145,118</u>
<b>Total federal revenue - Statement of Activities</b>	<b><u>\$ 3,391,806</u></b>

**DRAW ACADEMY, INC**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended August 31, 2023**

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

**I. Prior Audit Findings**

None Noted

**DRAW ACADEMY, INC**  
**CORRECTIVE ACTION PLAN**  
***For the Year Ended August 31, 2023***

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

**I. Corrective Action Plan**

Not Applicable

