

LIFESCHOOL OF DALLAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2019

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

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LIFESCHOOL OF DALLAS
CERTIFICATE OF BOARD
AUGUST 31, 2019

LifeSchool of Dallas
Name of Charter Holder

Dallas
County

057807
Co. - Dist. Number

We, the undersigned, certify that the attached annual Financial and Compliance Report of the above-named charter was reviewed and (check one) approved _____ disapproved for the year ended August 31, 2019, at a meeting of the governing body the charter holder on the 22nd day of January, 2020.



Signature of Board Secretary



Signature of Board President

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Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LifeSchool of Dallas
Red Oak, TX

We have audited the accompanying financial statements of LifeSchool of Dallas (a nonprofit organization and the charter holder), which comprise the statement of financial position as of August 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 LifeSchool of Dallas as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The required supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020, on our consideration of LifeSchool of Dallas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 LifeSchool of Dallas' internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 15, 2020

**General-Purpose
Financial Statements**

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit A-1

**STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 16,116,473	\$ 18,581,330
Cash and cash equivalents - restricted	2,727,209	1,900,411
Due from State and other governments	6,037,599	4,425,573
Prepaid expenses	360,278	218,310
Other receivables	503,350	15,120
Total Current Assets	<u>25,744,909</u>	<u>25,140,744</u>
Property and Equipment		
Land	5,642,748	5,642,748
Building and improvements	89,164,094	86,513,574
Furniture and equipment	6,571,205	5,310,895
Vehicles	394,215	394,215
Assets purchased under capital lease	990,302	990,302
Construction in progress	144,163	328,807
Less accumulated depreciation	<u>(24,656,765)</u>	<u>(21,257,556)</u>
Total Property and Equipment	<u>78,249,962</u>	<u>77,922,985</u>
Other Assets		
Capitalized Debt Issuance Costs	1,530,977	1,661,594
Other Assets	165,607	130,262
	<u>1,696,584</u>	<u>1,791,856</u>
Total Assets	<u>\$ 105,691,455</u>	<u>\$ 104,855,585</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,010,849	\$ 638,843
Accrued wages	949,638	336,191
Due to state government	292	1,712
Due to student groups	49,192	50,616
Unearned revenues	67,489	6,686
Accrued employee benefits	153,855	129,261
Accrued interest expense	181,868	188,523
Current portion of capital leases payable	69,142	65,550
Current portion of bonds payable	1,570,000	1,495,000
Total Current Liabilities	<u>4,052,325</u>	<u>2,912,382</u>
Long Term Debt (net of current portions)		
Capital leases payable	72,124	141,265
Loans payable	2,318,382	2,318,382
Bonds payable	91,430,441	93,255,813
Total Long-Term Debt	<u>93,820,947</u>	<u>95,715,460</u>
Total Liabilities	<u>97,873,272</u>	<u>98,627,842</u>
Net Assets		
Without donor restriction	1,330,294	1,215,907
With donor restriction	<u>6,487,889</u>	<u>5,011,836</u>
Total Net Assets	<u>7,818,183</u>	<u>6,227,743</u>
Total Liabilities and Net Assets	<u>\$ 105,691,455</u>	<u>\$ 104,855,585</u>

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit A-2

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

	2019		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Totals</u>
Revenues			
Local Support:			
Contributions	\$ 131,746	\$ -	\$ 131,746
Food Service Activity	-	577,805	577,805
Athletic Activities	293,302	-	293,302
Rent	141,693	-	141,693
Interest	453,710	-	453,710
Other Revenues	521,187	-	521,187
Total Local Support	<u>1,541,638</u>	<u>577,805</u>	<u>2,119,443</u>
State Program Revenues:			
Foundation School Program	-	54,244,373	54,244,373
Instructional Materials Fund	-	336,765	336,765
Food Service	-	13,452	13,452
Total State Program Revenues	<u>-</u>	<u>54,594,590</u>	<u>54,594,590</u>
Federal Program Revenues:			
IDEA Part B, Formula	-	746,123	746,123
IDEA Part B, Discretionary	-	14,612	14,612
ESEA Title I Part A Improving Basic Programs	-	1,539,989	1,539,989
ESEA Title II Part A Teacher and Principal Training	-	170,741	170,741
ESEA Title IV Part A Student Support	-	72,552	72,552
National School Breakfast and Lunch Program	-	1,833,689	1,833,689
Title III Part A - English Language Acquisition and Enhancement	-	25,842	25,842
School Health and Related Services	-	265,203	265,203
Teacher Incentive Fund	-	3,664	3,664
Career & Technical - Basic Grant	-	83,705	83,705
Summer School LEP	-	1,252	1,252
Total Federal Program Revenues	<u>-</u>	<u>4,757,372</u>	<u>4,757,372</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>58,453,714</u>	<u>(58,453,714)</u>	<u>-</u>
Total Revenues	<u>59,995,352</u>	<u>1,476,053</u>	<u>61,471,405</u>
Expenses			
Program Services:			
Instruction and Instructional-Related Services	30,090,974	-	30,090,974
Instructional and School Leadership	4,145,511	-	4,145,511
Support Services:			
Administrative Support Services	3,420,417	-	3,420,417
Support Services - Non-Student Based	10,489,476	-	10,489,476
Support Services - Student (Pupil)	7,414,987	-	7,414,987
Ancillary Services	387,507	-	387,507
Debt Service	3,932,093	-	3,932,093
Total Expenses	<u>59,880,965</u>	<u>-</u>	<u>59,880,965</u>
Change in Net Assets	<u>114,387</u>	<u>1,476,053</u>	<u>1,590,440</u>
Net Assets, Beginning of Year	<u>1,215,907</u>	<u>5,011,836</u>	<u>6,227,743</u>
Net Assets, End of Year	<u>\$ 1,330,294</u>	<u>\$ 6,487,889</u>	<u>\$ 7,818,183</u>

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit A-2

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2018		Totals
	Without Donor Restriction	With Donor Restriction	
Revenues			
Local Support:			
Contributions	\$ 50,852	\$ -	\$ 50,852
Food Service Activity	-	665,704	665,704
Athletic Activities	280,434	-	280,434
Rent	124,847	-	124,847
Interest	272,767	-	272,767
Other Revenues	668,616	-	668,616
Total Local Support	1,397,516	665,704	2,063,220
State Program Revenues:			
Foundation School Program	-	51,258,232	51,258,232
Instructional Materials Fund	-	401,035	401,035
Food Service	-	13,621	13,621
Total State Program Revenues	-	51,672,888	51,672,888
Federal Program Revenues:			
IDEA Part B, Formula	-	714,054	714,054
ESEA Title I Part A Improving Basic Programs	-	1,290,144	1,290,144
ESEA Title II Part A Teacher and Principal Training	-	178,547	178,547
ESEA Title IV Part A Student Support	-	30,430	30,430
National School Breakfast and Lunch Program	-	1,797,334	1,797,334
Title III Part A - English Language Acquisition and Enhancement	-	49,383	49,383
School Health and Related Services	-	262,507	262,507
Teacher Incentive Fund	-	863,969	863,969
Career & Technical - Basic Grant	-	57,168	57,168
Summer School LEP	-	1,187	1,187
Total Federal Program Revenues	-	5,244,723	5,244,723
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	55,315,344	(55,315,344)	-
Total Revenues	56,712,860	2,267,971	58,980,831
Expenses			
Program Services:			
Instruction and Instructional-Related Services	28,751,185	-	28,751,185
Instructional and School Leadership	3,629,867	-	3,629,867
Support Services:			
Administrative Support Services	3,004,409	-	3,004,409
Support Services - Non-Student Based	10,047,699	-	10,047,699
Support Services - Student (Pupil)	6,945,584	-	6,945,584
Ancillary Services	440,724	-	440,724
Debt Service	3,856,882	-	3,856,882
Total Expenses	56,676,350	-	56,676,350
Change in Net Assets	36,510	2,267,971	2,304,481
Net Assets, Beginning of Year	1,179,397	2,743,865	3,923,262
Net Assets, End of Year	\$ 1,215,907	\$ 5,011,836	\$ 6,227,743

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit A-3

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

CASH FLOWS FROM OPERATING ACTIVITIES	2019	2018
Change in Net Assets	\$ 1,590,440	\$ 2,304,481
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation and amortization	3,399,209	3,489,398
Amortization of Capitalized Debt Issuance Costs	130,617	83,284
(Increase) Decrease in Due from State and Other Governments	(1,612,026)	(704,705)
(Increase) Decrease in Prepaid Expenses	(141,968)	288,973
(Increase) Decrease in Other Receivables	(488,230)	(8,335)
(Increase) Decrease in Other Assets	(35,345)	(63,119)
Increase (Decrease) in Accounts Payable	372,006	(128,098)
Increase (Decrease) in Accrued Wages	613,447	53,634
Increase (Decrease) in Due to State Government	(1,420)	1,466
Increase (Decrease) in Due to Student Groups	(1,424)	11,055
Increase (Decrease) in Unearned Revenues	60,803	6,686
Increase (Decrease) in Accrued Employee Benefits	24,594	63,118
Increase (Decrease) in Accrued Interest Expense	(6,655)	6,676
Net Cash Provided (Used) by Operating Activities	3,904,048	5,404,514
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(3,726,186)	(3,744,184)
Construction in Progress	-	(184,644)
Net Cash Provided (Used) by Investing Activities	(3,726,186)	(3,928,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from (on) Capital Lease	(65,549)	206,815
Proceeds from Loans	-	2,318,382
Debt Issuance Costs	-	(213,000)
Principal Payments on Debt	(1,750,372)	(1,695,372)
Net Cash Provided (Used) by Financing Activities	(1,815,921)	616,825
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,638,059)	2,092,511
Cash and Cash Equivalents, Beginning of Year	20,481,741	18,389,230
Cash and Cash Equivalents, End of Year (includes restricted cash of \$2,727,209 and \$1,900,411 at August 31, 2019 and 2018, respectively)	\$ 18,843,682	\$ 20,481,741
Interest Paid During the Years Ended August 31, 2019 and 2018	\$ 3,856,138	\$ 3,905,240
Income Taxes Paid During the Years Ended August 31, 2019 and 2018	\$ 14,434	None

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019								
	Program Services		Support Services						
	Instructional-Related Services	Instructional and School Leadership	Administrative Support Services	Support Services - Non-Student Based	Support Services - Student (Pupil)	Ancillary Services	Debt Service	Total	Total
Salaries and Wages	21,991,178	3,324,299	1,975,106	1,780,520	3,133,479	278,969	-	7,167,674	32,483,151
Payroll Taxes	337,357	48,184	29,310	25,797	45,107	4,040	-	104,254	489,795
Employee Benefits	3,009,026	441,882	332,830	336,233	349,973	38,447	-	1,057,483	4,508,391
Fees For Services	445,281	36,580	698,986	1,082,213	191,455	31,620	-	2,004,274	2,486,135
Food	-	-	-	-	2,182,489	-	-	2,182,489	2,182,489
Insurance	-	-	3,390	275,089	23,278	-	-	301,757	301,757
Interest and Fiscal Charges	-	-	-	-	-	-	3,932,093	3,932,093	3,932,093
Miscellaneous	79,037	104,633	185,683	6,508	87,130	24,515	-	303,836	487,506
Rent	34,500	7,526	2,806	3,048,921	35,846	1,680	-	3,089,253	3,131,279
Repairs and Maintenance	660	-	-	1,958,262	89,143	-	-	2,047,405	2,048,065
Supplies	1,434,265	124,027	72,901	669,739	575,197	2,911	-	1,320,748	2,879,040
Travel	178,113	55,316	67,536	21,255	265,233	5,725	-	359,749	593,178
Utilities	-	-	-	937,902	20,974	-	-	958,876	958,876
Depreciation	2,581,557	3,064	51,869	347,037	415,683	-	-	814,589	3,399,210
Total expenses by function	30,090,974	4,145,511	3,420,417	10,489,476	7,414,987	387,507	3,932,093	25,644,480	59,880,965

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2018				2019				
	Program Services		Support Services		Program Services		Support Services		
	Instructional-Related Services	Instructional and School Leadership	Total	Administrative Support Services	Support Services - Non-Student Based	Support Services - Student (Pupil)	Ancillary Services	Debit Service	Total
Salaries and Wages	21,018,469	2,878,939	23,897,408	1,629,893	1,625,621	2,657,416	345,261	-	6,258,191
Payroll Taxes	332,301	43,003	375,304	24,378	23,975	39,256	5,140	-	92,749
Employee Benefits	2,887,357	393,910	3,281,267	292,504	308,417	272,990	53,027	-	926,938
Fees For Services	220,492	21,713	242,205	659,538	1,038,135	160,965	3,846	-	1,862,484
Food	-	-	-	-	-	2,195,240	-	-	2,195,240
Insurance	-	-	-	2,876	243,538	19,918	-	-	266,332
Interest and Fiscal Charges	-	-	-	-	-	-	-	3,856,882	3,856,882
Miscellaneous	69,040	90,761	159,801	168,248	11,966	81,131	6,998	-	268,343
Rent	39,100	7,031	46,131	3,461	3,027,554	34,595	-	-	3,065,610
Repairs and Maintenance	-	-	-	-	1,970,226	100,363	-	-	2,070,589
Supplies	1,270,114	166,432	1,426,546	113,605	558,038	655,005	11,709	-	1,338,357
Travel	185,063	35,014	220,077	58,037	18,698	237,706	14,743	-	329,184
Utilities	-	-	-	-	989,618	17,696	-	-	1,007,314
Depreciation	2,729,249	3,064	2,732,313	51,869	231,913	473,303	-	-	757,085
Total expenses by function	28,751,185	3,629,867	32,381,052	3,004,409	10,047,699	6,945,584	440,724	3,856,882	24,295,298
									56,676,350

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

**Notes to the
Financial Statements**

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of LifeSchool of Dallas (the "Corporation") were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

A. Reporting Entity

The Corporation is a nonprofit organization incorporated in the State of Texas in 1996. The Corporation is governed by a Board of Directors comprised of six members. The Board of Directors is selected pursuant to the bylaws of the Corporation and has the authority to make decisions, appoint the chief executive officer of the Corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Corporation.

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

B. Corporate Operations

LifeSchool of Dallas is operating an open-enrollment charter school providing education for kindergarten through 12th grade students authorized under Chapter 12, Subchapter D of the Texas Education Code. The Texas State Board of Education issued the initial charter to the charter holder for a period of five years from August 1, 1998 to July 31, 2003. Subsequent to the awarding of the initial charter, the Corporation applied for and received a second charter renewal in July 2003 extending the charter ten years to July 31, 2013. The Corporation's charter was subsequently renewed for another ten years, expiring July 31, 2023. Maximum enrollment was increased from 2,000 to 3,000 in May 2005. In April 2008, maximum enrollment was again increased from 3,000 to 5,000 effective August 1, 2008. Maximum enrollment was increased from 5,000 to 10,000 students in August 2010, and to 15,000 effective July 1, 2016. Approved campus locations are in Oak Cliff, Waxahachie, Red Oak, Lancaster, Cedar Hill, West Dallas and Carrollton, Texas.

C. Basis of Accounting and Presentation

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

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

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

Net assets with donor restriction - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

Net assets with donor restriction (continued) - 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.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of 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, and those differences could be material.

E. Contributions

The Corporation accounts for contributions as with donor restriction or without donor restriction, 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 restriction and reported in the statement of activities as net assets released from restrictions.

No amounts have been reflected in the financial statements for donated materials or services since no objective basis is available to measure the value thereof; however, a substantial number of volunteers donate their time to the school program services and in fund-raising activities.

F. Cash and Cash Equivalents

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

G. Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the Corporation as assets with an estimated useful life of more than one year and a cost of \$5,000 or more. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from two to forty 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.

H. Personal Leave

All employees of the school earn five days of local paid personal leave per year. The balance does not accumulate; therefore, there is no liability accrued on the financial statements.

Employees additionally earn five days of state paid personal and sick leave per year. There is no material liability for unpaid accumulated sick leave since the school does not have a policy to pay any amounts when the employees separate from service with the school, and any unused balance is transferable to other schools.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

I. Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

J. Change in Accounting Principal

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. CASH AND CASH EQUIVALENTS

The corporation's funds are deposited and invested with its depository bank and other institutions. The depository bank is required to deposit for safekeeping and trust with the charter holder's agent approved pledged securities in an amount sufficient to protect corporate funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2019, the carrying amount of the charter holder's deposits (cash demand accounts and interest-bearing accounts included in cash and cash equivalents) was \$18,834,622, and the bank balance was \$19,435,487. The corporation's cash deposits at August 31, 2019, and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name. The above amounts include \$15,768,560 of fully collateralized investments in TexPool accounted for as cash equivalents.

At August 31, 2018, the carrying amount of the charter holder's deposits (cash demand accounts and interest-bearing accounts included in cash and cash equivalents) was \$20,472,721, and the bank balance was \$20,953,624. The corporation's cash deposits at August 31, 2018, and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name. The above amounts include \$18,187,154 of fully collateralized investments in TexPool accounted for as cash equivalents.

The corporation has restricted cash and cash equivalents of \$2,727,209 and \$1,900,411 as of August 31, 2019 and 2018, respectively. These amounts are deposited with Region's Bank in short-term cash sweep accounts. As of August 31, 2019, \$797,014 of bonds payable proceeds are restricted for future construction projects. The remaining \$1,930,195 is held in various reserve accounts and is restricted for debt service reserves by the corporation's bonds payable indentures.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit at InterBank during the year ended August 31, 2019:

- a. Depository: InterBank
- b. At the date of the highest combined cash balance, District cash balances were collateralized by a \$3,435,000 irrevocable letter of credit issued in favor of the District by InterBank and held on behalf of the District by the Federal Home Loan Bank of Topeka.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$3,063,484 and occurred during the month of October 2018.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

3. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2019 and 2018, the charter holder had no material liability for accrued sick leave or vacation leave.

4. PENSION PLAN OBLIGATIONS

A. Plan Description

The charter school contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan. The charter school is legally a separate entity from the state and other entities that participate in TRS. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1- 800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701. There is not a withdrawal penalty for leaving the TRS system.

B. Funding Policy

Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The State Constitution requires the Legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

As of August 31, 2018 (the most recent information available), TRS had total net plan assets of \$154.6 billion and accumulated benefit obligation of \$209.6 billion, leaving a net pension liability of \$55.0 billion. TRS is 73.74% funded. There is not a collective-bargaining agreement that covers the plan.

State law provides for the following contribution rates for 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Employees (members)	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

The employer contribution was required to be paid on salaries paid from federal grants, salaries paid new employees during their first 90 days of employment, a contribution surcharge for certain employees who have retired from TRS, and an additional 1.5% of covered employee salaries.

Contributions made by the Corporation and employees for 2019 and 2018 are shown below. Contributions made each year were equal to the required contributions.

	<u>2019</u>	<u>2018</u>
Employees (members)	\$2,410,660	\$2,207,590
Employers	\$ 628,251	\$ 569,263

C. Additional plans

Certain employees of the charter holder are also provided with Social Security and/or Medicare coverage. Under provisions of federal law, covered employees contribute 6.2% (Social Security) and/or 1.45% (Medicare) of their annual covered salary, and the charter holder contributes 6.2% (Social Security) and/or 1.45% (Medicare) of the covered payroll.

5. PUBLIC SCHOOL RETIREE HEALTH PLAN

A. Plan Description

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

B. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. The State of Texas and active school employee contribution rates were 1.25% and 0.65% of school payroll, respectively, with the employer contributing a percentage of payroll set at 0.75% for fiscal year 2018. In fiscal year 2019, the State of Texas contribution rate remained 1.25%, the employer contribution rate remained 0.75% and the active employee contribution rate remained 0.65%. For the years ended August 31, 2019 and 2018, the State's contributions to TRS Care were \$391,341 and \$342,182, respectively. The active member contributions were \$203,499 and \$186,357, respectively. The charter school's contributions were \$234,804 and \$231,282, respectively, which equaled the required contributions each year.

6. HEALTH CARE COVERAGE

During the years ended August 31, 2019 and 2018, full-time employees of the charter school were covered by a health insurance plan (the Plan). For the years ended August 31, 2019 and 2018, the charter school contributed a minimum of \$490 and \$480, respectively, per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay additional contributions or premiums for the employee and dependents. All premiums were paid to licensed insurers.

7. 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 agencies. The programs administered by the charter school have complex compliance requirements and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agencies. In the opinion of the charter school, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

8. INCOME TAX

The Corporation is organized as a Texas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Section 509(a)(1) and (3), respectively. The Corporation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the corporation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Corporation had unrelated business income for the year ended August 31, 2018, and as a result, paid \$6,854 in income tax. Unrelated business activities did not generate taxable income during the year ended August 31, 2019.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

9. PROPERTY AND EQUIPMENT

Property and Equipment at August 31, 2019, were as follows:

	<u>Balance</u> <u>9/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2019</u>
Land	\$ 5,642,748	\$ -	\$ -	\$ 5,642,748
Buildings and Improvements	86,513,574	2,650,520	-	89,164,094
Furniture and Equipment	5,310,895	1,548,594	(288,284)	6,571,205
Vehicles	394,215	-	-	394,215
Capital Lease	990,302	-	-	990,302
Construction in Progress	328,807	-	(184,644)	144,163
Accumulated Depreciation	<u>(21,257,556)</u>	<u>(3,408,818)</u>	<u>9,609</u>	<u>(24,656,765)</u>
	<u>\$ 77,922,985</u>	<u>\$ 790,296</u>	<u>\$ (463,319)</u>	<u>\$ 78,249,962</u>

Property and Equipment at August 31, 2018, were as follows:

	<u>Balance</u> <u>9/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2018</u>
Land	\$ 5,642,748	\$ -	\$ -	\$ 5,642,748
Buildings and Improvements	83,141,410	3,372,164	-	86,513,574
Furniture and Equipment	4,793,342	517,553	-	5,310,895
Vehicles	394,215	-	-	394,215
Capital Lease	708,252	282,050	-	990,302
Construction in Progress	571,746	184,644	(427,583)	328,807
Accumulated Depreciation	<u>(17,768,158)</u>	<u>(3,489,398)</u>	<u>-</u>	<u>(21,257,556)</u>
	<u>\$ 77,483,555</u>	<u>\$ 867,013</u>	<u>\$ (427,583)</u>	<u>\$ 77,922,985</u>

Capital assets acquired with public funds received by the Corporation for the operation of LifeSchool Lancaster, LifeSchool Red Oak, LifeSchool Oak Cliff, Life High School Waxahachie, Life Middle School Waxahachie, LifeSchool Cedar Hill, LifeSchool Mountain Creek, and LifeSchool Carrollton constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

10. ECONOMIC DEPENDENCY

During the years ended August 31, 2019 and 2018, the charter holder earned revenue of \$54,244,373 and \$51,258,232, respectively, from the State of Texas. This constitutes approximately 88.24% and 86.91%, respectively, of total revenue earned. Any unforeseen loss of the charter agreement with the State or changes in legislative funding could have a material effect on the ability of the charter school to continue to provide the current level of services to its students.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

11. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction for the years ended August 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Foundation School Program	\$5,027,020	\$3,620,098
Campus Activity Funds	227,080	268,035
ESEA Title I Part A, Improving Basic Programs	210,583	216,701
National School Lunch & Breakfast Program	<u>1,023,206</u>	<u>907,002</u>
	<u>\$6,487,889</u>	<u>\$5,011,836</u>

12. BONDS PAYABLE

In May 2014, the Corporation issued the following bond series:

Tax-Exempt Bonds – Series 2014A – par value \$85,645,000, interest rates from 2.0% to 5.0%
 Qualified School Construction Bonds – Taxable – Series 2014Q – par value \$6,515,000, interest rate 4.56%

The bonds issued are guaranteed by the Texas Permanent School Fund.

Total proceeds from the bond issues, including premiums, were \$99,821,141. A portion of the proceeds, \$6,778,799, was used to pay off a note payable to Regions Bank taken out in March 2013. Additional proceeds were used to defease the Corporation’s 2011A and 2011B outstanding bond series. \$48,116,315 was deposited in an escrow account and used to purchase government guaranteed securities. The escrow account will be used to provide for all future debt service on the 2011A and 2011B bond series. See Note 17 for further information regarding the restricted escrow account.

\$43,187,693 of the bond proceeds were deposited to a construction fund held by Regions Bank to fund construction projects. The primary construction project is the construction of a new high school building in Waxahachie, Texas.

There are a number of limitations and restrictions contained in the bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2019.

The defeased bonds were fully repaid from the escrow account on August 15, 2019.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

A summary of bonds payable for the year ended August 31, 2019 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 09/01/18	Issued/ (Retired)	Amounts Outstanding 08/31/19	Amount due within one year
Education Revenue and Refunding Bonds – Series 2014A	2.00%-5.00%	85,645,000	81,660,000	(1,495,000)	80,165,000	1,570,000
QSCB's Taxable Bonds – Series 2014Q	4.56%	6,515,000	6,515,000	-	6,515,000	-
Total bonded debt payable			88,175,000	(1,495,000)	86,680,000	1,570,000
Bond Premium (Discount)			6,575,813	(255,371)	6,320,442	-
Total			\$ 94,750,813	\$ (1,750,371)	\$ 93,000,442	\$ 1,570,000

Debt service requirements are as follows:

Years ending 31-Aug	Principal	Interest	Requirements
2020	\$ 1,570,000	\$ 4,050,123	\$ 5,620,123
2021	1,650,000	3,971,624	5,621,624
2022	1,730,000	3,889,123	5,619,123
2023	1,815,000	3,802,623	5,617,623
2024	1,910,000	3,711,873	5,621,873
2025-2029	11,075,000	17,028,117	28,103,117
2030-2034	21,050,000	13,672,544	34,722,544
2035-2039	20,385,000	8,256,000	28,641,000
2040-2044	25,495,000	3,139,000	28,634,000
Thereafter	-	-	-
	<u>\$ 86,680,000</u>	<u>\$ 61,521,027</u>	<u>\$ 148,201,027</u>

The Corporation received a Qualified School Construction Bond subsidy of \$278,420 during the year ending August 31, 2019 and \$277,233 during the year ending August 31, 2018 and expects to receive \$275,452 annually through August 31, 2033. This amount is subject to change.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

13. NOTE PAYABLE

In May 2018, the Corporation entered into a line of credit note payable with Regions Commercial Equipment Finance, LLC. The line of credit allows for borrowings of up to \$11.0 million. The Corporation has borrowed \$2,318,382 under the line of credit as of August 31, 2019. Interest accrues on the outstanding balance at the LIBOR rate plus 1.96% (4.0720% as of August 31, 2019). Interest only is payable every six months; on June 30 and December 30 of each year. The note matures June 30, 2021 at which time all principal and accrued interest is due. There are no principal payments due under the note in fiscal year ended August 31, 2020, and \$2,318,382 is due in fiscal year ended August 31, 2021.

14. CAPITAL LEASES

The Corporation is obligated under a capital lease to pay for the purchase of 3 school buses. The following schedule lists the property leased:

<u>Capital Lease Details</u>	<u>Interest Rate</u>	<u>Date of Agreement</u>	<u>Original Property Value</u>	<u>Property Purchased</u>
Mercedes-Benz Financial	4.313%	9/19/2017	\$ 282,050	3 Buses

Future minimum payments under noncancellable operating leases as of August 31, 2019 are as follows:

2019-20	\$ 75,235
2020-21	75,235
Thereafter	-
Total future minimum lease payments	<u>150,470</u>
Less amount representing interest	<u>(9,204)</u>
Present value of net minimum lease payments	<u>\$ 141,266</u>

15. OPERATING LEASES

The Corporation leased facilities through various operating leases expiring between 2019 and 2035. The minimum monthly payment at August 31, 2019 was \$248,893. Rent expense was \$2,862,771 and \$2,847,363, respectively, for the years ended August 31, 2019 and 2018.

Future minimum payments under noncancellable operating leases as of August 31, 2019 are as follows:

2019-20	\$ 2,986,722
2020-21	3,032,996
2021-22	3,345,667
2022-23	3,486,601
2023-24	3,569,538
Thereafter	<u>18,896,707</u>
Total	<u>\$ 35,318,231</u>

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

16. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the Corporation through January 15, 2020, the date of financial statement issuance, and has determined that there were no subsequent events that require recognition or disclosure in the financial statements.

17. BOND DEFEASANCE

In May 2014, the Corporation issued bonds (See Note 12) to provide construction funds and to refund (defease) the Corporations 2011A and 2011B bond series. To accomplish the defeasance, \$48,116,315 was deposited into a restricted escrow account held by Regions Bank. Amounts in the escrow account were used to pay all future debt service payments on the 2011A and 2011B bond series.

The funds in the escrow account were invested in government-guaranteed bonds with maturities scheduled to match future payment requirements on the defeased debt. The Corporation has received a legal opinion that the 2011A and 2011B bond series are considered legally defeased. Accordingly, the Corporation has removed the liability for these bonds from its financial statements.

18. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents-unrestricted	\$ 16,116,473
Due from State and other governments	6,037,599
Other receivables	503,350
Less amount with donor restriction	<u>(6,487,889)</u>
	<u>\$ 16,169,533</u>

**Specific-Purpose
Financial Statements**

LIFESCHOOL OF DALLAS

Exhibit B-1

**STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 16,116,473	\$ 18,581,330
Cash and cash equivalents - restricted	2,727,209	1,900,411
Due from State and other governments	6,037,599	4,425,573
Prepaid expenses	360,278	218,310
Other receivables	503,350	15,120
Total Current Assets	<u>25,744,909</u>	<u>25,140,744</u>
Property and Equipment		
Land	5,642,748	5,642,748
Building and improvements	89,164,094	86,513,574
Furniture and equipment	6,571,205	5,310,895
Vehicles	394,215	394,215
Assets purchased under capital lease	990,302	990,302
Construction in progress	144,163	328,807
Less accumulated depreciation	<u>(24,656,765)</u>	<u>(21,257,556)</u>
Total Property and Equipment	<u>78,249,962</u>	<u>77,922,985</u>
Other Assets		
Capitalized Debt Issuance Costs	1,530,977	1,661,594
Other Assets	165,607	130,262
	<u>1,696,584</u>	<u>1,791,856</u>
Total Assets	<u>\$ 105,691,455</u>	<u>\$ 104,855,585</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,010,849	\$ 638,843
Accrued wages	949,638	336,191
Due to state government	292	1,712
Due to student groups	49,192	50,616
Unearned Revenues	67,489	6,686
Accrued employee benefits	153,855	129,261
Accrued interest expense	181,868	188,523
Current portion of capital leases payable	69,142	65,550
Current portion of bonds payable	1,570,000	1,495,000
Total Current Liabilities	<u>4,052,325</u>	<u>2,912,382</u>
Long Term Debt (net of current portions)		
Capital leases payable	72,124	141,265
Loans payable	2,318,382	2,318,382
Bonds payable	91,430,441	93,255,813
Total Long-Term Debt	<u>93,820,947</u>	<u>95,715,460</u>
Total Liabilities	<u>97,873,272</u>	<u>98,627,842</u>
Net Assets		
Without donor restriction	1,330,294	1,215,907
With donor restriction	6,487,889	5,011,836
Total Net Assets	<u>7,818,183</u>	<u>6,227,743</u>
Total Liabilities and Net Assets	<u>\$ 105,691,455</u>	<u>\$ 104,855,585</u>

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

LIFESCHOOL OF DALLAS

Exhibit B-2

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019		Totals
	Without Donor Restriction	With Donor Restriction	
Revenues			
Local Support:			
Contributions	\$ 131,746	\$ -	\$ 131,746
Food Service Activity	-	577,805	577,805
Athletic Activities	293,302	-	293,302
Rent	141,693	-	141,693
Interest	453,710	-	453,710
Other Revenues	521,187	-	521,187
Total Local Support	<u>1,541,638</u>	<u>577,805</u>	<u>2,119,443</u>
State Program Revenues:			
Foundation School Program	-	54,244,373	54,244,373
Instructional Materials Fund	-	336,765	336,765
Food Service	-	13,452	13,452
Total State Program Revenues	<u>-</u>	<u>54,594,590</u>	<u>54,594,590</u>
Federal Program Revenues:			
IDEA Part B, Formula	-	746,123	746,123
IDEA Part B, Discretionary	-	14,612	14,612
ESEA Title I Part A Improving Basic Programs	-	1,539,989	1,539,989
ESEA Title II Part A Teacher and Principal Training	-	170,741	170,741
ESEA Title IV Part A Student Support	-	72,552	72,552
National School Breakfast and Lunch Program	-	1,833,689	1,833,689
Title III Part A - English Language Acquisition and Enhancement	-	25,842	-
School Health and Related Services	-	265,203	265,203
Teacher Incentive Fund	-	3,664	3,664
Career & Technical - Basic Grant	-	83,705	83,705
Summer School LEP	-	1,252	1,252
Total Federal Program Revenues	<u>-</u>	<u>4,757,372</u>	<u>4,488,237</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>58,453,714</u>	<u>(58,453,714)</u>	<u>-</u>
Total Revenues	<u>59,995,352</u>	<u>1,476,053</u>	<u>61,471,405</u>
Expenses			
Program Services:			
Instruction and Instructional-Related Services	30,090,974	-	30,090,974
Instructional and School Leadership	4,145,511	-	4,145,511
Support Services:			
Administrative Support Services	3,420,417	-	3,420,417
Support Services - Non-Student Based	10,489,476	-	10,489,476
Support Services - Student (Pupil)	7,414,987	-	7,414,987
Ancillary Services	387,507	-	387,507
Debt Service	3,932,093	-	3,932,093
Total Expenses	<u>59,880,965</u>	<u>-</u>	<u>59,880,965</u>
Change in Net Assets	<u>114,387</u>	<u>1,476,053</u>	<u>1,590,440</u>
Net Assets, Beginning of Year	<u>1,215,907</u>	<u>5,011,836</u>	<u>6,227,743</u>
Net Assets, End of Year	<u>\$ 1,330,294</u>	<u>\$ 6,487,889</u>	<u>\$ 7,818,183</u>

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

LIFESCHOOL OF DALLAS

Exhibit B-2

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

	2018		
	Without Donor Restriction	With Donor Restriction	Totals
Revenues			
Local Support:			
Contributions	\$ 50,852	\$ -	\$ 50,852
Food Service Activity	-	665,704	665,704
Athletic Activities	280,434	-	280,434
Rent	124,847	-	124,847
Interest	272,767	-	272,767
Other Revenues	668,616	-	668,616
Total Local Support	<u>1,397,516</u>	<u>665,704</u>	<u>2,063,220</u>
State Program Revenues:			
Foundation School Program	-	51,258,232	51,258,232
Instructional Materials Fund	-	401,035	401,035
Food Service	-	13,621	13,621
Total State Program Revenues	<u>-</u>	<u>51,672,888</u>	<u>51,672,888</u>
Federal Program Revenues:			
IDEA Part B, Formula	-	714,054	714,054
ESEA Title I Part A Improving Basic Programs	-	1,290,144	1,290,144
ESEA Title II Part A Teacher and Principal Training	-	178,547	178,547
ESEA Title IV Part A Student Support	-	30,430	30,430
National School Breakfast and Lunch Program	-	1,797,334	1,797,334
Title III Part A - English Language Acquisition and Enhancement	-	49,383	49,383
School Health and Related Services	-	262,507	262,507
Teacher Incentive Fund	-	863,969	863,969
Career & Technical - Basic Grant	-	57,168	57,168
Summer School LEP	-	1,187	1,187
Total Federal Program Revenues	<u>-</u>	<u>5,244,723</u>	<u>5,244,723</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>55,315,344</u>	<u>(55,315,344)</u>	<u>-</u>
Total Revenues	<u>56,712,860</u>	<u>2,267,971</u>	<u>58,980,831</u>
Expenses			
Program Services:			
Instruction and Instructional-Related Services	28,751,185	-	28,751,185
Instructional and School Leadership	3,629,867	-	3,629,867
Support Services:			
Administrative Support Services	3,004,409	-	3,004,409
Support Services - Non-Student Based	10,047,699	-	10,047,699
Support Services - Student (Pupil)	6,945,584	-	6,945,584
Ancillary Services	440,724	-	440,724
Debt Service	3,856,882	-	3,856,882
Total Expenses	<u>56,676,350</u>	<u>-</u>	<u>56,676,350</u>
Change in Net Assets	<u>36,510</u>	<u>2,267,971</u>	<u>2,304,481</u>
Net Assets, Beginning of Year	<u>1,179,397</u>	<u>2,743,865</u>	<u>3,923,262</u>
Net Assets, End of Year	<u>\$ 1,215,907</u>	<u>\$ 5,011,836</u>	<u>\$ 6,227,743</u>

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

LIFESCHOOL OF DALLAS

Exhibit B-3

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ 1,590,440	\$ 2,304,481
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation and amortization	3,399,209	3,489,398
Amortization of Capitalized Debt Issuance Costs	130,617	83,284
(Increase) Decrease in Due from State and Other Governments	(1,612,026)	(704,705)
(Increase) Decrease in Prepaid Expenses	(141,968)	288,973
(Increase) Decrease in Other Receivables	(488,230)	(8,335)
(Increase) Decrease in Other Assets	(35,345)	(63,119)
Increase (Decrease) in Accounts Payable	372,006	(128,098)
Increase (Decrease) in Accrued Wages	613,447	53,634
Increase (Decrease) in Due to State Government	(1,420)	1,466
Increase (Decrease) in Due to Student Groups	(1,424)	11,055
Increase (Decrease) in Unearned Revenues	60,803	6,686
Increase (Decrease) in Accrued Employee Benefits	24,594	63,118
Increase (Decrease) in Accrued Interest Expense	(6,655)	6,676
	<u>3,904,048</u>	<u>5,404,514</u>
Net Cash Provided (Used) by Operating Activities		
	<u>3,904,048</u>	<u>5,404,514</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(3,726,186)	(3,744,184)
Construction in Progress	-	(184,644)
	<u>(3,726,186)</u>	<u>(3,928,828)</u>
Net Cash Provided (Used) by Investing Activities		
	<u>(3,726,186)</u>	<u>(3,928,828)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from (on) Capital Lease	(65,549)	206,815
Proceeds from Loans	-	2,318,382
Debt Issuance Costs	-	(213,000)
Principal Payments on Debt	(1,750,372)	(1,695,372)
	<u>(1,815,921)</u>	<u>616,825</u>
Net Cash Provided (Used) by Financing Activities		
	<u>(1,815,921)</u>	<u>616,825</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,638,059)	2,092,511
Cash and Cash Equivalents, Beginning of Year	<u>20,481,741</u>	<u>18,389,230</u>
Cash and Cash Equivalents, End of Year (includes restricted cash of \$2,727,209 and \$1,900,411 at August 31, 2019 and 2018, respectively)	<u>\$ 18,843,682</u>	<u>\$ 20,481,741</u>
Interest Paid During the Years Ended August 31, 2019 and 2018	\$ 3,856,138	\$ 3,905,240
Income Taxes Paid During the Years Ended August 31, 2019 and 2018	\$ 14,434	None

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019				2018				
	Program Services		Support Services		Program Services		Support Services		
	Instructional-Related Services	Instructional and School Leadership	Total	Administrative Support Services	Support Services - Non-Student Based	Support Services - Student (Pupil)	Ancillary Services	Debt Service	Total
Salaries and Wages	21,991,178	3,324,299	25,315,477	1,975,106	1,780,520	3,133,479	278,569	-	7,167,674
Payroll Taxes	337,357	48,184	385,541	29,310	25,797	45,107	4,040	-	104,254
Employee Benefits	3,009,026	441,882	3,450,908	332,830	336,233	349,973	38,447	-	1,057,483
Fees For Services	445,281	36,580	481,861	698,986	1,082,213	191,455	31,620	-	2,004,274
Food	-	-	-	-	-	2,182,489	-	-	2,182,489
Insurance	-	-	-	3,390	275,089	23,278	-	-	301,757
Interest and Fiscal Charges	-	-	-	-	-	-	-	3,932,093	3,932,093
Miscellaneous	79,037	104,633	183,670	185,683	6,508	87,130	24,515	-	303,836
Rent	34,500	7,526	42,026	2,806	3,048,921	35,846	1,680	-	3,089,253
Repairs and Maintenance	660	-	660	-	1,958,262	89,143	-	-	2,047,405
Supplies	1,434,265	124,027	1,558,292	72,901	669,739	575,197	2,911	-	1,320,748
Travel	178,113	55,316	233,429	67,536	21,255	265,233	5,725	-	359,749
Utilities	-	-	-	-	937,902	20,974	-	-	958,876
Depreciation	2,581,557	3,064	2,584,621	51,869	347,037	415,683	-	-	814,589
Total expenses by function	30,090,974	4,145,511	34,236,485	3,420,417	10,489,476	7,414,987	387,507	3,932,093	25,644,480
									59,880,965

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2018				2018				
	Program Services		Support Services		Support Services		Support Services		
	Instructional-Related Services	Instructional and School Leadership	Total	Administrative Support Services	Support Services - Non-Student Based	Support Services - Student (Pupil)	Ancillary Services	Debt Service	Total
Salaries and Wages	21,018,469	2,878,939	23,897,408	1,629,893	1,625,621	2,657,416	345,261	-	6,258,191
Payroll Taxes	332,301	43,003	375,304	24,378	23,975	39,256	5,140	-	92,749
Employee Benefits	2,887,357	393,910	3,281,267	292,504	308,417	272,990	53,027	-	926,938
Fees For Services	220,492	21,713	242,205	659,538	1,038,135	160,965	3,846	-	1,862,484
Food	-	-	-	-	-	2,195,240	-	-	2,195,240
Insurance	-	-	-	2,876	243,538	19,918	-	-	266,332
Interest and Fiscal Charges	-	-	-	-	-	-	-	3,856,882	3,856,882
Miscellaneous	69,040	90,761	159,801	168,248	11,966	81,131	6,998	-	268,343
Rent	39,100	7,031	46,131	3,461	3,027,554	34,595	-	-	3,065,610
Repairs and Maintenance	-	-	-	-	1,970,226	100,363	-	-	2,070,589
Supplies	1,270,114	156,432	1,426,546	113,605	558,038	655,005	11,709	-	1,338,357
Travel	185,063	35,014	220,077	58,037	18,698	237,706	14,743	-	329,184
Utilities	-	-	-	-	989,618	17,696	-	-	1,007,314
Depreciation	2,729,249	3,064	2,732,313	51,869	231,913	473,303	-	-	757,085
Total expenses by function	28,751,185	3,629,867	32,381,052	3,004,409	10,047,699	6,945,584	440,724	3,856,882	24,295,298
									56,676,350

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

**Required
Supplementary
Information**

LIFESCHOOL OF DALLAS

Exhibit C-1

STATEMENTS OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

Expenses	<u>2019</u>	<u>2018</u>
6100 Payroll Costs	\$ 37,481,337	\$ 34,831,857
6200 Professional and Contracted Services	8,653,948	8,333,539
6300 Supplies and Materials	5,093,592	4,996,287
6400 Other Operating Costs	4,719,995	4,657,785
6500 Debt	<u>3,932,093</u>	<u>3,856,882</u>
Total Expenses	<u>\$ 59,880,965</u>	<u>\$ 56,676,350</u>

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

LIFESCHOOL OF DALLAS

Exhibit D-1

STATEMENT OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2019

	Ownership Interest		
	Local	State	Federal
1510 Land and Improvements	\$ -	\$ 5,642,748	\$ -
1520 Buildings and Improvements	55,597	89,108,497	-
1531 Vehicles	-	394,215	-
1539 Furniture and Equipment	4,750	5,455,869	913,979
1549 Furniture and Equipment	-	16,768	179,839
1559 Capital Lease	-	990,302	-
1580 Construction in Progress	-	144,163	-
1570 Less Accumulated Depreciation	(59,209)	(23,839,577)	(757,979)
Total Property and Equipment	<u>\$ 1,138</u>	<u>\$ 77,912,985</u>	<u>\$ 335,839</u>

Note: Accumulated depreciation of \$23,839,577 above on capital assets acquired with state funds includes \$511,532 accumulated depreciation on assets recorded under capital leases.

LIFESCHOOL OF DALLAS

Exhibit E-1

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 145,000	\$ 163,197	\$ 936,559	\$ 773,362
5750 Cocurricular and Enterprising Activities	760,016	788,523	1,182,884	394,361
Total Local Support	905,016	951,720	2,119,443	1,167,723
State Program Revenues:				
5810 Foundation School Program Act Revenues	53,603,913	53,603,913	54,244,373	640,460
5820 State Program Revenues Distributed by TEA	608,000	608,000	350,216	(257,784)
Total State Program Revenues	54,211,913	54,211,913	54,594,589	382,676
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	4,040,037	4,789,791	4,488,505	(301,286)
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	200,000	200,000	265,204	65,204
5940 Federal Revenues Distributed Directly from the Federal Government	-	45,496	3,664	(41,832)
Total Federal Program Revenues	4,240,037	5,035,287	4,757,373	(277,914)
Total Revenues	59,356,966	60,198,920	61,471,405	1,272,485
Expenses				
11 Instruction	27,219,195	28,235,139	27,866,166	368,973
12 Instructional Resources & Media Services	123,032	152,109	96,309	55,800
13 Curriculum & Instructional Staff Development	2,104,008	2,426,219	2,128,499	297,720
21 Instructional Leadership	977,788	1,062,872	952,212	110,660
23 School leadership	2,958,732	3,178,952	3,193,299	(14,347)
31 Guidance, Counseling, & Evaluation Services	1,919,084	2,516,237	2,070,090	446,147
33 Health Services	432,239	566,840	466,636	100,204
34 Student Transportation	81,856	122,956	80,456	42,500
35 Food Services	2,328,679	2,630,128	2,313,226	316,902
36 Cocurricular/Extracurricular Activities	1,932,068	2,783,036	2,484,579	298,457
41 General Administration	3,564,604	4,015,442	3,420,417	595,025
51 Plant Maintenance & Operations	7,664,070	8,579,562	7,781,172	798,390
52 Security & Monitoring Services	898,023	1,129,674	989,359	140,315
53 Data Processing Services	1,832,100	2,183,221	1,718,945	464,276
61 Community Services	71,227	219,744	143,978	75,766
71 Debt Service	4,835,200	4,835,200	3,932,093	903,107
81 Fundraising	341,816	425,818	243,529	182,289
Total Expenses	59,283,721	65,063,149	59,880,965	5,182,184
Change in Net Assets	73,245	(4,864,229)	1,590,440	6,454,669
Net Assets, Beginning of Year	6,227,743	6,227,743	6,227,743	-
Net Assets, End of Year	\$ 6,300,988	\$ 1,363,514	\$ 7,818,183	\$ 6,454,669

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

**Reports on Compliance,
Internal Controls,
and Federal Awards**

Members:
AMERICAN INSTITUTE OF
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**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
LifeSchool of Dallas
Red Oak, 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 LifeSchool of Dallas (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019 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 dated January 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LifeSchool of Dallas' 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 LifeSchool of Dallas' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 LifeSchool of Dallas' 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 the audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 15, 2020

Members:
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE

To the Board of Directors
LifeSchool of Dallas
Red Oak, Texas

Report on Compliance for Each Major Federal Program

We have audited LifeSchool of Dallas' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of LifeSchool of Dallas' major federal programs for the year ended August 31, 2019. LifeSchool of Dallas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of LifeSchool of Dallas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LifeSchool of Dallas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LifeSchool of Dallas' compliance.

Opinion on Each Major Federal Program

In our opinion, LifeSchool of Dallas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.


Report on Internal Control Over Compliance

Management of LifeSchool of Dallas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LifeSchool of Dallas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LifeSchool of Dallas' internal control over compliance.

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

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

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


Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 15, 2020

LIFESCHOOL OF DALLAS (THE CHARTER HOLDING)

Exhibit F-1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X No

Type of auditors' report issued on compliance for major programs Unmodified

Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)? ___ Yes X No

Identification of major programs:

CFDA 84.010A - ESEA, Title I, Part A - Improving Basic Programs
CFDA 84.010A - ESEA, Title I, School Improvement

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes ___ No

II. Financial Statement Findings

None

III. Findings and Questioned Costs for State and Federal Awards

None

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019

CORRECTIVE ACTION PLAN:

None Required

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

No prior audit findings.

LIFESCHOOL OF DALLAS

Exhibit I-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Program</u>			
Teacher Incentive Fund	84.374A	S374A120090	\$ 3,664
Total Direct Program			<u>3,664</u>
<u>Passed Through Region 10 Education Service Center</u>			
Title III, Part A - English Language Acquisition	84.365A	19671001057950	25,842
Total Passed Through Region 10 Education Service Center			<u>25,842</u>
<u>Passed Through Region 20 Education Service Center</u>			
*IDEA - Part B, Discretionary	84.027	2265431910023	14,612
Total Passed Through Region 20 Education Service Center			<u>14,612</u>
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101057807	1,218,034
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101057807	171,955
ESEA, Title I, School Improvement	84.010A	19610123057807	150,000
Total CFDA Number 84.010A			<u>1,539,989</u>
*IDEA - Part B, Formula	84.027	186600010578076600	189,417
*IDEA - Part B, Formula	84.027	196600010578076600	481,324
*IDEA - Part B, Formula	84.027	206600010578076600	75,382
Total Special Education Cluster (IDEA) Passed Through State Department of Education			<u>746,123</u>
Career and Technical - Basic Grant	84.048	19420006057807	74,388
Career and Technical - Basic Grant	84.048	20420006057807	9,317
Total CFDA Number 84.048			<u>83,705</u>
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	19694501057807	153,821
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	20694501057807	16,920
Total CFDA Number 84.367A			<u>170,741</u>
Summer School LEP	84.369A	69551702	1,252
ESEA, Title IV, Part A - Student Support	84.424A	19680101057807	72,552
Total Passed Through State Department of Education			<u>2,614,362</u>
TOTAL DEPARTMENT OF EDUCATION			\$ 2,658,480
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401801	\$ 258,560
*National School Lunch Program - Cash Assistance	10.555	71301801	1,397,779
*National School Lunch Program - Non-Cash Assistance	10.555	71301801	177,350
Total CFDA Number 10.555			<u>1,575,129</u>
Total Child Nutrition Cluster			<u>1,833,689</u>
Total Passed Through the State Department of Agriculture			<u>\$ 1,833,689</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,833,689
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,492,169

*Clustered Programs

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

1. For all federal programs, the Corporation used the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.
2. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.
3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.
4. The Corporation received School Health and Related Services (SHARS) payments of \$265,203. These payments are not considered a Federal award for purposes of The Schedule of Expenditures of Federal Awards, but is included in federal revenue on Exhibit A-2.

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