

NEW FRONTIERS PUBLIC SCHOOLS, INC.

**FINANCIAL STATEMENTS WITH
COMPLIANCE AND SINGLE AUDIT REPORTING**

August 31, 2022 and 2021

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AND SINGLE AUDIT REPORTING
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NEW FRONTIERS PUBLIC SCHOOLS, INC.

Federal Employer Identification Number: 31-1598661

Certificate of Board

We, the undersigned, certify that the attached annual financial reports of the above-named charter holder were reviewed and (check one) ☒ approved disapproved for the year ended August 31, 2022, at a meeting of the Board of Directors of such charter holder on the 14 day of December, 2022.



Harold Oliver (Jan 24, 2023 17:25 CST)

Signature of Board Secretary



Frank Madla (Jan 25, 2023 15:49 CST)

Signature of Board President

If the Board of Directors disapproved the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New Frontiers Public Schools, Inc.
San Antonio, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of New Frontiers Public Schools, Inc. (NFPS, Inc.), a nonprofit organization, which comprise the statement of financial position as of August 31, 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of NFPS, Inc. as of August 31, 2022, 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 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 NFPS, Inc. 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 NFPS, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards 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 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 NFPS, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NFPS, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules on pages 18-25 and schedule of expenditures of federal and state awards on page 26, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 supplementary schedules and schedule of expenditures of federal and state awards are 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 on pages 28-29 dated December 14, 2022, on our consideration of NFPS, Inc.'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 NFPS, Inc.'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 NFPS, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited NFPS, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Randy Walker & Co.

San Antonio, Texas
December 14, 2022

FINANCIAL STATEMENTS

NEW FRONTIERS PUBLIC SCHOOLS, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u> (Restated)
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,547,320	\$ 3,242,974
Due from State	173,477	267,762
Due from Federal Agencies	720,378	244,197
Prepaid Expenses	5,020	10,512
Total Current Assets	<u>4,446,195</u>	<u>3,765,445</u>
LONG-TERM ASSETS		
Restricted Cash:		
Construction Fund	17,990,975	-
Capitalized Interest Fund	2,191,225	-
Debt Service Reserve Fund	1,830,020	-
Property and Equipment, net	2,598,578	70,514
Total Long-Term Assets	<u>24,610,798</u>	<u>70,514</u>
TOTAL ASSETS	<u>\$ 29,056,993</u>	<u>\$ 3,835,959</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 142,066	\$ 62,435
Accrued Expenses	373,734	1,302
Due to Student Groups	9,085	9,084
Refundable Advance	520,000	-
Capital Lease Payable - current	11,746	11,104
Total Current Liabilities	<u>1,056,631</u>	<u>83,925</u>
LONG-TERM LIABILITIES		
Bonds Payable - long-term, net	24,172,994	-
Capital Lease Payable - long-term	38,290	50,933
Total Long-Term Liabilities	<u>24,211,284</u>	<u>50,933</u>
TOTAL LIABILITIES	<u>25,267,915</u>	<u>134,858</u>
NET ASSETS		
Without Donor Restrictions	504,367	315,184
With Donor Restrictions	3,284,711	3,385,917
TOTAL NET ASSETS	<u>3,789,078</u>	<u>3,701,101</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,056,993</u>	<u>\$ 3,835,959</u>

The accompanying notes are an integral part of these financial statements.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2022
(with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING REVENUES AND OTHER SUPPORT				
Local Support:				
5742 Earnings from Temporary Deposits and Investments	\$ 44,839	\$ -	\$ 44,839	\$ 33
5744 Contributions	10,500	175,000	185,500	-
5749 Other Revenues from Local Sources	53,012	-	53,012	67,206
5751 Food Service Activity	-	-	-	1,209
5759 Cocurricular, Enterprising Services, or Activities	2,575	-	2,575	-
5769 E-Rate Revenue	85,303	-	85,303	7,913
Total Local Support	196,229	175,000	371,229	76,361
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	1,569,884	1,569,884	4,695,066
5820 State Program Revenues Distributed by Texas Education Agency	-	70,327	70,327	8,710
Total State Program Revenues	-	1,640,211	1,640,211	4,703,776
Federal Program Revenues:				
5910 Federal Revenues Distributed Through Government Entities Other than State or Federal Agencies	-	-	-	57,785
5920 Federal Revenues Distributed by Texas Education Agency	-	1,911,127	1,911,127	1,236,059
5940 Federal Revenues Distributed Directly from the Federal Government	-	5,317	5,317	981,550
Total Federal Program Revenues	-	1,916,444	1,916,444	2,275,394
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	3,832,861	(3,832,861)	-	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	4,029,090	(101,206)	3,927,884	7,055,531
OPERATING EXPENSES				
11 Instruction	1,017,455	-	1,017,455	3,182,402
13 Curriculum Development and Instructional Staff Development	330,727	-	330,727	107,621
21 Instructional Leadership	15,694	-	15,694	-
23 School Leadership	320,233	-	320,233	496,611
31 Guidance, Counseling, and Evaluation Services	174,137	-	174,137	154,493
33 Health Services	69,102	-	69,102	63,244
34 Student Transportation	950	-	950	5,948
35 Food Services	61,133	-	61,133	182,772
36 Extracurricular Activities	11,033	-	11,033	-
41 General Administration	485,760	-	485,760	594,070
51 Plant Maintenance and Operations	544,840	-	544,840	769,252
52 Security and Monitoring Services	-	-	-	1,545
53 Data Processing Services	601,698	-	601,698	282,599
61 Community Services	159,266	-	159,266	138,219
71 Debt Service	18,259	-	18,259	338,223
81 Fundraising	29,620	-	29,620	6,780
TOTAL OPERATING EXPENSES	3,839,907	-	3,839,907	6,323,779
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY	189,183	(101,206)	87,977	731,752
NON-OPERATING ACTIVITY				
Loss on Sale of Property	-	-	-	(361,942)
TOTAL NON-OPERATING ACTIVITY	-	-	-	(361,942)
CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY	189,183	(101,206)	87,977	369,810
NET ASSETS, Beginning of Year	315,184	3,385,917	3,701,101	3,331,291
NET ASSETS, End of Year	\$ 504,367	\$ 3,284,711	\$ 3,789,078	\$ 3,701,101

The accompanying notes are an integral part of these financial statements.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2022
(with comparative totals for 2021)

	2022				2021 Total
	Program	General and Administrative	Fundraising	Total	
OPERATING EXPENSES					
Salaries	\$ 1,893,040	\$ 350,322	\$ -	\$ 2,243,362	\$ 3,985,091
Payroll Taxes and Benefits	296,727	28,940	-	325,667	528,588
Total Payroll Expenses	2,189,767	379,262	-	2,569,029	4,513,679
Rental Expense	314,046	-	-	314,046	194,009
Contracted Services	277,481	-	-	277,481	161,781
General Supplies	197,011	8,629	-	205,640	195,005
Professional Fees	65,090	57,553	-	122,643	294,245
Educational Service Center	75,110	300	-	75,410	49,557
Miscellaneous	40,750	16,891	200	57,841	45,044
Insurance and Bonding	48,013	-	-	48,013	40,205
Tuition and Related Expenses	45,575	-	348	45,923	55,114
Utilities	37,754	-	-	37,754	122,641
Travel	6,141	15,717	-	21,858	978
Depreciation	18,339	-	-	18,339	131,786
Instructional Materials	17,011	-	-	17,011	7,191
Bond Amortization	14,803	-	-	14,803	147,098
Dues and Subscriptions	888	7,422	-	8,310	2,382
Interest	3,456	-	-	3,456	190,731
Supplies for Maintenance	2,350	-	-	2,350	21,591
Food	-	-	-	-	60,717
Maintenance and Repair	-	-	-	-	50,063
Gas and Fuel	-	-	-	-	692
Bad Debt Expense	-	-	-	-	39,270
TOTAL OPERATING EXPENSES	\$ 3,353,585	\$ 485,774	\$ 548	\$ 3,839,907	\$ 6,323,779

The accompanying notes are an integral part of these financial statements.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program Payments	\$ 1,669,634	\$ 4,708,091
Grant Payments	2,025,125	2,083,122
Miscellaneous Sources	371,229	76,361
Payments to Vendors for Goods and Services Rendered	(1,149,156)	(1,348,145)
Payments to Charter School Personnel for Services Rendered	(2,196,597)	(4,524,282)
Interest Payments	(3,456)	(221,641)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>716,779</u>	<u>773,506</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,546,403)	-
Proceeds from Sale of Assets	-	5,437,037
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(2,546,403)</u>	<u>5,437,037</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Bonds	25,000,000	-
Payment of Bond Issue Costs	(841,809)	-
Payments on Capital Lease Obligation	(12,001)	-
Bond Principal Payments	-	(5,355,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>24,146,190</u>	<u>(5,355,000)</u>
NET INCREASE IN CASH FLOWS	22,316,566	855,543
CASH AND CASH EQUIVALENTS AND		
RESTRICTED CASH, Beginning of Year	<u>3,242,974</u>	<u>2,387,431</u>
CASH AND CASH EQUIVALENTS AND		
RESTRICTED CASH, End of Year	<u><u>\$ 25,559,540</u></u>	<u><u>\$ 3,242,974</u></u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operations:		
Change in Net Assets	\$ 87,977	\$ 369,810
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operations:		
Depreciation	18,339	131,786
Bond Amortization	14,803	147,098
Loss on Sale of Assets	-	361,942
Bad Debt Expense	-	39,270
Decrease (Increase) in Assets:		
Due from State	94,285	12,259
Due from Federal Agencies	(476,181)	(200,216)
Prepaid Expenses	5,492	(3,710)
Increase (Decrease) in Liabilities:		
Accounts Payable	79,631	(36,176)
Accrued Expenses	372,432	(41,513)
Due to Student Groups	1	(7,044)
Refundable Advance	520,000	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 716,779</u></u>	<u><u>\$ 773,506</u></u>

The accompanying notes are an integral part of these financial statements.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

Note 1 - Nature of Business and Significant Accounting Policies

Reporting Entity and Corporate Operations

New Frontiers Public Schools, Inc. (NFPS, Inc.) is a Texas 501(c)(3) nonprofit corporation located in San Antonio, Texas. NFPS, Inc. is governed by a Board of Directors (the Board) composed of five members, in accordance with the open-enrollment charter described below. The Board is selected pursuant to the bylaws of NFPS, Inc. and has the authority to make decisions, appoint the chief executive officer, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of NFPS, Inc.

In 1998, the State Board of Education (SBOE) of the state of Texas granted NFPS, Inc. 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 SBOE and the terms of the applicable Contract for Charter, the SBOE established New Frontiers Charter School, formerly San Antonio Advantage Charter School, in the summer of 1998. Effective August 1, 2017, New Frontiers Charter School changed its name to New Frontiers Public Schools (the School). The Contract for Charter was renewed on August 1, 2018 and is in effect through July 31, 2028.

The School currently operates one campus – Frank L. Madla Early College High School (9th through 12th grade). The Frank L. Madla Accelerated Collegiate Academy (pre-kindergarten through 8th grade) has implemented dormancy for the 2021-2022 school year.

NFPS, Inc. only operates the School and does not conduct any other charter or noncharter activities. NFPS, Inc.'s sole mission is to provide educational services to students in the community in which the School operates. Therefore, the School's resources are expended solely for the benefit of its students.

NFPS, Inc. receives substantially all its funding from the Texas Education Agency (TEA) based on the School's average daily attendance. Since NFPS, Inc. receives funding from local, state, and federal government sources, it must comply with the eligibility requirements of the entities providing those funds.

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The more significant of the School's accounting policies are described below:

The School is required to report information regarding its financial position and activities according to two classes of net assets as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board-designated.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than the School's mission and purpose. 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

Note 1 - Nature of Business and Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The School is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is also exempt from income and sales taxes. As of August 31, 2022, the tax years that remain subject to examination by taxing authorities begin with 2019.

Cash and Cash Equivalents

For financial statement purposes, the School considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents consist of all cash on hand and in banks and money market accounts.

Restricted Cash

Restricted cash is limited as to its use under the terms of the bond indenture. The restricted cash represents amounts restricted for payment of construction, long-term debt, and interest expense.

Concentration of Credit Risk

The School maintains cash balances in accounts at various financial institutions, which at times may exceed federally insured limits. Account balances are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000 per bank. The School has agreements with its bank institutions where the banks provide pledged collateral in the School's name in the event deposits exceed FDIC limits in the School's accounts. The School has not experienced any losses in such accounts. At August 31, 2022 and 2021, the School's uninsured cash balances totaled \$8,290 and \$8,248, respectively, not including reconciling items.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value if donated. Additions and improvements are capitalized, while ordinary repairs and maintenance are charged to expense as incurred. The School's capitalization threshold is \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	25 years
Furniture and Equipment	10 years
Vehicles	5 years

Due to Student Groups

Due to student groups represents cash that belongs to various student fundraising groups that is being held on their behalf by the School.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

Note 1 - Nature of Business and Significant Accounting Policies (continued)

Contributions and Grants

The School records contributions and grants in accordance with Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The School accounts for state funding, federal awards, and contributions as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenues from the state of Texas are earned based on reported attendance. Public and private grants received are recognized in the period received and when the terms of the grant are met.

E-Rate Program revenue is earned as a discount received from certain vendors for technology-related expenses. The expenses are grossed up to the amount that would have been paid without the applicable discount, and local revenue is recorded in the amount of the discount.

New Accounting Pronouncements

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*, effective for periods beginning after December 15, 2019. This pronouncement improves the effectiveness of fair value measurement disclosures in the notes to the financial statements. The School adopted this pronouncement effective September 1, 2020.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This pronouncement provides guidance regarding revenue recognition effective for reporting periods beginning after December 15, 2019. The pronouncement affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets. The core principle of this update is that the entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The School adopted this pronouncement effective September 1, 2020.

Revenue - Exchange Transactions

The School receives revenue through various exchange transactions, including fundraising events and shirt sales (classified as other revenues from local sources in the statement of activities). The revenue is reported at the amount that reflects the consideration to which the School expects to be entitled in exchange for holding the event or making the sale. Revenue is recognized as performance obligations are satisfied, which is at a point in time when the event or sale occurs. There were no receivables, contract assets, or contract liabilities related to these exchange transactions at August 31, 2022 and 2021. For the years ended August 31, 2022 and 2021, substantially all fundraising event revenue consisted of contributions (non-exchange), which are recognized as revenue when received.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

Note 1 - Nature of Business and Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the services and other activities of the School have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses, which are allocated on the basis of estimates of time and effort, as well as rental expense, contracted services, and various other expenses, which are allocated on the basis of square footage or some other reasonable basis.

Bond Issuance Costs

Bond issuance costs are amortized over the term of the respective financing. Amortization expense was \$14,803 and \$147,098 for the years ended August 31, 2022 and 2021, respectively.

Regulated Industry

The majority of the School's activities and revenues are a result of contracts with TEA. The School's operations are concentrated in the education field. As such, the School operates in a heavily regulated environment. The operations of the School are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

Note 2 - Due from State and Federal Government

At August 31, 2022 and 2021, the School had \$893,855 and \$511,959, respectively, in total receivables due from state and federal granting agencies related to various state/federal grants and Foundation School Program revenue. All amounts receivable are deemed by management to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

Note 3 - Property and Equipment

Property and equipment consisted of the following at August 31:

	<u>2022</u>	<u>2021</u>
		(Restated)
Land and Improvements	\$ 1,243,987	\$ -
Construction in Progress	1,302,417	-
Equipment	62,037	62,037
Vehicles	34,727	34,727
	<u>2,643,168</u>	<u>96,764</u>
Less Accumulated Depreciation	<u>(44,590)</u>	<u>(26,250)</u>
Total Property and Equipment	<u>\$ 2,598,578</u>	<u>\$ 70,514</u>

Depreciation expense for the years ended August 31, 2022 and 2021 was \$18,339 and \$131,786, respectively.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

Note 4 - Commitments and Contingencies

The 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 TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the School have complex compliance requirements, and, should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by TEA or the grantor agency.

During the 2020 fiscal year, the School received a letter from TEA regarding potential sanctions to be imposed on the School, including the closure of certain grade levels. The School disagreed with the sanctions and defended its position. During the year ended August 31, 2021, the TEA matter was resolved and closed.

Note 5 - Capital Lease Payable

The School entered into a capital lease agreement in July 2021 to lease copier and printer equipment. The lease is payable in sixty monthly installments of \$1,889 and expires in July 2026, at which time the lease provides for transfer of ownership for \$1. The equipment is carried at cost of \$62,037 less accumulated depreciation of \$13,441 at August 31, 2022.

The related future minimum lease payments under this capital lease are as follows:

Years Ending August 31,	
2023	\$ 14,268
2024	14,268
2025	14,268
2026	13,079
	<u>55,883</u>
Less: Interest (5.64%)	<u>(5,847)</u>
Present Value of Minimum Lease Payments	<u>\$ 50,036</u>

Interest expense on the capital lease was \$3,456 and \$-0- for the years ended August 31, 2022 and 2021, respectively.

Note 6 - Refundable Advance

The School received conditional grant funding of \$520,000 in August 2022 for which conditions have not been substantially met. Therefore, this amount is classified as a refundable advance at August 31, 2022.

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions were for the following purposes at August 31:

	<u>2022</u>	<u>2021</u>
Foundation School Program	\$ 3,201,314	\$ 3,307,085
Child Nutrition Program	55,625	51,060
Textbooks	27,422	27,422
Teacher Stipends	<u>350</u>	<u>350</u>
Total	<u>\$ 3,284,711</u>	<u>\$ 3,385,917</u>

NEW FRONTIERS PUBLIC SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

Note 8 - Bonds Payable

The School's obligations under bonds payable include Education Revenue Bonds (Series 2022A and 2022B) issued by the Arlington Higher Education Finance Corporation. The Series 2022A bonds qualify for tax-exempt status. The bonds' proceeds will be used for the purchase of land and construction of new school facilities.

The Series 2022A bonds bear interest at 5.75 percent per annum and are payable semiannually on March 1 and September 1 of each year. The Series 2022A bonds mature during 2051 and are secured by a first lien on substantially all assets of the School.

The Series 2022B bonds bear interest at 6.75 percent per annum and are payable semiannually on March 1 and September 1 of each year. The Series 2022B bonds mature during 2026 and are secured by substantially all assets of the School.

As of August 31, 2022, bonds payable consisted of the following:

Series 2022A	\$ 24,560,000
Series 2022B	440,000
	<u>25,000,000</u>
Less Bond Issuance Costs	<u>(827,006)</u>
Total Bonds Payable - Long-Term	<u>\$ 24,172,994</u>

Future minimum principal payments on the bonds payable are as follows:

For the Year Ending August 31,	
2023	\$ -
2024	-
2025	-
2026	395,000
2027	420,000
Thereafter	<u>24,185,000</u>
Total	<u>\$ 25,000,000</u>

The first interest payment is due on March 1, 2023. No interest payments were made during the years ended August 31, 2022 and 2021.

As part of the loan agreements for the bonds, the School was required to establish and maintain the following trustee-held funds, which were not available for general use:

Debt Service Reserve Fund

Amounts in this fund are used to meet debt service requirements of the bonds payable and were reserved by the School. The balance in this fund totaled \$1,830,020 and \$-0- at August 31, 2022 and 2021, respectively.

Capitalized Interest Fund

This fund is used to pay for interest expenses. At August 31, 2022 and 2021, the balance in this fund totaled \$2,191,225 and \$-0-, respectively.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

Note 8 - Bonds Payable (continued)

Construction Fund

Amounts in this fund are used for construction and were reserved by the School. The balance in this fund totaled \$17,990,975 and \$-0- at August 31, 2022 and 2021, respectively.

Note 9 - Paycheck Protection Program

During the year ended August 31, 2021, the School received a Paycheck Protection Program (PPP) loan of \$972,152 from the Small Business Administration as part of the CARES Act passed during the year to assist small businesses and non-profits affected by measures instituted in response to the COVID-19 pandemic. The amount was expended according to the time and purpose restrictions defined by the PPP. The School applied and was approved for forgiveness of the PPP loan in July 2021. Therefore, the loan was recognized as federal program revenue in the statement of activities for the year ended August 31, 2021.

Note 10 - Operating Leases

The School leases office space, portable buildings and equipment under noncancelable operating leases with various expiration dates. Rental expense for the years ended August 31, 2022 and 2021 was \$314,046 and \$194,009, respectively.

Future minimum lease payments are as follows:

Year Ending August 31,		
2023	\$	347,387
2024		<u>150,200</u>
Total	\$	<u><u>497,587</u></u>

Note 11 - Health Care Coverage

Employees of the School are covered by a health insurance plan. The plan only covers employees, not dependents. Employees, at their option, authorize payroll withholdings to pay contributions or premiums for dependents. During the years ended August 31, 2022 and 2021, the School paid medical premiums of \$350 per month per employee and dental premiums of \$13.28 per month per employee. The aggregate cost of premiums paid by the School was \$88,013 and \$253,696 for the years ended August 31, 2022 and 2021, respectively. All premiums were paid to licensed insurers.

Note 12 - Pension Plan Obligations

Plan Description

The School contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the School, but are the liability of the state of Texas.

TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, *Public Retirement Systems*, Subtitle C, *Teacher Retirement System of Texas*, which is subject to amendment by the Texas Legislature. TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

Note 12 - Pension Plan Obligations (continued)

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.
- There is no withdrawal penalty for leaving the TRS system.

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$207,621,898,000
Accumulated Benefit Obligations - \$228,246,679,763
The plan is 79% funded.

There are no collective-bargaining agreements.

Funding Policy

Under provisions in state law, plan members are required to contribute 8% of their annual covered salary and the state of Texas contributes an amount equal to 7.75% of the School's covered payroll.

The School's contributions to TRS were \$155,742 and \$191,146 for the years ended August 31, 2022 and 2021, respectively, which include \$36,561 and \$63,538, respectively, in Non-OASDI participating surcharges. The School's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

Note 13 - Fair Value of Financial Instruments

The School adopted the provisions of ASC 820, "*Fair Value Measurements and Disclosures*" (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the School's financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The School's current assets and liabilities as presented in the statements of financial position are Level 1. The School does not have Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

Note 14 - Liquidity and Availability of Financial Resources

The following reflects the School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-stipulated restrictions.

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 3,547,320	\$ 3,242,974
Due from State	173,477	267,762
Due from Federal Agencies	720,378	244,197
Total Financial Assets	<u>4,441,175</u>	<u>3,754,933</u>
Donor Restrictions (net of Foundation School Program)	<u>(83,397)</u>	<u>(78,832)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 4,357,778</u>	<u>\$ 3,676,101</u>

The School's primary sources of cash flows are state and federal program revenues. State program revenues include Foundation School Program funds from TEA, which are classified as net assets with donor restrictions in the statements of financial position. However, restrictions are part of the entity's mission that make them available for general expenditure within one year of the statement of financial position date. The School has a consistent inflow of cash throughout the year to cover normal operating expenses.

Note 15 - Prior Period Restatement

During the year ended August 31, 2022, a review of lease expenses revealed that the School entered into a capital lease in July 2021. The capital lease should have been recorded as acquired equipment with a corresponding liability at August 31, 2021. Correction of this misstatement resulted in an increase of \$62,037 in property and equipment and capital lease payable at August 31, 2021. There was no effect on total net assets at August 31, 2021.

Note 16 - Subsequent Events

As a result of the ongoing COVID-19 pandemic, the School continues to evaluate current economic conditions, and any potential financial impact cannot be reasonably estimated at this time.

The School has evaluated subsequent events through December 14, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NEW FRONTIERS PUBLIC SCHOOLS, INC.
SCHEDULE OF EXPENSES
For the Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
EXPENSES		
6100 Payroll Costs	\$ 2,569,029	\$ 4,513,679
6200 Professional and Contracted Services	873,257	927,410
6300 Supplies and Materials	225,001	284,504
6400 Other Operating Costs	154,361	259,823
6500 Debt	18,259	338,363
TOTAL EXPENSES	<u>\$ 3,839,907</u>	<u>\$ 6,323,779</u>

See independent auditor's report.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
SCHEDULE OF CAPITAL ASSETS
August 31, 2022

Capital assets acquired with public funds, which constitute public property pursuant to Chapter 12 of the Texas Education Code, are as follows:

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 45,017	\$ 3,502,303	\$ -
1510 Land and Improvements	-	1,243,987	-
1520 Buildings and Improvements	-	1,302,417	-
1531 Vehicles	-	-	34,727
1539 Furniture and Equipment	-	62,037	-
Total Capital Assets	\$ 45,017	\$ 6,110,744	\$ 34,727

Reconciliation of Fixed Assets on Schedule of Capital Assets to Statement of Financial Position:

Per Schedule of Capital Assets:

1510 Land and Improvements	\$ 1,243,987
1520 Buildings and Improvements	1,302,417
1531 Vehicles	34,727
1539 Furniture and Equipment	62,037

Less Accumulated Depreciation: (44,590)

Total Property and Equipment, net per Statement of Financial Position: **\$ 2,598,578**

See independent auditor's report.

NEW FRONTIERS PUBLIC SCHOOL, INC.
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2022

			Variance From Original to Final Budget	Actual Amounts	Variance From Final Budget to Actual	
			Budgeted Amounts			
			Original	Final		
OPERATING REVENUES AND OTHER SUPPORT						
Local Support:						
5740	Other Revenues from Local Sources	\$ 21,094	\$ 267,621	\$ (246,527) (1)	\$ 283,351	\$ 15,730
5750	Revenue from Cocurricular/Enterprising	-	-	-	2,575	2,575
5760	Revenues from Intermediate Sources	-	-	-	85,303	85,303
Total Local Support		21,094	267,621	(246,527)	371,229	103,608
State Program Revenues:						
5810	Foundation School Program Act Revenues	2,194,946	1,750,452	444,494 (2)	1,569,884	(180,568) (3)
5820	State Program Revenues Distributed by Texas Education Agency	-	-	-	70,327	70,327
Total State Program Revenues		2,194,946	1,750,452	444,494	1,640,211	(110,241)
Federal Program Revenues:						
5920	Federal Revenues Distributed by Texas Education Agency	1,720,769	1,899,599	(178,830) (4)	1,911,127	11,528
5940	Federal Revenues Distributed Directly from the Federal Government	-	-	-	5,317	5,317
Total Federal Program Revenues		1,720,769	1,899,599	(178,830)	1,916,444	16,845
TOTAL OPERATING REVENUES AND OTHER SUPPORT		3,936,809	3,917,672	19,137	3,927,884	10,212
OPERATING EXPENSES						
11	Instructional	1,248,967	1,089,765	159,202 (2)	1,017,455	72,310
13	Curriculum Development and Instructional Staff Development	102,690	329,901	(227,211) (5)	330,727	(826)
21	Instructional Leadership	193,826	15,453	178,373 (6)	15,694	(241)
23	School Leadership	275,332	324,034	(48,702) (7)	320,233	3,801
31	Guidance, Counseling and Evaluation Services	162,545	182,801	(20,256) (8)	174,137	8,664
33	Health Services	66,086	72,381	(6,295)	69,102	3,279
34	Student Transportation	6,148	998	5,150 (9)	950	48
35	Food Services	135,635	57,173	78,462 (10)	61,133	(3,960)
36	Extracurricular Activities	-	10,483	(10,483) (11)	11,033	(550)
41	General Administration	710,310	491,164	219,146 (12)	485,760	5,404
51	Plant Maintenance and Operations	665,146	564,079	101,067 (13)	544,840	19,239
52	Security and Monitoring Services	2,227	-	2,227 (14)	-	-
53	Data Processing Services	261,991	561,860	(299,869) (15)	601,698	(39,838)
61	Community Services	99,520	169,869	(70,349) (16)	159,266	10,603
71	Debt Service	-	15,545	(15,545) (17)	18,259	(2,714) (18)
81	Fundraising	6,383	32,165	(25,782) (19)	29,620	2,545
TOTAL OPERATING EXPENSES		3,936,806	3,917,671	19,135	3,839,907	77,764
CHANGE IN NET ASSETS		3	1	2	87,977	87,976
NET ASSETS, Beginning of Year		3,701,101	3,701,101	-	3,701,101	-
NET ASSETS, End of Year		\$ 3,701,104	\$ 3,701,102	\$ 2	\$ 3,789,078	\$ 87,976

NEW FRONTIERS PUBLIC SCHOOL, INC.
NOTES TO BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2022

- (1) Increase in budgeted amount is primarily due to a local grant awarded after original budget was adopted, in addition to interest revenue not included in the original budget.
- (2) Decrease in budgeted amount is due to School not meeting its anticipated enrollment numbers.
- (3) Unfavorable variance is primarily due to decrease in enrollment and School not meeting its anticipated enrollment numbers.
- (4) Increase in budgeted amount is due to ESSER awards received after approval of the original budget.
- (5) Increase in budgeted amount is primarily due to staff adjustments from instructional leadership to curriculum and development, in addition to expenses related to professional development for the new campus.
- (6) Decrease in budgeted amount is primarily due to staff adjustments from instructional leadership to curriculum and development.
- (7) Increase in budgeted amount is primarily due to new administration position for the Davis Early College High School.
- (8) Increase in budgeted amount is primarily due to new academic counselor position for the Davis Early College High School.
- (9) Decrease in budgeted amount is primarily due to decrease in transportation needs due through VIA transportation.
- (10) Decrease in budgeted amount is primarily due to low participation and decrease in enrollment during the current year.
- (11) Increase in budgeted amount is due to the stipends provided to student clubs during the current year.
- (12) Decrease in budgeted amount is due to the School not needing as much legal service aid as expected, in addition to savings as a result of decreased enrollment.
- (13) Decrease in budgeted amount is due to making some staff part-time employees during the current year.
- (14) Increase in budgeted amount is due to School not needing security services during the current year.
- (15) Increase in budgeted amount is due to instructional technology related to the new campus, the transition to a new financial system and updates in the school website.
- (16) Increase in budgeted amount is due to new employee.
- (17) Increase in budgeted amount is due to amortization of issuance costs related to the new bonds issued in the current year.
- (18) Unfavorable variance is due to the capital interest expense that was not included in the final budget.
- (19) Increase in budgeted amount is due to fundraising expenditures related to the opening of the Davis Early College High School.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
For the Year Ended August 31, 2022

Section A: Compensatory Education Programs

Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.104.

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?		Yes
AP2	Does the district 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.	\$	175,174
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$	392,773

Section B: Bilingual Education Programs

Districts are required to spend at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.105.

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?		Yes
AP6	Does the district 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 district's fiscal year.	\$	5,938
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$	4,137

See independent auditor's report.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
For the Year Ended August 31, 2022

Description	Property Address	Total Assessed Value	Ownership Interest - Local	Ownership Interest - State	Ownership Interest - Federal
NCB 11137 Blk 38 Lot S 679.3 ft of 359	S Zarzamora St, San Antonio, TX 78224	\$ 1,591,290	N/A	\$ 1,591,290	N/A

See independent auditor's report.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
SCHEDULE OF RELATED PARTY TRANSACTIONS
For the Year Ended August 31, 2022

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
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
For the Year Ended August 31, 2022

Related Party Name	Name of Relation to the Related Party	Relationship	Compensation of Benefit	Payment Frequency	Description	Souce of Funds Used	Total Paid during Fiscal Year
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

SINGLE AUDIT SECTION

NEW FRONTIERS PUBLIC SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended August 31, 2022

Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Disbursements/Expenditures
U.S. Department of Agriculture:			
Pass-Through Texas Department of Agriculture:			
National Child Nutrition Cluster:			
School Breakfast Program	10.553	71402201	\$ 5,020
National School Lunch Program	10.555	71302201	35,948
USDA Commodities - Noncash Award	10.555	3002201	5,942
School Lunch Equipment Grant	10.579	226TX355N8103	5,317
School Lunch Supply Chain Assistant Grant	10.555	226TX400N8903	9,851
Total National Child Nutrition Cluster			62,078
<i>Total U.S. Department of Agriculture</i>			62,078
U.S. Department of Education:			
Pass-Through Texas Education Agency:			
Title I Grants to Local Educational Agencies	84.010A	21610101015805	40,992
Title I Grants to Local Educational Agencies	84.010A	22610101015805	200,792
			241,784
Special Education Grants to States	84.027A	216600010158056000	52,568
Supporting Effective Instruction State Grants	84.367A	21694501015805	30,666
Student Support and Academic Enrichment Program	84.424A	21680101015805	6,448
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	21521001015805	673,243
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	21528001015805	839,681
			1,512,924
Total Pass-Through Texas Education Agency			1,844,390
Pass-Through Education Service Center Region 20:			
English Language Acquisition State Grants	84.365A	N/A	6,059
Migrant Education State Grant Program	84.011A	N/A	3,876
Education for Homeless Children and Youth	84.196A	N/A	41
Total Pass-Through Education Service Center Region 20			9,976
<i>Total U.S. Department of Education</i>			1,854,366
TOTAL EXPENDITURES OF FEDERAL AWARDS			1,916,444
Texas Education Agency:			
School Safety Grant	N/A	25002201	9,181
School Lunch Matching	N/A	03001901	3,621
Textbook and Kindergarten Materials	N/A	25002201	9,417
<i>Total Texas Education Agency</i>			22,219
TOTAL EXPENDITURES OF STATE AWARDS			22,219
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ 1,938,663

See accompanying notes to schedule of expenditures of federal and state awards.

NEW FRONTIERS PUBLIC SCHOOLS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
August 31, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of New Frontiers Public Schools, Inc. (the School) and is presented on the accrual basis of accounting. The information in this schedule 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*. Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Noncash Assistance – Food Donation

Commodities represent the amount of donated food received during the 2021-2022 fiscal year. Commodities are valued at fair value, as determined at the time of donation at an amount of \$5,942.

Note 4 - Non-Profit Charter School Chart of Accounts

For all federal and state programs, the School used the net asset classes and codes specified by Texas Education Agency (TEA) in the *Special Supplement to Financial Accounting and Reporting, Non-Profit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by the grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.

Note 5 - Other Disclosures

There were no loans or loan guarantees outstanding at year end.

The School has elected not to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

The School did not disburse any federal or state awards to subrecipients for the year ended August 31, 2022.

**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
New Frontiers Public Schools, Inc.
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Frontiers Public Schools, Inc. (NFPS, Inc.), a nonprofit organization, which comprise the statement of financial position as of August 31, 2022, 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 December 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NFPS, Inc.'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 NFPS, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of NFPS, Inc.'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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Randy Walker & Co.

San Antonio, Texas
December 14, 2022

**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
New Frontiers Public Schools, Inc.
San Antonio, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Frontiers Public Schools, Inc.'s (NFPS, Inc.'s) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of NFPS, Inc.'s major federal programs for the year ended August 31, 2022. NFPS, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, NFPS, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2022.

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; 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). 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 NFPS, Inc. 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 NFPS, Inc.'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 NFPS, Inc.'s federal programs.

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 NFPS, Inc.'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 generally accepted auditing standards, *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 NFPS, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 NFPS, Inc.'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 NFPS, Inc.'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 NFPS, Inc.'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 or significant deficiencies, as defined above.

However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

Randy Walker & Co.

San Antonio, Texas
December 14, 2022

NEW FRONTIERS PUBLIC SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Noncompliance material to the financial statements	None

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	None

Major Programs

Federal

84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund	
84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	
Dollar threshold used to distinguish between type A and type B programs		\$750,000
Audit qualified as low-risk auditee		Yes

Findings - Financial Statements Audit None

Findings and Questioned Costs - Major Federal Award Programs Audit None

NEW FRONTIERS PUBLIC SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2022

Prior Year Findings - Financial Statement Audit	None
Prior Year Findings - Federal Awards Audit	None