

**LIFESCHOOL OF DALLAS**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

**LIFESCHOOL OF DALLAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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LIFESCHOOL OF DALLAS  
CERTIFICATE OF BOARD  
AUGUST 31, 2020

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, 2020, at a meeting of the governing body the charter holder on the 20th day of January, 2021.

  
Signature of Board Secretary

  
Signature of Board President

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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, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses 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, 2020 and 2019, 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, 2021, 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, PC  
Denton, Texas

January 15, 2021

**General-Purpose  
Financial Statements**

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**

Exhibit A-1

**STATEMENTS OF FINANCIAL POSITION  
AS OF AUGUST 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 16,784,377	\$ 16,116,473
Cash and cash equivalents - restricted	2,457,365	2,727,209
Due from State and other governments	3,986,378	6,037,599
Prepaid expenses	306,063	360,278
Other receivables	760,668	503,350
Total Current Assets	<u>24,294,851</u>	<u>25,744,909</u>
Property and Equipment		
Land	5,642,748	5,642,748
Building and improvements	89,524,679	89,164,094
Furniture and equipment	7,138,628	6,571,205
Vehicles	708,014	394,215
Assets purchased under capital lease	990,302	990,302
Construction in progress	144,163	144,163
Less accumulated depreciation	(28,304,074)	(24,656,765)
Total Property and Equipment	<u>75,844,460</u>	<u>78,249,962</u>
Other Assets		
Capitalized Debt Issuance Costs	1,400,360	1,530,977
Other Assets	255,107	165,607
	<u>1,655,467</u>	<u>1,696,584</u>
Total Assets	<u>\$ 101,794,778</u>	<u>\$ 105,691,455</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 1,114,729	\$ 1,010,849
Accrued wages	942,126	949,638
Due to state government	570	292
Due to student groups	46,437	49,192
Unearned revenues	64,098	67,489
Accrued employee benefits	243,355	153,855
Accrued interest expense	176,333	181,868
Current portion of capital lease payable	72,124	69,142
Current portion of notes payable	2,376,063	-
Current portion of bonds payable	1,650,000	1,570,000
Total Current Liabilities	<u>6,685,835</u>	<u>4,052,325</u>
Long Term Debt (net of current portions)		
Capital lease payable	-	72,124
Notes payable	246,754	2,318,382
Bonds payable	89,525,070	91,430,441
Total Long-Term Debt	<u>89,771,824</u>	<u>93,820,947</u>
Total Liabilities	<u>96,457,659</u>	<u>97,873,272</u>
Net Assets		
Without donor restriction	1,383,785	1,330,294
With donor restriction	3,953,334	6,487,889
Total Net Assets	<u>5,337,119</u>	<u>7,818,183</u>
Total Liabilities and Net Assets	<u>\$ 101,794,778</u>	<u>\$ 105,691,455</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, 2020 AND 2019

	2020		Totals
	Without Donor Restriction	With Donor Restriction	
<b>Revenues</b>			
Local Support:			
Contributions	\$ 160,604	\$ -	\$ 160,604
Food Service Activity	-	358,026	358,026
Athletic Activities	252,167	-	252,167
Rent	45,245	-	45,245
Interest	198,883	-	198,883
Other Revenues	356,172	-	356,172
Total Local Support	1,013,071	358,026	1,371,097
State Program Revenues:			
Foundation School Program	-	52,968,537	52,968,537
Instructional Materials Fund	-	853,582	853,582
Evaluation Capacity Grant	-	55,000	55,000
Safety and Security Grant	-	72,566	72,566
Fiscal Support Grant	-	20,000	20,000
Food Service	-	12,794	12,794
Total State Program Revenues	-	53,982,479	53,982,479
Federal Program Revenues:			
CARES Act Stimulus Grant	-	1,137,087	1,137,087
IDEA Part B, Formula	-	948,870	948,870
ESEA Title I Part A Improving Basic Programs	-	1,492,223	1,492,223
ESEA Title II Part A Teacher and Principal Training	-	165,585	165,585
ESEA Title IV Part A Student Support	-	67,340	67,340
Medicaid Administrative Claiming Program-MAC	-	11,978	11,978
National School Breakfast and Lunch Program	-	1,268,254	1,268,254
Title III Part A - English Language Acquisition and Enhancement	-	18,893	18,893
School Health and Related Services	-	433,857	433,857
Career & Technical - Basic Grant	-	64,210	64,210
Summer School LEP	-	1,336	1,336
Total Federal Program Revenues	-	5,609,633	5,609,633
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	62,484,693	(62,484,693)	-
Total Revenues	63,497,764	(2,534,555)	60,963,209
<b>Expenses</b>			
Program Services:			
Instruction and Instructional-Related Services	32,848,909	-	32,848,909
Instructional and School Leadership	4,441,883	-	4,441,883
Support Services:			
Administrative Support Services	4,003,903	-	4,003,903
Support Services - Non-Student Based	11,062,983	-	11,062,983
Support Services - Student (Pupil)	6,884,182	-	6,884,182
Ancillary Services	371,558	-	371,558
Debt Service	3,830,855	-	3,830,855
Total Expenses	63,444,273	-	63,444,273
Change in Net Assets	53,491	(2,534,555)	(2,481,064)
Net Assets, Beginning of Year	1,330,294	6,487,889	7,818,183
Net Assets, End of Year	\$ 1,383,785	\$ 3,953,334	\$ 5,337,119

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, 2020 AND 2019

	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	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	58,453,714	(58,453,714)	-
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.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2020</u>	<u>2019</u>
Change in Net Assets	\$ (2,481,064)	\$ 1,590,440
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation and amortization	3,647,309	3,399,209
Amortization of Capitalized Debt Issuance Costs	130,617	130,617
(Increase) Decrease in Due from State and Other Governments	2,051,221	(1,612,026)
(Increase) Decrease in Prepaid Expenses	54,215	(141,968)
(Increase) Decrease in Other Receivables	(257,318)	(488,230)
(Increase) Decrease in Other Assets	(89,500)	(35,345)
Increase (Decrease) in Accounts Payable	103,880	372,006
Increase (Decrease) in Accrued Wages	(7,512)	613,447
Increase (Decrease) in Due to State Government	278	(1,420)
Increase (Decrease) in Due to Student Groups	(2,755)	(1,424)
Increase (Decrease) in Unearned Revenues	(3,391)	60,803
Increase (Decrease) in Accrued Employee Benefits	89,500	24,594
Increase (Decrease) in Accrued Interest Expense	(5,535)	(6,655)
	<u>3,229,945</u>	<u>3,904,048</u>
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	<u>(1,241,807)</u>	<u>(3,726,186)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,241,807)</u>	<u>(3,726,186)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from (on) Capital Lease Payable	(69,142)	(65,549)
Proceeds (Payments) from (on) Notes Payable	304,435	-
Principal Payments on Bonds Payable	<u>(1,825,371)</u>	<u>(1,750,372)</u>
Net Cash Provided (Used) by Financing Activities	<u>(1,590,078)</u>	<u>(1,815,921)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	398,060	(1,638,059)
Cash and Cash Equivalents, Beginning of Year	<u>18,843,682</u>	<u>20,481,741</u>
Cash and Cash Equivalents, End of Year (includes restricted cash of \$2,457,365 and \$2,727,209 at August 31, 2020 and 2019, respectively)	<u>\$ 19,241,742</u>	<u>\$ 18,843,682</u>
Cash Paid for Interest During the Year	\$ 3,770,485	\$ 3,856,138
Cash Paid for Income Taxes During the Year	\$ -	\$ 14,434

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, 2020 AND 2019

	2020									
	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	Total
Salaries and Wages	23,596,326	3,572,688	27,169,014	2,320,085	1,866,251	3,400,471	261,850	-	7,848,657	35,017,671
Payroll Taxes	367,783	52,434	420,217	34,473	27,145	49,423	3,865	-	114,906	535,123
Employee Benefits	3,650,186	550,269	4,200,455	502,885	366,997	456,555	37,170	-	1,363,607	5,564,062
Fees For Services	449,636	39,295	488,931	532,323	947,580	226,719	38,950	-	1,745,572	2,234,503
Food	-	-	-	-	-	1,427,892	-	-	1,427,892	1,427,892
Insurance	-	-	-	3,247	310,022	26,722	-	-	339,991	339,991
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	3,830,855	3,830,855
Miscellaneous	81,845	69,517	151,362	400,951	5,674	81,800	19,608	-	508,033	659,395
Rent	36,555	6,411	42,966	381	3,243,554	47,212	-	-	3,291,147	3,334,113
Repairs and Maintenance	18,795	-	18,795	-	1,873,544	75,491	-	-	1,949,035	1,967,830
Supplies	1,930,981	111,308	2,042,289	118,265	641,689	514,445	6,270	-	1,280,669	3,322,958
Travel	77,759	36,897	114,656	39,424	7,461	144,750	3,845	-	195,480	310,136
Utilities	-	-	-	-	1,232,213	20,222	-	-	1,252,435	1,252,435
Depreciation	2,639,043	3,064	2,642,107	51,869	540,853	412,480	-	-	1,005,202	3,647,309
<b>Total expenses by function</b>	<b>32,848,909</b>	<b>4,441,883</b>	<b>37,290,792</b>	<b>4,003,903</b>	<b>11,062,983</b>	<b>6,884,182</b>	<b>371,558</b>	<b>3,830,855</b>	<b>26,153,481</b>	<b>63,444,273</b>

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, 2020 AND 2019

	2019									
	Program Services			Support Services						
	Instructional and 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	32,483,151
Payroll Taxes	337,357	48,184	385,541	29,310	25,797	45,107	4,040	-	104,254	489,795
Employee Benefits	3,009,026	441,882	3,450,908	332,830	336,233	349,973	38,447	-	1,057,483	4,508,391
Fees For Services	445,281	36,580	481,861	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	183,670	185,683	6,508	87,130	24,515	-	303,836	487,506
Rent	34,500	7,526	42,026	2,806	3,048,921	35,846	1,680	-	3,089,253	3,131,279
Repairs and Maintenance	660	-	660	-	1,958,262	89,143	-	-	2,047,405	2,048,065
Supplies	1,434,265	124,027	1,558,292	72,901	669,739	575,197	2,911	-	1,320,748	2,879,040
Travel	178,113	55,316	233,429	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	2,584,621	51,869	347,037	415,683	-	-	814,589	3,399,210
<b>Total expenses by function</b>	<b>30,090,974</b>	<b>4,145,511</b>	<b>34,236,485</b>	<b>3,420,417</b>	<b>10,489,476</b>	<b>7,414,987</b>	<b>387,507</b>	<b>3,932,093</b>	<b>25,644,480</b>	<b>59,880,965</b>

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, 2020 AND 2019**

**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, 2020 AND 2019**

**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**  
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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, 2020, the carrying amount of the charter holder's deposits (cash demand accounts and interest-bearing accounts included in cash and cash equivalents) was \$19,232,682, and the bank balance was \$19,603,833. The corporation's cash deposits at August 31, 2020, and during the year ended August 31, 2020, 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 \$16,206,473 of fully collateralized investments in TexPool accounted for as cash equivalents.

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.

The corporation has restricted cash and cash equivalents of \$2,457,365 and \$2,727,209 as of August 31, 2020 and 2019, respectively. These amounts are deposited with Region's Bank in short-term cash sweep accounts. As of August 31, 2020, \$112 of bonds payable proceeds are restricted for future construction projects. The remaining \$2,457,253 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, 2020 AND 2019**

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, 2020:

- 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 \$2,932,888 and occurred during the month of January 2020.
- 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, 2020 and 2019, 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](http://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)**  
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As of August 31, 2019 (the most recent information available), TRS had total net plan assets of \$158.0 billion and accumulated benefit obligation of \$210.0 billion, leaving a net pension liability of \$52.0 billion. TRS is 75.24% funded. There is not a collective-bargaining agreement that covers the plan.

State law provides for the following contribution rates for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Employees (members)	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	6.8%
Employers	7.5%	6.8%

The employer was required to pay the state contribution on salaries paid from federal grants, salaries paid to new employees during their first 90 days of employment, and a contribution surcharge for certain employees who have retired from TRS, and an additional 1.5% of covered employee salaries. Beginning September 1, 2019, the Corporation was required to pay the state contribution on salaries above the statutory minimum.

Contributions made by the Corporation and employees for 2020 and 2019 are shown below. Contributions made each year were equal to the required contributions.

	<u>2020</u>	<u>2019</u>
Employees (members)	\$2,648,340	\$2,410,660
Employer	\$1,187,493	\$ 628,251

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](http://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.

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,

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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.

State law provides for the following contribution rates for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Employees (members)	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%

Contributions made by the Corporation and employees for 2020 and 2019 are shown below. Contributions made each year were equal to the required contributions.

	<u>2020</u>	<u>2019</u>
Employees (members)	\$ 223,562	\$ 203,499
Non-Employer Contributing Entity (State)	\$ 409,481	\$ 373,285
Employer	\$ 278,378	\$ 252,860

## **6. HEALTH CARE COVERAGE**

During the years ended August 31, 2020 and 2019, full-time employees of the charter school were covered by a health insurance plan (the Plan). For the years ended August 31, 2020 and 2019, the charter school contributed a minimum of \$510 and \$490, 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. Unrelated business activities did not generate taxable income during the years ended August 31, 2020 and 2019.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

**9. PROPERTY AND EQUIPMENT**

Property and Equipment at August 31, 2020, were as follows:

	<u>Balance</u> <u>9/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2020</u>
Land	\$ 5,642,748	\$ -	\$ -	\$ 5,642,748
Buildings and Improvements	89,164,094	360,585	-	89,524,679
Furniture and Equipment	6,571,205	570,681	(3,258)	7,138,628
Vehicles	394,215	313,799	-	708,014
Capital Lease	990,302	-	-	990,302
Construction in Progress	144,163	-	-	144,163
Accumulated Depreciation	<u>(24,656,765)</u>	<u>(3,647,309)</u>	<u>-</u>	<u>(28,304,074)</u>
	<u>\$ 78,249,962</u>	<u>\$ (2,402,244)</u>	<u>\$ (3,258)</u>	<u>\$ 75,844,460</u>

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>

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, 2020 and 2019, the charter holder earned revenue of \$52,968,537 and \$54,244,373, respectively, from the State of Texas. This constitutes approximately 86.89% and 88.24%, 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, 2020 AND 2019**

**11. NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restriction for the years ended August 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Foundation School Program	\$2,405,664	\$5,027,020
Campus Activity Funds	271,207	227,080
ESEA Title I Part A, Improving Basic Programs	168,681	210,583
National School Lunch & Breakfast Program	<u>1,107,782</u>	<u>1,023,206</u>
	<u>\$3,953,334</u>	<u>\$6,487,889</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 was used to provide for all future debt service on the 2011A and 2011B bond series. See Note 18 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, 2020.

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, 2020 AND 2019**

A summary of bonds payable for the year ended August 31, 2020 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 09/01/19	issued/ (Retired)	Amounts Outstanding 08/31/20	Amount due within one year
Education Revenue and Refunding Bonds – Series 2014A	2.00%-5.00%	85,645,000	80,165,000	(1,570,000)	78,595,000	1,650,000
QSCB's Taxable Bonds – Series 2014Q	4.56%	6,515,000	6,515,000	-	6,515,000	-
Total bonded debt payable			86,680,000	(1,570,000)	85,110,000	1,650,000
Bond Premium (Discount)			6,320,441	(255,371)	6,065,070	-
Total			\$ 93,000,441	\$ (1,825,371)	\$ 91,175,070	\$ 1,650,000

Debt service requirements are as follows:

Years ending 31-Aug	Principal	Interest	Requirements
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	3,711,874	5,621,874
2025	2,005,000	3,616,373	5,621,873
2026-2030	11,625,000	16,474,367	28,099,367
2031-2035	22,185,000	12,648,970	34,833,970
2036-2040	21,405,000	7,236,750	28,641,750
2041-2044	20,785,000	2,119,200	22,904,200
Thereafter	-	-	-
	\$ 85,110,000	\$ 57,470,904	\$ 142,580,904

The Corporation received a Qualified School Construction Bond subsidy of \$288,067 during the year ending August 31, 2020 and \$278,420 during the year ending August 31, 2019 and expects to receive \$275,452 annually through August 31, 2033. This amount is subject to change.

### 13. NOTE PAYABLE – LINE OF CREDIT

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, 2020. Interest accrues on the outstanding balance at the one-month ICE LIBOR rate plus 1.96% (2.11675% as of August 31, 2020). Interest only is payable every six months; on June 30 and December 30 of each year.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

The note matures June 30, 2021 at which time all principal and accrued interest is due. There were 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. NOTE PAYABLE - VEHICLES**

The Corporation is obligated under a note payable to finance the purchase of 3 school buses. The following schedule lists the property financed:

<u>Note Payable Details</u>	<u>Interest Rate</u>	<u>Date of Agreement</u>	<u>Original Note Amount</u>	<u>Property Purchased</u>	<u>Total Monthly Payment</u>
Woodgrove Bank	4.500%	7/15/2020	\$ 313,799	3 Buses	\$ 5,850

Future principal payments under the note payable as of August 31, 2020 are as follows:

2020-21	\$ 57,681
2021-22	60,331
2022-23	63,102
2023-24	66,001
2024-25	57,320
Thereafter	<u>-</u>
Total future principal payments	304,435
Less current portion	<u>(57,681)</u>
Long-term	<u>\$ 246,754</u>

**15. CAPITAL LEASE**

The Corporation is obligated under a capital lease to finance 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>
Merceded-Benz Financial	4.313%	9/19/2017	\$ 282,050	3 Buses

Future minimum payments under noncancellable operating leases as of August 31, 2020 are as follows:

2020-21	\$ 75,235
Thereafter	<u>-</u>
Total future minimum lease payments	75,235
Less amount representing interest	<u>(3,111)</u>
Present value of net minimum lease payments	<u>\$ 72,124</u>



**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019**

**16. OPERATING LEASES**

The Corporation leased facilities through various operating leases expiring between 2020 and 2035. The minimum monthly payment at August 31, 2020 was \$244,798. Rent expense was \$3,046,266 and \$2,862,771, respectively, for the years ended August 31, 2020 and 2019.

Future minimum payments under noncancellable operating leases as of August 31, 2020 are as follows:

2020-21	\$ 2,937,578
2021-22	3,166,340
2022-23	3,494,453
2023-24	3,577,390
2024-25	3,230,320
Thereafter	<u>15,752,757</u>
Total	<u>\$ 32,158,838</u>

**17. SUBSEQUENT EVENTS**

Management has evaluated the impact of all subsequent events on the Corporation through January 15, 2021, the date of financial statement issuance, and has determined that there were no subsequent events that require recognition or disclosure in the financial statements.

**18. 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.

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

**19. 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	\$ 16,784,377
Due from State and other governments	3,986,378
Other receivables	760,668
Less amount with donor restriction	<u>(3,953,334)</u>
	<u>\$ 17,578,089</u>

**LIFESCHOOL OF DALLAS**

Exhibit B-1

STATEMENTS OF FINANCIAL POSITION  
AS OF AUGUST 31, 2020 AND 2019

	2020	2019
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 16,784,377	\$ 16,116,473
Cash and cash equivalents - restricted	2,457,365	2,727,209
Due from State and other governments	3,986,378	6,037,599
Prepaid expenses	306,063	360,278
Other receivables	760,668	503,350
Total Current Assets	24,294,851	25,744,909
Property and Equipment		
Land	5,642,748	5,642,748
Building and improvements	89,524,679	89,164,094
Furniture and equipment	7,138,628	6,571,205
Vehicles	708,014	394,215
Assets purchased under capital lease	990,302	990,302
Construction in progress	144,163	144,163
Less accumulated depreciation	(28,304,074)	(24,656,765)
Total Property and Equipment	75,844,460	78,249,962
Other Assets		
Capitalized Debt Issuance Costs	1,400,360	1,530,977
Other Assets	255,107	165,607
	1,655,467	1,696,584
<b>Total Assets</b>	<b>\$ 101,794,778</b>	<b>\$ 105,691,455</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 1,114,729	\$ 1,010,849
Accrued wages	942,126	949,638
Due to state government	570	292
Due to student groups	46,437	49,192
Unearned Revenues	64,098	67,489
Accrued employee benefits	243,355	153,855
Accrued interest expense	176,333	181,868
Current portion of capital lease payable	72,124	69,142
Current portion of notes payable	2,376,063	-
Current portion of bonds payable	1,650,000	1,570,000
Total Current Liabilities	6,685,835	4,052,325
Long Term Debt (net of current portions)		
Capital lease payable	-	72,124
Notes payable	246,754	2,318,382
Bonds payable	89,525,070	91,430,441
Total Long-Term Debt	89,771,824	93,820,947
<b>Total Liabilities</b>	<b>96,457,659</b>	<b>97,873,272</b>
Net Assets		
Without donor restriction	1,383,785	1,330,294
With donor restriction	3,953,334	6,487,889
<b>Total Net Assets</b>	<b>5,337,119</b>	<b>7,818,183</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 101,794,778</b>	<b>\$ 105,691,455</b>

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, 2020 AND 2019**

	2020		
	Without Donor Restriction	With Donor Restriction	Totals
<b>Revenues</b>			
Local Support:			
5740 Other Revenues from Local Sources	\$ 533,331	\$ -	\$ 533,331
5750 Cocurricular and Enterprising Activities	479,740	358,026	837,766
Total Local Support	<u>1,013,071</u>	<u>358,026</u>	<u>1,371,097</u>
State program revenues:			
5810 Foundation School Program	-	52,968,537	52,968,537
5820 State Program Revenues Distributed by TEA Texas Education Agency		938,942	938,942
5830 State Revenue Distributed by Other State of Texas Government Agencies (Other than TEA)	-	75,000	75,000
Total state program revenues	<u>-</u>	<u>53,982,479</u>	<u>53,982,479</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	5,163,798	5,163,798
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	445,835	445,835
5940 Federal Revenues Distributed Directly from the Federal Government	<u>-</u>	<u>-</u>	<u>-</u>
Total state program revenues	<u>-</u>	<u>5,609,633</u>	<u>5,609,633</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>62,484,693</u>	<u>(62,484,693)</u>	<u>-</u>
<b>Total Revenues</b>	<u><b>63,497,764</b></u>	<u><b>(2,534,555)</b></u>	<u><b>60,963,209</b></u>
<b>Expenses</b>			
11 Instruction	30,352,429	-	30,352,429
12 Instructional Resources and Media Services	90,797	-	90,797
13 Curriculum Development and Instructional Staff Development	2,405,683	-	2,405,683
21 Instructional Leadership	1,045,759	-	1,045,759
23 School Leadership	3,396,124	-	3,396,124
31 Guidance, Counseling and Evaluation Services	2,492,014	-	2,492,014
32 Social Work Services	-	-	-
33 Health Services	523,950	-	523,950
34 Student (Pupil) Transportation	80,197	-	80,197
35 Food Service	1,553,814	-	1,553,814
36 Cocurricular/Extracurricular Activities	2,234,207	-	2,234,207
41 General Administration	4,003,903	-	4,003,903
51 Plant Maintenance and Operations	8,267,681	-	8,267,681
52 Security and Monitoring	799,095	-	799,095
53 Data Processing Services	1,996,207	-	1,996,207
61 Community Services	171,676	-	171,676
71 Debt Service	3,830,855	-	3,830,855
81 Fund Raising	<u>199,882</u>	<u>-</u>	<u>199,882</u>
<b>Total Expenses</b>	<u><b>63,444,273</b></u>	<u><b>-</b></u>	<u><b>63,444,273</b></u>
<b>Change in Net Assets</b>	<u><b>53,491</b></u>	<u><b>(2,534,555)</b></u>	<u><b>(2,481,064)</b></u>
<b>Net Assets, Beginning of Year</b>	<u><b>1,330,294</b></u>	<u><b>6,487,889</b></u>	<u><b>7,818,183</b></u>
<b>Net Assets, End of Year</b>	<u><u><b>\$ 1,383,785</b></u></u>	<u><u><b>\$ 3,953,334</b></u></u>	<u><u><b>\$ 5,337,119</b></u></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, 2020 AND 2019

	2019		
	Without Donor Restriction	With Donor Restriction	Totals
<b>Revenues</b>			
Local Support:			
5740 Other Revenues from Local Sources	\$ 936,559	\$ -	\$ 936,559
5750 Cocurricular and Enterprising Activities	605,079	577,805	1,182,884
Total Local Support	1,541,638	577,805	2,119,443
State program revenues:			
5810 Foundation School Program	-	54,244,373	54,244,373
5820 State Program Revenues Distributed by TEA Texas Education Agency	-	350,217	350,217
Total state program revenues	-	54,594,590	54,594,590
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	4,488,505	4,488,505
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	265,203	265,203
5940 Federal Revenues Distributed Directly from the Federal Government	-	3,664	3,664
Total state program revenues	-	4,757,372	4,757,372
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	58,453,714	(58,453,714)	-
<b>Total Revenues</b>	<b>59,995,352</b>	<b>1,476,053</b>	<b>61,471,405</b>
<b>Expenses</b>			
11 Instruction	27,866,166	-	27,866,166
12 Instructional Resources and Media Services	96,309	-	96,309
13 Curriculum Development and Instructional Staff Development	2,128,499	-	2,128,499
21 Instructional Leadership	952,212	-	952,212
23 School Leadership	3,193,299	-	3,193,299
31 Guidance, Counseling and Evaluation Services	2,070,090	-	2,070,090
32 Social Work Services	-	-	-
33 Health Services	466,636	-	466,636
34 Student (Pupil) Transportation	80,456	-	80,456
35 Food Service	2,313,226	-	2,313,226
36 Cocurricular/Extracurricular Activities	2,484,579	-	2,484,579
41 General Administration	3,420,417	-	3,420,417
51 Plant Maintenance and Operations	7,781,172	-	7,781,172
52 Security and Monitoring	989,359	-	989,359
53 Data Processing Services	1,718,945	-	1,718,945
61 Community Services	143,978	-	143,978
71 Debt Service	3,932,093	-	3,932,093
81 Fund Raising	243,529	-	243,529
<b>Total Expenses</b>	<b>59,880,965</b>	<b>-</b>	<b>59,880,965</b>
Change in Net Assets	114,387	1,476,053	1,590,440
Net Assets, Beginning of Year	1,215,907	5,011,836	6,227,743
Net Assets, End of Year	\$ 1,330,294	\$ 6,487,889	\$ 7,818,183

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, 2020 AND 2019

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2020</u>	<u>2019</u>
Change in Net Assets	\$ (2,481,064)	\$ 1,590,440
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation and amortization	3,647,309	3,399,209
Amortization of Capitalized Debt Issuance Costs	130,617	130,617
(Increase) Decrease in Due from State and Other Governments	2,051,221	(1,612,026)
(Increase) Decrease in Prepaid Expenses	54,215	(141,968)
(Increase) Decrease in Other Receivables	(257,318)	(488,230)
(Increase) Decrease in Other Assets	(89,500)	(35,345)
Increase (Decrease) in Accounts Payable	103,880	372,006
Increase (Decrease) in Accrued Wages	(7,512)	613,447
Increase (Decrease) in Due to State Government	278	(1,420)
Increase (Decrease) in Due to Student Groups	(2,755)	(1,424)
Increase (Decrease) in Unearned Revenues	(3,391)	60,803
Increase (Decrease) in Accrued Employee Benefits	89,500	24,594
Increase (Decrease) in Accrued Interest Expense	<u>(5,535)</u>	<u>(6,655)</u>
Net Cash Provided (Used) by Operating Activities	<u>3,229,945</u>	<u>3,904,048</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	<u>(1,241,807)</u>	<u>(3,726,186)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,241,807)</u>	<u>(3,726,186)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from (on) Capital Lease Payable	(69,142)	(65,549)
Proceeds from Notes Payable	304,435	-
Principal Payments on Bonds Payable	<u>(1,825,371)</u>	<u>(1,750,372)</u>
Net Cash Provided (Used) by Financing Activities	<u>(1,590,078)</u>	<u>(1,815,921)</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents	398,060	(1,638,059)
 Cash and Cash Equivalents, Beginning of Year	<u>18,843,682</u>	<u>20,481,741</u>
 Cash and Cash Equivalents, End of Year (includes restricted cash of \$2,457,365 and \$2,727,209 at August 31, 2020 and 2019, respectively)	<u>\$ 19,241,742</u>	<u>\$ 18,843,682</u>
 Cash Paid for Interest During the Year	\$ 3,770,485	\$ 3,856,138
Cash Paid for Income Taxes During the Year	\$ -	\$ 14,434

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, 2020 AND 2019**

	2020									
	Program Services					Support Services				
	Instructional and Related Services	Instructional and School Leadership	Total	Administrative Support Services	Support Services - Non-Student Based	Support Services - Student (Pupil)	Ancillary Services	Debt Service	Total	Total
Salaries and Wages	23,596,326	3,572,688	27,169,014	2,320,085	1,866,251	3,400,471	261,850	-	7,848,657	35,017,671
Payroll Taxes	367,783	52,434	420,217	34,473	27,145	49,423	3,865	-	114,906	535,123
Employee Benefits	3,650,186	550,269	4,200,455	502,885	366,997	456,555	37,170	-	1,363,607	5,564,062
Fees For Services	449,636	39,295	488,931	532,323	947,580	226,719	38,950	-	1,745,572	2,234,503
Food	-	-	-	-	-	1,427,892	-	-	1,427,892	1,427,892
Insurance	-	-	-	3,247	310,022	26,722	-	-	339,991	339,991
Interest and Fiscal Charges	-	-	-	-	-	-	-	3,830,855	3,830,855	3,830,855
Miscellaneous	81,845	69,517	151,362	400,951	5,674	81,800	19,608	-	508,033	659,395
Rent	36,555	6,411	42,966	381	3,243,554	47,212	-	-	3,291,147	3,334,113
Repairs and Maintenance	18,795	-	18,795	-	1,873,544	75,491	-	-	1,949,035	1,967,830
Supplies	1,930,981	111,308	2,042,289	118,265	641,689	514,445	6,270	-	1,280,669	3,322,958
Travel	77,759	36,897	114,656	39,424	7,461	144,750	3,845	-	195,480	310,136
Utilities	-	-	-	-	1,232,213	20,222	-	-	1,252,435	1,252,435
Depreciation	2,639,043	3,064	2,642,107	51,869	540,853	412,480	-	-	1,005,202	3,647,309
<b>Total expenses by function</b>	<b>32,848,909</b>	<b>4,441,883</b>	<b>37,290,792</b>	<b>4,003,903</b>	<b>11,062,983</b>	<b>6,884,182</b>	<b>371,558</b>	<b>3,830,855</b>	<b>26,153,481</b>	<b>63,444,273</b>

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, 2020 AND 2019

	2019				2019					
	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	21,991,178	3,324,299	25,315,477	1,975,106	1,780,520	3,133,479	278,569	-	7,167,674	32,483,151
Payroll Taxes	337,357	48,184	385,541	29,310	25,797	45,107	4,040	-	104,254	489,795
Employee Benefits	3,009,026	441,882	3,450,908	332,830	336,233	349,973	38,447	-	1,057,483	4,508,391
Fees For Services	445,281	36,580	481,861	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	183,670	185,683	6,508	87,130	24,515	-	303,836	487,506
Rent	34,500	7,526	42,026	2,806	3,048,921	35,846	1,680	-	3,089,253	3,131,279
Repairs and Maintenance	660	-	660	-	1,958,262	89,143	-	-	2,047,405	2,048,065
Supplies	1,434,265	124,027	1,558,292	72,901	669,739	575,197	2,911	-	1,320,748	2,879,040
Travel	178,113	55,316	233,429	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	2,584,621	51,869	347,037	415,683	-	-	814,589	3,399,210
<b>Total expenses by function</b>	<b>30,090,974</b>	<b>4,145,511</b>	<b>34,236,485</b>	<b>3,420,417</b>	<b>10,489,476</b>	<b>7,414,987</b>	<b>387,507</b>	<b>3,932,093</b>	<b>25,644,480</b>	<b>59,880,965</b>

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, 2020 AND 2019

Expenses	<u>2020</u>	<u>2019</u>
6100 Payroll Costs	\$ 41,082,426	\$ 37,481,337
6200 Professional and Contracted Services	8,823,311	8,653,948
6300 Supplies and Materials	4,779,096	5,093,592
6400 Other Operating Costs	4,928,585	4,719,995
6500 Debt	<u>3,830,855</u>	<u>3,932,093</u>
Total Expenses	<u>\$ 63,444,273</u>	<u>\$ 59,880,965</u>

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

STATEMENT OF CAPITAL ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2020

	Ownership Interest		
	Local	State	Federal
1510 Land and Improvements	\$ -	\$ 5,642,748	\$ -
1520 Buildings and Improvements	55,597	89,469,082	-
1531 Vehicles	-	708,014	-
1539 Furniture and Equipment	27,836	5,951,792	955,268
1549 Furniture and Equipment	-	16,768	186,964
1559 Capital Lease	-	990,302	-
1580 Construction in Progress	-	144,163	-
1570 Less Accumulated Depreciation	(63,810)	(27,376,450)	(863,814)
Total Property and Equipment	<u>\$ 19,623</u>	<u>\$ 75,546,419</u>	<u>\$ 278,418</u>

Note: Accumulated depreciation of \$27,376,450 above on capital assets acquired with state funds includes \$595,041 accumulated depreciation on assets recorded under capital leases.

**LIFESCHOOL OF DALLAS**

Exhibit E-1

**BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 290,000	\$ 457,824	\$ 533,331	\$ 75,507
5750 Cocurricular and Enterprising Activities	730,418	847,603	837,766	(9,837)
Total Local Support	1,020,418	1,305,427	1,371,097	65,670
State Program Revenues:				
5810 Foundation School Program Act Revenues	55,930,619	54,793,532	52,968,537	(1,824,995)
5820 State Program Revenues Distributed by TEA	868,000	568,000	938,942	370,942
5830 State Revenues from State of Texas Government Agencies (Other than TEA)	-	-	75,000	75,000
Total State Program Revenues	56,798,619	55,361,532	53,982,479	(1,379,053)
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	4,299,332	6,502,170	5,163,798	(1,338,372)
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	450,000	495,496	445,835	(49,661)
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	-	-
Total Federal Program Revenues	4,749,332	6,997,666	5,609,633	(1,388,033)
Total Revenues	62,568,369	63,664,625	60,963,209	(2,701,416)
<b>Expenses</b>				
11 Instruction	30,107,513	31,517,859	30,352,429	1,165,430
12 Instructional Resources & Media Services	89,605	131,671	90,797	40,874
13 Curriculum & Instructional Staff Development	2,363,889	2,675,035	2,405,683	269,352
21 Instructional Leadership	1,017,157	1,211,039	1,045,759	165,280
23 School leadership	3,328,261	3,564,364	3,396,124	168,240
31 Guidance, Counseling, & Evaluation Services	2,193,866	2,548,321	2,492,014	56,307
33 Health Services	511,904	580,856	523,950	56,906
34 Student Transportation	98,056	123,056	80,197	42,859
35 Food Services	2,476,189	2,489,998	1,553,814	936,184
36 Cocurricular/Extracurricular Activities	1,980,644	2,450,535	2,234,207	216,328
41 General Administration	3,930,959	4,401,702	4,003,903	397,799
51 Plant Maintenance & Operations	8,318,427	8,848,558	8,267,681	580,877
52 Security & Monitoring Services	1,160,500	1,162,868	799,095	363,773
53 Data Processing Services	2,049,469	2,751,904	1,996,207	755,697
61 Community Services	196,047	202,467	171,676	30,791
71 Debt Service	4,460,200	4,560,200	3,830,855	729,345
81 Fundraising	220,161	245,715	199,882	45,833
Total Expenses	64,502,847	69,466,148	63,444,273	6,021,875
Change in Net Assets	(1,934,478)	(5,801,523)	(2,481,064)	3,320,459
Net Assets, Beginning of Year	7,818,183	7,818,183	7,818,183	-
Net Assets, End of Year	\$ 5,883,705	\$ 2,016,660	\$ 5,337,119	\$ 3,320,459

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

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

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

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION

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CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST  
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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, 2020 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, 2021.

**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, PC  
Denton, Texas

January 15, 2021

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, 2020. 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, 2020.

## 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, 2021



SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2020

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 10.553 - School Breakfast Program
- CFDA 10.555 - National School Lunch Program - Cash Assistance
- CFDA 10.555 - National School Lunch Program - Non-Cash Assistance
- CFDA 84.425D - CARES Act Stimulus Grant

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, 2020

CORRECTIVE ACTION PLAN:

None Required

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2020

No prior audit findings.

**LIFESCHOOL OF DALLAS**

Exhibit I-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2020**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Region 10 Education Service Center</u>			
Title III, Part A - English Language Acquisition	84.365A	20671001057950	18,893
Total Passed Through Region 10 Education Service Center			<u>18,893</u>
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101057807	84,453
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101057807	1,370,373
ESEA, Title I, School Improvement	84.010A	20610123057807	37,397
Total CFDA Number 84.010A			<u>1,492,223</u>
*IDEA - Part B, Formula	84.027A	196600010578076600	51,564
*IDEA - Part B, Formula	84.027A	206600010578076600	897,306
Total Special Education Cluster (IDEA) Passed Through State Department of Education			<u>948,870</u>
Career and Technical - Basic Grant	84.048A	20420006057807	64,210
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	19694501057807	28,443
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	20694501057807	137,142
Total CFDA Number 84.367A			<u>165,585</u>
Summer School LEP	84.369A	69551902	1,336
ESEA, Title IV, Part A - Student Support	84.424A	20680101057807	67,340
CARES Act Stimulus Grant	84.425D	20521001057807	1,137,087
Total Passed Through State Department of Education			<u>3,876,651</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<u>\$ 3,895,544</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through State Department of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-13-0035-00004	\$ 11,978
Total Passed Through the State Department of Agriculture			<u>\$ 11,978</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 11,978</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through State Department of Agriculture</u>			
*School Breakfast Program	10.553	71402001	\$ 197,892
*National School Lunch Program - Cash Assistance	10.555	71302001	920,379
*National School Lunch Program - Non-Cash Assistance	10.555	71302001	149,983
Total CFDA Number 10.555			<u>1,070,362</u>
Total Child Nutrition Cluster			<u>1,268,254</u>
Total Passed Through the State Department of Agriculture			<u>\$ 1,268,254</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 1,268,254</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 5,175,776</u>

\*Clustered Programs

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2020

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 \$433,857. 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.