

TRIVIUM ACADEMY

Financial Statements

August 31, 2021

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TRIVIUM ACADEMY
County District Number 061-805

CERTIFICATE OF BOARD

We, the undersigned, certify that the attached annual financial reports of the above named school were reviewed and () approved () disapproved for the year ended August 31, 2021, at a meeting of the governing body of said charter school on the 11 day of January 2022.



Signature of Board Secretary



Signature of Board Chairman

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

**PORTICO EDUCATION FOUNDATION
dba TRIVIUM ACADEMY**

Report on the Financial Statements

We have audited the accompanying financial statements of Portico Education Foundation operating as Trivium Academy (its open-enrollment charter school), which comprise the statements of financial position as of August 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

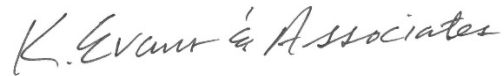
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is required by the Texas Education Agency. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



K. Evans & Associates, CPA's
Frisco, TX
December 21, 2021

FINANCIAL STATEMENTS

TRIVIUM ACADEMY
Statement of Financial Position
August 31, 2021

| | Charter | Not-for-Profit | Total |
|-------------------------------------|--------------|----------------|--------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 1,675,415 | \$ 115,307 | \$ 1,790,722 |
| Receivables | 96,799 | - | 96,799 |
| Due To/Due From | (1,092) | 1,092 | - |
| Due From Government | 285,628 | - | 285,628 |
| Employee Advances | 32,439 | - | 32,439 |
| Prepays | 165,225 | - | 165,225 |
| Total Current Assets | 2,254,414 | 116,399 | 2,370,813 |
| Capital Assets, Net | - | 25,474 | 25,474 |
| Total Assets | \$ 2,254,414 | \$ 141,873 | \$ 2,396,287 |
| LIABILITIES & NET ASSETS | | | |
| Current Liabilities: | | | |
| Accrued Liabilities | \$ 26,146 | \$ - | \$ 26,146 |
| Accrued Wages | 385,827 | - | 385,827 |
| Total Current Liabilities | 411,973 | - | 411,973 |
| Total Liabilities | 411,973 | - | 411,973 |
| Net Assets: | | | |
| Without Donors Restrictions | 1,041,735 | 138,171 | 1,179,906 |
| With Donors Restrictions | 800,706 | 3,702 | 804,408 |
| Total Net Assets | 1,842,441 | 141,873 | 1,984,314 |
| Total Liabilities & Net Assets | \$ 2,254,414 | \$ 141,873 | \$ 2,396,287 |

The notes to the financial statements are an integral part of this statement.

TRIVIUM ACADEMY
Statement of Activities
For the Year Ended August 31, 2021

| | Charter Activity | | | Not-for-Profit Activity | | |
|--|-------------------------------|----------------------------|------------------|-------------------------------|----------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUES | | | | | | |
| Local Support: | | | | | | |
| 5744 Contributions | \$ 41,566 | \$ - | \$ 41,566 | \$ - | \$ - | \$ - |
| 5751 Food Service Activity | 36 | - | 36 | - | - | - |
| 5759 Enterprise Services | 4,228 | - | 4,228 | - | - | - |
| 5752 Athletics | 30,749 | - | 30,749 | - | - | - |
| 5753 Extracurricular | - | - | - | - | - | - |
| 5749 Other Revenues from Local Sources | 30,789 | - | 30,789 | - | - | - |
| 5745 Insurance Recovery | 146,266 | - | 146,266 | - | - | - |
| Contributions | - | - | - | 4,708 | 2,299 | 7,007 |
| Fund Raising and Other Income | - | - | - | 10,306 | - | 10,306 |
| Total Local Support | <u>253,634</u> | <u>-</u> | <u>253,634</u> | <u>15,014</u> | <u>2,299</u> | <u>17,313</u> |
| State Program Revenues: | | | | | | |
| 5812 Foundation School Program | - | 5,384,430 | 5,384,430 | - | - | - |
| 5819 MFS SPED Operations | - | 4,548 | 4,548 | - | - | - |
| 5829 Other State Aid | - | 23,852 | 23,852 | - | - | - |
| Total State Program Revenues | <u>-</u> | <u>5,412,830</u> | <u>5,412,830</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Federal Program Revenues: | | | | | | |
| 5929 Federal Revenues Distributed by Texas Education Agency | <u>-</u> | <u>100,081</u> | <u>100,081</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Federal Program Revenues | <u>-</u> | <u>100,081</u> | <u>100,081</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Assets Released from Restrictions: | | | | | | |
| Restrictions Satisfied by Payments | <u>5,770,011</u> | <u>(5,770,011)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenues | <u>6,023,645</u> | <u>(257,100)</u> | <u>5,766,545</u> | <u>15,014</u> | <u>2,299</u> | <u>17,313</u> |

The notes to the financial statements are an integral part of this statement.

TRIVIUM ACADEMY
Statement of Activities
For the Year Ended August 31, 2021

| | Charter Activity | | | Not-for-Profit Activity | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| EXPENSES | | | | | | |
| Program Services: | | | | | | |
| 11 Instruction | 3,745,272 | - | 3,745,272 | - | - | - |
| 12 Instructional Resources & Media | 11,726 | - | 11,726 | - | - | - |
| 13 Curriculum Development & Instructional Staff Development | 10,695 | - | 10,695 | - | - | - |
| 21 Instructional Leadership | 157,783 | - | 157,783 | - | - | - |
| 23 School Leadership | 267,745 | - | 267,745 | - | - | - |
| 31 Guidance, Counseling & Evaluation Services | 160,213 | - | 160,213 | - | - | - |
| 33 Health Services | 3,539 | - | 3,539 | - | - | - |
| 35 Food Services | - | - | - | - | - | - |
| 36 Extra Curricular Activities | 30,570 | - | 30,570 | - | - | - |
| Total Program Services | <u>4,387,543</u> | <u>-</u> | <u>4,387,543</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Support Services: | | | | | | |
| 41 General Administration | 366,561 | - | 366,561 | - | - | - |
| 51 Plant Maintenance & Operations | 1,010,609 | - | 1,010,609 | - | - | - |
| 52 Security & Monitoring Services | 705 | - | 705 | - | - | - |
| 53 Data Processing Services | 4,593 | - | 4,593 | - | - | - |
| Services | - | - | - | 183 | - | 183 |
| Supplies and Other Expenses | - | - | - | 12,761 | - | 12,761 |
| Total Support Services | <u>1,382,468</u> | <u>-</u> | <u>1,382,468</u> | <u>12,944</u> | <u>-</u> | <u>12,944</u> |
| Total Expenses | <u>5,770,011</u> | <u>-</u> | <u>5,770,011</u> | <u>12,944</u> | <u>-</u> | <u>12,944</u> |
| Change in Net Assets | 253,634 | (257,100) | (3,466) | 2,070 | 2,299 | 4,369 |
| Net Assets, Beginning of Year | <u>788,101</u> | <u>1,057,806</u> | <u>1,845,907</u> | <u>136,101</u> | <u>1,403</u> | <u>137,504</u> |
| Net Assets, End of Year | <u>\$ 1,041,735</u> | <u>\$ 800,706</u> | <u>\$ 1,842,441</u> | <u>\$ 138,171</u> | <u>\$ 3,702</u> | <u>\$ 141,873</u> |

The notes to the financial statements are an integral part of this statement.

TRIVIUM ACADEMY
Statement of Cash Flows
For the Year Ended August 31, 2021

| | <u>Charter</u> | <u>Not-for-Profit</u> |
|---|-------------------------|-----------------------|
| Cash Flows from Operating Activities: | | |
| State Program Revenues | \$ 5,238,578 | \$ - |
| Federal Program Revenues | 94,923 | - |
| Local Revenues | 156,835 | 17,313 |
| Payments to Vendors | (1,693,423) | (8,382) |
| Payments to Employees | <u>(3,879,043)</u> | <u>(2,057)</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>(82,130)</u> | <u>6,874</u> |
| Net Increase/(Decrease) in Cash | (82,130) | 6,874 |
| Cash at Beginning of Year | <u>1,757,545</u> | <u>108,433</u> |
| Cash at End of Year | <u>\$ 1,675,415</u> | <u>\$ 115,307</u> |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Increase/(Decrease) in Net Assets | \$ (3,466) | \$ 4,369 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities: | | |
| Depreciation Expense | - | 4,562 |
| (Increase)/Decrease in: | | |
| Receivables | (96,799) | - |
| Due From Government | (179,410) | - |
| Employee Advances | (25,270) | - |
| Prepays | (7,244) | - |
| Increase/(Decrease) in: | | |
| Accrued Liabilities | 6,036 | - |
| Accrued Wages | <u>224,023</u> | <u>(2,057)</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ (82,130)</u> | <u>\$ 6,874</u> |

The notes to the financial statements are an integral part of this statement.

TRIVIUM ACADEMY
Notes to Financial Statements
For the Year Ended August 31, 2021

ORGANIZATION AND NATURE OF ACTIVITIES

Trivium Academy (the School) was organized in 2016 to become a community-based education charter school in Texas under the sponsorship of Portico Education Foundation (a non-profit organization). Portico Education Foundation is the charter holder of Trivium Academy which operates under an open enrollment charter granted by the Texas Education Agency.

The School is part of the public school system of the State of Texas (State) and is therefore entitled to distribution from the State's Foundation School Program (FSP) and Available School Fund (ASF). The School does not have the authority to impose ad valorem taxes or to charge tuition. Portico Education Foundation operates a single charter and does not conduct any non-charter activities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the School were prepared using the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Encumbrances representing outstanding purchase orders and other commitments for materials or services not yet received are not liabilities as of the reporting date.

Basis of Presentation

In order to comply with accounting principles generally accepted in the United States of America, the School must prepare its external financial statements in accordance with statements issued by the Financial Accounting Standard Board as described in the AICPA Audit and Accounting Guide for not for profit organizations. The Audit Guide requires classification of the School's net assets and its revenues, expenses, gains, and losses based on the existence or absences of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets – without donors restrictions and with donors restrictions - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Without Donors Restrictions– Net assets that are not subject to donor-imposed stipulations.

With Donors Restrictions– Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the corporation, the charter school and/or the passage of time. When a restriction expires, with donors restrictions net assets are reclassified to without donors restrictions net assets and reported in the statement of activities as net assets released from restrictions.

Estimates

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

Cash and Cash Equivalents

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

TRIVIUM ACADEMY
Notes to Financial Statements
For the Year Ended August 31, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Federal Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

Capital Assets

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

Contributions

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

FINANCIAL INSTRUMENTS

The School maintains several bank accounts at a local area bank. At August 31, 2021, the bank balances of the School were \$2,089,505. Of the bank balance, \$250,000 was secured by federal depository insurance.

CAPITAL ASSETS

The following is a summary of changes in property, plant and equipment for the fiscal year ended August 31, 2021:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|--------------------------|------------------------------|-------------------|--------------------|---------------------------|
| Vehicles | \$ 31,937 | \$ - | \$ - | \$ 31,937 |
| | <u>31,937</u> | <u>-</u> | <u>-</u> | <u>31,937</u> |
| Accumulated Depreciation | (1,901) | (4,562) | - | (6,463) |
| Net Fixed Assets | <u>\$ 30,036</u> | <u>\$ (4,562)</u> | <u>\$ -</u> | <u>\$ 25,474</u> |

Assets with a cost of \$5,000 or more and a life expectancy of at least three years are capitalized.

Current year depreciation expense was \$4,562.

TRIVIUM ACADEMY
Notes to Financial Statements
For the Year Ended August 31, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
NET ASSETS WITH DONOR RESTRICTIONS

The School reports gifts of cash and other assets as with donors restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donors restrictions net assets are classified to without donors restrictions net assets and reported in the statement of activities as net assets released from restrictions. With donors restrictions contributions whose restrictions are met in the same reporting period are reported as without donors restrictions support.

With donors restrictions net assets were released from restrictions by incurring expenses satisfying the following restricted purposes:

| | |
|-----------------------------------|---------------------|
| State Funded Educational Programs | \$ 5,770,011 |
| Total | <u>\$ 5,770,011</u> |

With donor restrictions net assets, at August 31, 2021, are restricted for:

| | |
|-----------------------------------|-------------------|
| State Funded Educational Programs | \$ 800,706 |
| Total | <u>\$ 800,706</u> |

DUE FROM GOVERNMENT

As of August 31, 2021, the School had earned the following revenues which were not received until after the end of the fiscal year:

| | |
|-------------------------|-------------------|
| Foundation entitlements | \$ 280,344 |
| Federal grants | 5,284 |
| Total | <u>\$ 285,628</u> |

LEASES

The School entered into a facility lease agreement effective July 15, 2016, to lease a school site from First United Methodist Church. Payments are made in monthly installments which escalate annually. The lease term expires July 31, 2024. Monthly lease payments for the 2021 fiscal year were \$66,450.

The School entered into an equipment lease agreement on December 19, 2016, to lease a Canon copier. Payments are made in monthly installments of \$381. The lease term expired December 18, 2019. On December 28, 2019, the School also entered into a 3-year copier lease agreement with Canon Financial Services. Payments are made in monthly installments of \$671.

The School entered into an equipment lease agreement on December 5, 2019, to lease a postage meter lease. Payments are made in quarterly installments of \$129. The lease term expired December 4, 2022.

Future minimum lease payments under operating leases as of August 31, 2021 are as follows:

| | |
|--------------------|---------------------|
| <u>Fiscal Year</u> | |
| 2022 | \$ 815,268 |
| 2023 | 860,855 |
| 2024 | <u>732,500</u> |
| Total | <u>\$ 2,408,623</u> |

Lease expense for the fiscal year ending August 31, 2021 was \$549,683.

TRIVIUM ACADEMY
Notes to Financial Statements
For the Year Ended August 31, 2021

DEFINED BENEFIT PENSION PLAN

Plan Description

The School participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. There is not a collective-bargaining agreement.

Funding Policy

Under provisions of State law, plan members are required to contribute 7.7% of their annual covered salary and the State of Texas contributes an amount equal to 7.5% of the Schools covered payroll. The Schools employee contributions to the System for the year ending August 31, 2021 were \$259,823, and were equal to the required State of Texas' contributions for the year.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Charter Schools are legally separate entities from the State and each other. Assets contributed by one Charter School may be used for the benefit of another Charter School. Unfunded pension obligations get passed along to other plan participants. There is no penalty for leaving the TRS system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at: <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

The information provided in the Notes to the Financial Statements in the 2020 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan:

| | |
|---------------------------------------|--------------------|
| Total Plan Assets | \$ 160,233,295,324 |
| Accumulated Benefit Obligations | \$ 209,719,687,047 |
| Percentage of the Plan that is funded | 76.40% |

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the

TRIVIUM ACADEMY
Notes to Financial Statements
For the Year Ended August 31, 2021

DEFINED BENEFIT PENSION PLAN *(continued)*

Benefits Provided *(continued)*

member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 12 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 thru 2025. The 86th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2020 and 2021 would remain the same.

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | 7.5% | 7.5% |
| Employers | 7.5% | 7.5% |
| Employer Contributions | \$ 150,428 | \$ 141,427 |

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

TRIVIUM ACADEMY
Notes to Financial Statements
For the Year Ended August 31, 2021

DEFINED BENEFIT PENSION PLAN *(continued)*

Contributions *(continued)*

- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2020.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to:

- when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2020 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation rolled forward to August 31, 2020, was determined using the following actuarial assumptions:

| | |
|--|---|
| Valuation Date | August 31, 2019 rolled forward to August 31, 2020 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-Term Expected Investment Rate of Return | 7.25% |
| Municipal Bond Rate as of August 2020 | 2.33% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" |
| Last year ending August 31 in Project Period (100 years) | 2119 |
| Inflation | 2.30% |
| Salary Increases | 3.05% - 9.05% including inflation |
| Ad hoc Post-Employment Benefit Changes | None |

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019.

TRIVIUM ACADEMY
Notes to Financial Statements
For the Year Ended August 31, 2021

DEFINED BENEFIT PENSION PLAN *(continued)*

Discount Rate

A single discount rate of 7.25% used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

| <u>Asset Class</u> | <u>Target Allocation % ⁽¹⁾</u> | <u>Long-Term Expected Arithmetic Real Rate of Return ⁽²⁾</u> | <u>Expected Contribution to Long-Term Portfolio Returns</u> |
|----------------------------|---|---|---|
| Global Equity | | | |
| U.S. | 18.00% | 3.90% | 0.99% |
| Non-U.S. Developed | 13.00% | 5.10% | 0.92% |
| Emerging Markets | 9.00% | 5.60% | 0.83% |
| Private Equity | 14.00% | 6.70% | 1.41% |
| Stable Value | | | |
| Government Bonds | 16.00% | -0.70% | -0.05% |
| Stable Value Hedge | 5.00% | 1.90% | 0.11% |
| Real Return | | | |
| Real Estate | 15.00% | 4.60% | 1.01% |
| Energy & Natural Resources | 6.00% | 6.00% | 0.42% |
| Risk Parity | | | |
| Risk Parity | 8.00% | 3.00% | 0.30% |
| Leverage | | | |
| Cash | 2.00% | -1.50% | -0.03% |
| Asset Allocation Leverage | -6.00% | -1.30% | 0.08% |
| Inflation Expectation | 0.00% | 0.00% | 2.00% |
| Volatility Drag | 0.00% | 0.00% | -0.67% |
| Total | <u>100.00%</u> | | <u>7.32%</u> |

(1) Target allocations are based on the FY2020 policy model.

(2) Capital Market Assumptions come from Aon Hewitt (as of (08/31/2020).

(3) The volatility drag results from the conversion between arithmetic and geometric mean returns.

TRIVIUM ACADEMY
Notes to Financial Statements
For the Year Ended August 31, 2021

HEALTH CARE COVERAGE

During the period ended August 31, 2021, employees of the school were covered by a Health Insurance Plan. The School contributed a maximum of \$250 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.

COMMITMENTS AND CONTINGENCIES

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

RELATED PARTY INFORMATION

Remember When Dinners is a catering business owned by Allison Elliott, daughter of Marsha Cawthon, Principal. After obtaining quotes, dinner was purchased for the annual golf tournament and sports banquet for a total of \$1,658.

Perkins and Will, is an architectural firm chosen through an RFQ process to provide services to Trivium Academy for a future permanent location. Brad Bailey, the son-in-law of Jeri Wolfe, business manager, is an employee of Perkins and Will. Perkins and Will was paid \$22,500 for their services.

EVALUATION OF SUBSEQUENT EVENTS

The School has evaluated subsequent events through December 21, 2021, the date which the financial statements were available to be issued. No significant subsequent events have been noted.

SUPPLEMENTAL INFORMATION

TRIVIUM ACADEMY
Schedule of Expenses
For the Year Ended August 31, 2021

EXPENSES

| | |
|---|----------------------------|
| 6100 Payroll Costs | \$ 4,077,796 |
| 6200 Professional and Contracted Services | 1,332,351 |
| 6300 Supplies and Materials | 312,842 |
| 6400 Other Operating Costs | <u>47,022</u> |
| Total | <u><u>\$ 5,770,011</u></u> |

TRIVIUM ACADEMY
Schedule of Capital Assets
For the Year Ended August 31, 2021

| <u>Description</u> | Ownership Interest | | |
|--------------------|--------------------|--------------|----------------|
| | <u>Local</u> | <u>State</u> | <u>Federal</u> |
| 1110 Cash | \$ - | \$ 1,675,415 | \$ - |
| Total | \$ - | \$ 1,675,415 | \$ - |

TRIVIUM ACADEMY
 Budgetary Comparison Schedule
 For the Year Ended August 31, 2021

| | Budgeted Amounts | | Actual Amounts | Variance (Over)/Under Final Budget |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| REVENUE & OTHER SUPPORT: | | | | |
| Local Support: | | | | |
| 5744 Contributions | \$ 9,227 | \$ 41,566 | \$ 41,566 | 0 |
| 5751 Food Service Activity | 8 | 36 | 36 | 0 |
| 5759 Enterprise Services | 939 | 4,228 | 4,228 | 0 |
| 5752 Athletics | 6,826 | 30,749 | 30,749 | 0 |
| 5745 Insurance Recovery | 32,470 | 146,266 | 146,266 | 0 |
| 5749 Other Revenues from Local Sources | 6,835 | 30,789 | 30,789 | 0 |
| Total Local Support | <u>56,305</u> | <u>253,634</u> | <u>253,634</u> | <u>0</u> |
| State Program Revenues: | | | | |
| 5812 Foundation School Program | 5,553,091 | 5,384,430 | 5,384,430 | (0) |
| 5829 Other State Aid | 24,599 | 23,852 | 23,852 | (0) |
| 5819 MFS | 4,690 | 4,548 | 4,548 | (0) |
| Total State Program Revenues | <u>5,582,381</u> | <u>5,412,830</u> | <u>5,412,830</u> | <u>(0)</u> |
| Federal Program Revenues: | | | | |
| 5929 Federal Program Revenues | 95,800 | 100,081 | 100,081 | 0 |
| Total Federal Program Revenues | <u>95,800</u> | <u>100,081</u> | <u>100,081</u> | <u>0</u> |
| Total Revenues | <u>5,734,486</u> | <u>5,766,545</u> | <u>5,766,545</u> | <u>0</u> |
| EXPENSES: | | | | |
| Program Services: | | | | |
| 11 Instruction | 3,608,100 | 3,745,271 | 3,745,272 | (1) |
| 12 Instructional Resources & Media Services | 60,000 | 11,726 | 11,726 | (0) |
| 13 Curriculum Development & Instructional Staff Development | 15,000 | 10,695 | 10,695 | 0 |
| 21 Instructional Leadership | 65,000 | 157,785 | 157,783 | 2 |
| 23 School Leadership | 275,000 | 267,746 | 267,745 | 1 |
| 31 Guidance, Counseling & Evaluation Services | 160,000 | 160,216 | 160,213 | 3 |
| 33 Health Services | 10,000 | 3,539 | 3,539 | (0) |
| 35 Food Services | 5,000 | - | - | - |
| 36 Extra Curricular Activities | 45,000 | 30,569 | 30,570 | (1) |
| Total Program Services | <u>4,243,100</u> | <u>4,387,546</u> | <u>4,387,543</u> | <u>3</u> |
| Support Services: | | | | |
| 41 General Administration | 390,000 | 366,561 | 366,561 | 0 |
| 51 Plant Maintenance & Operations | 1,073,786 | 1,010,610 | 1,010,609 | 1 |
| 52 Security & Monitoring Services | 25,100 | 702 | 705 | (3) |
| 53 Data Processing Services | 2,500 | 4,593 | 4,593 | 0 |
| Total Support Services | <u>1,491,386</u> | <u>1,382,466</u> | <u>1,382,468</u> | <u>(2)</u> |
| Total Expenses | <u>5,734,486</u> | <u>5,770,012</u> | <u>5,770,011</u> | <u>1</u> |
| Change in Net Assets | - | (3,467) | (3,466) | 1 |
| Net Assets, Beginning of Year | <u>1,845,907</u> | <u>1,845,907</u> | <u>1,845,907</u> | <u>-</u> |
| Net Assets, End of Year | <u>\$ 1,845,907</u> | <u>\$ 1,842,440</u> | <u>\$ 1,842,441</u> | <u>1</u> |

COMPLIANCE & INTERNAL CONTROL SECTION



**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***

Board of Directors
PORTICO EDUCATION FOUNDATION
dba TRIVIUM ACADEMY

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 Trivium Academy (a nonprofit organization), which comprise the Statement of Financial Position as of August 31, 2021, 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 December 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trivium Academy's internal control over financial reporting (internal control) to determine the 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 Trivium Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Trivium Academy's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trivium 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*.

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 *Governmental Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

K. Evans & Associates

K. Evans & Associates, CPA's
Frisco, TX
December 21, 2021