

LIFESCHOOL OF DALLAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2021

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2021

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LIFESCHOOL OF DALLAS
CERTIFICATE OF BOARD
AUGUST 31, 2021

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, 2021, at a meeting of the governing body the charter holder on the 19th day of January, 2022.

Shawn Wilkin
Signature of Board Secretary

Michael Ed D
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
P.O. BOX 977
DENTON, TX 76202-0977

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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, 2021 and 2020, 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, 2021 and 2020, 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 13, 2022, 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

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

January 13, 2022

**General-Purpose
Financial Statements**

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit A-1

STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 22,563,216	\$ 16,784,377
Cash and cash equivalents - restricted	2,263,501	2,457,365
Due from State and other governments	8,338,221	3,986,378
Prepaid expenses	284,677	306,063
Other receivables	188,613	760,668
Total Current Assets	<u>33,638,228</u>	<u>24,294,851</u>
Property and Equipment		
Land	5,657,748	5,642,748
Building and improvements	89,937,500	89,524,679
Furniture and equipment	7,356,914	7,138,628
Vehicles	708,014	708,014
Assets purchased under capital lease	999,324	990,302
Construction in progress	144,163	144,163
Less accumulated depreciation	<u>(31,196,868)</u>	<u>(28,304,074)</u>
Total Property and Equipment	<u>73,606,795</u>	<u>75,844,460</u>
Other Assets		
Capitalized Debt Issuance Costs	4,464,139	1,400,360
Other Assets	356,579	255,107
	<u>4,820,718</u>	<u>1,655,467</u>
Total Assets	<u>\$ 112,065,741</u>	<u>\$ 101,794,778</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,061,128	\$ 1,114,729
Accrued wages	1,112,129	942,126
Due to state government	251	570
Due to student groups	42,027	46,437
Unearned revenues	419,578	64,098
Accrued employee benefits	344,827	243,355
Accrued interest expense	486,295	176,333
Current portion of capital lease payable	-	72,124
Current portion of notes payable	60,331	2,376,063
Current portion of bonds payable	40,000	1,650,000
Total Current Liabilities	<u>3,566,566</u>	<u>6,685,835</u>
Long Term Debt (net of current portions)		
Notes payable	186,423	246,754
Bonds payable	103,541,903	89,525,070
Total Long-Term Debt	<u>103,728,326</u>	<u>89,771,824</u>
Total Liabilities	<u>107,294,892</u>	<u>96,457,659</u>
Net Assets		
Without donor restriction	1,346,223	1,383,785
With donor restriction	3,424,626	3,953,334
Total Net Assets	<u>4,770,849</u>	<u>5,337,119</u>
Total Liabilities and Net Assets	<u>\$ 112,065,741</u>	<u>\$ 101,794,778</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, 2021 AND 2020**

	2021		
	Without Donor Restriction	With Donor Restriction	Totals
Revenues			
Local Support:			
Contributions	\$ 169,709	\$ 2,717	\$ 172,426
Food Service Activity	-	74,520	74,520
Athletic Activities	251,692	-	251,692
Rent	13,752	-	13,752
Interest	9,300	-	9,300
Other Revenues	282,727	-	282,727
Total Local Support	727,180	77,237	804,417
State Program Revenues:			
Foundation School Program	-	58,265,719	58,265,719
Instructional Materials Fund	-	470,873	470,873
Food Service	-	11,786	11,786
Total State Program Revenues	-	58,748,378	58,748,378
Federal Program Revenues:			
CARES Act Simulus Grant	-	34,541	34,541
CARES Provider Relief Fund	-	13,580	13,580
IDEA Part B, Formula	-	781,427	781,427
ESEA Title I Part A Improving Basic Programs	-	1,589,826	1,589,826
ESEA Title II Part A Teacher and Principal Training	-	227,163	227,163
ESEA Title IV Part A Student Support	-	160,361	160,361
Instructional Continuity Grant	-	22,587	22,587
ESSER Relief Fund III	-	2,161,307	2,161,307
Medicaid Administrative Claiming Program-MAC	-	30,182	30,182
National School Breakfast and Lunch Program	-	1,351,404	1,351,404
Title III Part A - English Language Acquisition and Enhancement	-	25,485	25,485
School Health and Related Services	-	571,327	571,327
Prior Purchase Reimbursement Program Grant	-	701,449	701,449
Texas Department of Emergency Management Grant	-	32,549	32,549
Career & Technical - Basic Grant	-	63,679	63,679
Total Federal Program Revenues	-	7,766,867	7,766,867
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	67,121,190	(67,121,190)	-
Total Revenues	67,848,370	(528,708)	67,319,662
Expenses			
Program Services:			
Instruction and Instructional-Related Services	32,530,899	-	32,530,899
Instructional and School Leadership	4,607,592	-	4,607,592
Support Services:			
Administrative Support Services	3,790,728	-	3,790,728
Support Services - Non-Student Based	11,215,714	-	11,215,714
Support Services - Student (Pupil)	6,354,598	-	6,354,598
Ancillary Services	365,128	-	365,128
Debt Service	9,021,273	-	9,021,273
Total Expenses	67,885,932	-	67,885,932
Change in Net Assets	(37,562)	(528,708)	(566,270)
Net Assets, Beginning of Year	1,383,785	3,953,334	5,337,119
Net Assets, End of Year	\$ 1,346,223	\$ 3,424,626	\$ 4,770,849

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, 2021 AND 2020

	2020		
	Without Donor Restriction	With Donor Restriction	Totals
Revenues			
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
Expenses			
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.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2021</u>	<u>2020</u>
Change in Net Assets	\$ (566,270)	\$ (2,481,064)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation and amortization	2,892,794	3,647,309
Amortization of Capitalized Debt Issuance Costs	145,939	130,617
(Increase) Decrease in Due from State and Other Governments	(4,351,843)	2,051,221
(Increase) Decrease in Prepaid Expenses	21,386	54,215
(Increase) Decrease in Other Receivables	572,055	(257,318)
(Increase) Decrease in Other Assets	(101,472)	(89,500)
Increase (Decrease) in Accounts Payable	(53,601)	103,880
Increase (Decrease) in Accrued Wages	170,003	(7,512)
Increase (Decrease) in Due to State Government	(319)	278
Increase (Decrease) in Due to Student Groups	(4,410)	(2,755)
Increase (Decrease) in Unearned Revenues	355,480	(3,391)
Increase (Decrease) in Accrued Employee Benefits	101,472	89,500
Increase (Decrease) in Accrued Interest Expense	309,962	(5,535)
	<u>(508,824)</u>	<u>3,229,945</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	<u>(655,129)</u>	<u>(1,241,807)</u>
	<u>(655,129)</u>	<u>(1,241,807)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from (on) Capital Lease Payable	(72,124)	(69,142)
Proceeds (Payments) from (on) Notes Payable	(2,376,063)	304,435
Issuance of Debt (Net of issuance costs)	9,197,115	-
Principal Payments on Bonds Payable	<u>-</u>	<u>(1,825,371)</u>
	<u>6,748,928</u>	<u>(1,590,078)</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents	5,584,975	398,060
 Cash and Cash Equivalents, Beginning of Year	<u>19,241,742</u>	<u>18,843,682</u>
 Cash and Cash Equivalents, End of Year (includes restricted cash of \$2,263,501 and \$2,457,365 at August 31, 2021 and 2020, respectively)	<u>\$ 24,826,717</u>	<u>\$ 19,241,742</u>
 Cash Paid for Interest During the Year	\$ 3,235,207	\$ 3,770,485
Cash Paid for Income Taxes During the Year	\$ -	\$ -

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, 2021 AND 2020

	2021									
	Program Services			Support Services						
	Instruction and 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 Functional Expenses
Salaries and Wages	23,404,586	3,682,764	27,087,350	2,240,893	2,021,013	3,403,589	249,903	-	7,915,398	35,002,748
Payroll Taxes	359,657	53,983	413,640	33,284	29,436	49,786	3,672	-	116,178	529,818
Employee Benefits	3,586,873	559,242	4,146,115	493,685	386,239	453,441	38,741	-	1,372,106	5,518,221
Fees For Services	357,770	50,657	408,427	420,738	1,048,337	168,880	30,250	-	1,668,205	2,076,632
Food	-	-	-	-	-	1,071,578	-	-	1,071,578	1,071,578
Insurance	-	-	-	3,246	326,347	35,506	-	-	365,099	365,099
Interest and Fiscal Charges	-	-	-	-	-	-	-	9,021,273	9,021,273	9,021,273
Miscellaneous	139,564	104,347	243,911	474,048	6,928	80,669	7,768	-	569,413	813,324
Rent	5,260	5,500	10,760	3,276	3,158,681	43,986	241	-	3,206,184	3,216,944
Repairs and Maintenance	6,900	-	6,900	435	1,690,814	120,939	-	-	1,812,188	1,819,088
Supplies	2,735,819	146,444	2,882,263	65,438	777,380	432,654	33,460	-	1,308,932	4,191,195
Travel	10,632	1,591	12,223	3,816	4,695	142,999	1,093	-	152,603	164,826
Utilities	-	-	-	-	1,165,076	17,316	-	-	1,202,392	1,202,392
Depreciation	1,923,838	3,064	1,926,902	51,869	580,768	333,255	-	-	965,892	2,892,794
Total expenses by function	32,530,899	4,607,592	37,138,491	3,790,728	11,215,714	6,354,598	365,128	9,021,273	30,747,441	67,885,932

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, 2021 AND 2020

	2020									
	Program Services				Support Services					
	Instruction and 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 Functional Expenses
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
Total expenses by function	32,848,909	4,441,883	37,290,792	4,003,903	11,062,983	6,884,182	371,558	3,830,855	26,153,481	63,444,273

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, 2021 AND 2020

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 nine 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, 2021 AND 2020

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 fifty 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.

During the 20-21 year, the Corporation increased its estimate of the useful life of buildings from forty to fifty years based on the Corporation's experience with its buildings. This change had the effect of reducing the decrease in net assets by \$804,196 for the year ended August 31, 2021.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
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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.

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.

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, 2021, the carrying amount of the charter holder's deposits (cash demand accounts and interest-bearing accounts included in cash and cash equivalents) was \$24,819,657, and the bank balance was \$25,472,854. The corporation's cash deposits at August 31, 2021, and during the year ended August 31, 2021, 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 \$22,632,306 of fully collateralized investments in TexPool accounted for as cash equivalents.

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.

The corporation has restricted cash and cash equivalents of \$2,263,501 and \$2,457,365 as of August 31, 2021 and 2020, respectively. These amounts are deposited with Region's Bank in short-term cash sweep accounts. As of August 31, 2021, \$305,759 of bonds payable proceeds are restricted for future construction projects. The remaining \$1,957,742 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)
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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, 2021:

- 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 \$3,059,132 and occurred during the month of June 2021.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

3. 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.

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As of August 31, 2020 (the most recent information available), TRS had total net plan assets of \$165.4 billion and accumulated benefit obligation of \$219.0 billion, leaving a net pension liability of \$53.6 billion. TRS is 75.54% funded. There is not a collective-bargaining agreement that covers the plan.

State law provides for the following contribution rates for 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Employees (members)	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%

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 1.6% of covered employee salaries. Beginning September 1, 2020, the Corporation was required to pay the state contribution on salaries above the statutory minimum.

Contributions made by the Corporation and employees for 2021 and 2020 are shown below. Contributions made each year were equal to the required contributions.

	<u>2021</u>	<u>2020</u>
Employees (members)	\$2,859,894	\$2,648,340
Employer	\$1,006,134	\$1,187,493

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.

4. 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.

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)
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FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

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 2021 and 2020:

	<u>2021</u>	<u>2020</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 2021 and 2020 are shown below. Contributions made each year were equal to the required contributions.

	<u>2021</u>	<u>2020</u>
Employees (members)	\$ 222,627	\$ 223,562
Non-Employer Contributing Entity (State)	\$ 428,126	\$ 409,481
Employer	\$ 256,877	\$ 278,378

5. HEALTH CARE COVERAGE

During the years ended August 31, 2021 and 2020, full-time employees of the charter school were covered by a health insurance plan (the Plan). For the years ended August 31, 2021 and 2020, the charter school contributed a minimum of \$525 and \$510, 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.

6. 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.

7. 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, 2021 and 2020.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

8. PROPERTY AND EQUIPMENT

Property and Equipment at August 31, 2021, were as follows:

	<u>Balance</u> <u>9/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2021</u>
Land	\$ 5,642,748	\$ 15,000	\$ -	\$ 5,657,748
Buildings and Improvements	89,524,679	412,821	-	89,937,500
Furniture and Equipment	7,138,628	218,286	-	7,356,914
Vehicles	708,014	-	-	708,014
Capital Lease	990,302	9,022	-	999,324
Construction in Progress	144,163	-	-	144,163
Accumulated Depreciation	<u>(28,304,074)</u>	<u>(2,892,794)</u>	-	<u>(31,196,868)</u>
	<u>\$ 75,844,460</u>	<u>\$ (2,237,665)</u>	<u>\$ -</u>	<u>\$ 73,606,795</u>

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>(28,304,074)</u>
	<u>\$ 78,249,962</u>	<u>\$ (2,402,244)</u>	<u>\$ (3,258)</u>	<u>\$ 75,844,460</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.

9. ECONOMIC DEPENDENCY

During the years ended August 31, 2021 and 2020, the charter holder earned revenue of \$58,265,719 and \$52,968,537, respectively, from the State of Texas. This constitutes approximately 86.55% and 86.89%, 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, 2021 AND 2020

10. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction for the years ended August 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Foundation School Program	\$1,798,658	\$2,405,664
Campus Activity Funds	290,816	271,207
ESEA Title I Part A, Improving Basic Programs	169,323	168,681
National School Lunch & Breakfast Program	<u>1,165,829</u>	<u>1,107,782</u>
	<u>\$3,424,626</u>	<u>\$3,953,334</u>

11. BONDS PAYABLE

In June 2021, the Corporation issued the following bond series:

Taxable Variable Rate Education Revenue Refunding Bonds – Taxable Series 2021A – par value \$89,390,000, with an initial interest rate of 3.0%

Tax-Exempt Education Revenue Bonds – Tax-Exempt Series 2021B – par value \$2,500,000, with interest rates ranging from 3.0% to 4.0%

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

Total proceeds from the Taxable Variable Rate Education Revenue Refunding Bonds Taxable Series 2021A issue, including premiums, were \$94,364,554. \$90,049,317 of the proceeds were deposited into an escrow account and used to purchase government guaranteed securities used to defease the Corporation’s 2014A outstanding bond series. \$4,314,985 was used for bond issuance costs. \$252 was additional proceeds. The escrow account will be used to provide for all future debt service on the 2014A bond series. See Note 16 for further information regarding the restricted escrow account. The bonds mature August 15, 2044.

In May 2014 the Corporation issued Qualified School Construction Bonds – Taxable – Series 2014Q – par value \$6,515,000, interest rate 4.56%

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, 2021.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

A summary of bonds payable for the year ended August 31, 2021 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 09/01/20	Issued/ (Retired)	Amounts Outstanding 08/31/21	Amount due within one year
Education Revenue and Refunding Bonds – Series 2014A	2.00%-5.00%	85,645,000	78,595,000	(78,595,000)	-	-
QSCB's Taxable Bonds – Series 2014Q	4.56%	6,515,000	6,515,000	-	6,515,000	-
Variable Rate Education Revenue Refunding Bonds – Series 2021A	3.00%	89,390,000	-	89,390,000	89,390,000	-
Education Revenue Bonds – Series 2021B	3.00%-4.00%	2,500,000	-	2,500,000	2,500,000	40,000
Total bonded debt payable			<u>85,110,000</u>	<u>13,295,000</u>	<u>98,405,000</u>	<u>40,000</u>
Bond Premium (Discount)			<u>6,065,070</u>	<u>(888,167)</u>	<u>5,176,903</u>	<u>-</u>
Total			<u>\$ 91,175,070</u>	<u>\$ 12,406,833</u>	<u>\$ 103,581,903</u>	<u>\$ 40,000</u>

Debt service requirements are as follows:

Years ending 31-Aug	Principal	Interest	Requirements
2022	\$ 40,000	\$ 3,412,253	\$ 3,452,253
2023	50,000	3,057,673	3,107,673
2024	55,000	3,055,674	3,110,674
2025	55,000	3,053,473	3,108,473
2026	55,000	3,051,274	3,106,274
2027-2031	20,615,000	10,608,327	31,223,327
2032-2036	30,720,000	7,341,427	38,061,427
2037-2041	27,830,000	3,937,092	31,767,092
2042-2046	18,395,000	913,590	19,308,590
2047-2051	590,000	54,150	644,150
Thereafter	-	-	-
	<u>\$ 98,405,000</u>	<u>\$ 38,484,933</u>	<u>\$ 136,889,933</u>

The Corporation received a Qualified School Construction Bond subsidy of \$279,895 during the year ending August 31, 2021 and \$288,067 during the year ending August 31, 2020 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, 2021 AND 2020

12. 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 allowed for borrowings of up to \$11.0 million. The Corporation had borrowed \$2,318,382 under the line of credit as of August 31, 2020.

The balance due on the note was fully repaid during the fiscal year ended August 31, 2021.

13. 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, 2021 are as follows:

2021-22	\$ 60,331
2022-23	63,102
2023-24	66,001
2024-25	57,320
Thereafter	<u>-</u>
Total future principal payments	246,754
Less current portion	<u>(60,331)</u>
Long-term	<u>\$ 186,423</u>

14. OPERATING LEASES

The Corporation leased facilities through various operating leases expiring between 2021 and 2035. The minimum monthly payment at August 31, 2021 was \$243,644. Rent expense was \$3,002,074 and \$3,046,266, respectively, for the years ended August 31, 2021 and 2020.

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

2021-22	\$ 2,923,728
2022-23	3,169,059
2023-24	3,350,966
2024-25	3,230,320
2025-26	3,230,320
Thereafter	<u>12,253,244</u>
Total	<u>\$ 28,157,637</u>

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

15. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the Corporation through January 13, 2022, the date of financial statement issuance, and has determined that there were no subsequent events that require recognition or disclosure in the financial statements.

16. BOND DEFEASANCE

In June 2021, the Corporation issued bonds (See Note 11) to refund (defease) the Corporations 2014A bond series. To accomplish the defeasance, \$90,049,317 was deposited into an escrow account. Amounts in the escrow account will be used to pay all future debt service payments on the 2014A 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 2014A bond series is considered legally defeased. Accordingly, the Corporation has removed the liability for these bonds from its financial statements.

The defeased bonds will be repaid from the escrow account on August 15, 2044, the maturity date of the bonds.

17. 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	\$ 22,563,216
Due from State and other governments	8,338,221
Other receivables	188,613
Less amount with donor restriction	<u>(3,424,626)</u>
	<u>\$ 27,665,424</u>

**Specific-Purpose
Financial Statements**

LIFESCHOOL OF DALLAS

Exhibit B-1

**STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 22,563,216	\$ 16,784,377
Cash and cash equivalents - restricted	2,263,501	2,457,365
Due from State and other governments	8,338,221	3,986,378
Prepaid expenses	284,677	306,063
Other receivables	188,613	760,668
Total Current Assets	<u>33,638,228</u>	<u>24,294,851</u>
Property and Equipment		
Land	5,657,748	5,642,748
Building and improvements	89,937,500	89,524,679
Furniture and equipment	7,356,914	7,138,628
Vehicles	708,014	708,014
Assets purchased under capital lease	999,324	990,302
Construction in progress	144,163	144,163
Less accumulated depreciation	<u>(31,196,868)</u>	<u>(28,304,074)</u>
Total Property and Equipment	<u>73,606,795</u>	<u>75,844,460</u>
Other Assets		
Capitalized Debt Issuance Costs	4,464,139	1,400,360
Other Assets	356,579	255,107
	<u>4,820,718</u>	<u>1,655,467</u>
Total Assets	<u>\$ 112,065,741</u>	<u>\$ 101,794,778</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,061,128	\$ 1,114,729
Accrued wages	1,112,129	942,126
Due to state government	251	570
Due to student groups	42,027	46,437
Unearned Revenues	419,578	64,098
Accrued employee benefits	344,827	243,355
Accrued interest expense	486,295	176,333
Current portion of capital lease payable	-	72,124
Current portion of notes payable	60,331	2,376,063
Current portion of bonds payable	40,000	1,650,000
Total Current Liabilities	<u>3,566,566</u>	<u>6,685,835</u>
Long Term Debt (net of current portions)		
Notes payable	186,423	246,754
Bonds payable	103,541,903	89,525,070
Total Long-Term Debt	<u>103,728,326</u>	<u>89,771,824</u>
Total Liabilities	<u>107,294,892</u>	<u>96,457,659</u>
Net Assets		
Without donor restriction	1,346,223	1,383,785
With donor restriction	3,424,626	3,953,334
Total Net Assets	<u>4,770,849</u>	<u>5,337,119</u>
Total Liabilities and Net Assets	<u>\$ 112,065,741</u>	<u>\$ 101,794,778</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, 2021 AND 2020**

	2021		Totals
	Without Donor Restriction	With Donor Restriction	
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 370,220	\$ 2,717	\$ 372,937
5750 Cocurricular and Enterprising Activities	356,960	74,520	431,480
Total Local Support	<u>727,180</u>	<u>77,237</u>	<u>804,417</u>
State program revenues:			
5810 Foundation School Program	-	58,265,719	58,265,719
5820 State Program Revenues Distributed by TEA Texas Education Agency	-	482,659	482,659
Total state program revenues	<u>-</u>	<u>58,748,378</u>	<u>58,748,378</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	6,261,142	6,261,142
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	1,492,145	1,492,145
5940 Federal Revenues Distributed Directly from the Federal Government	-	13,580	13,580
Total state program revenues	<u>-</u>	<u>7,766,867</u>	<u>7,766,867</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>67,121,190</u>	<u>(67,121,190)</u>	<u>-</u>
Total Revenues	<u>67,848,370</u>	<u>(528,708)</u>	<u>67,319,662</u>
Expenses			
11 Instruction	30,039,393	-	30,039,393
12 Instructional Resources and Media Services	99,093	-	99,093
13 Curriculum Development and Instructional Staff Development	2,392,413	-	2,392,413
21 Instructional Leadership	1,149,440	-	1,149,440
23 School Leadership	3,458,152	-	3,458,152
31 Guidance, Counseling and Evaluation Services	2,454,599	-	2,454,599
33 Health Services	504,708	-	504,708
34 Student (Pupil) Transportation	40,739	-	40,739
35 Food Service	1,205,168	-	1,205,168
36 Cocurricular/Extracurricular Activities	2,149,384	-	2,149,384
41 General Administration	3,790,728	-	3,790,728
51 Plant Maintenance and Operations	8,151,815	-	8,151,815
52 Security and Monitoring	902,608	-	902,608
53 Data Processing Services	2,161,291	-	2,161,291
61 Community Services	163,636	-	163,636
71 Debt Service	9,021,273	-	9,021,273
81 Fund Raising	201,492	-	201,492
Total Expenses	<u>67,885,932</u>	<u>-</u>	<u>67,885,932</u>
Change in Net Assets	<u>(37,562)</u>	<u>(528,708)</u>	<u>(566,270)</u>
Net Assets, Beginning of Year	<u>1,383,785</u>	<u>3,953,334</u>	<u>5,337,119</u>
Net Assets, End of Year	<u>\$ 1,346,223</u>	<u>\$ 3,424,626</u>	<u>\$ 4,770,849</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, 2021 AND 2020

	2020		Totals
	Without Donor Restriction	With Donor Restriction	
Revenues			
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	1,013,071	358,026	1,371,097
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	-	53,982,479	53,982,479
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	-	-	-
Total state 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
Expenses			
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
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	199,882	-	199,882
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.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

CASH FLOWS FROM OPERATING ACTIVITIES	2021	2020
Change in Net Assets	\$ (566,270)	\$ (2,481,064)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation and amortization	2,892,794	3,647,309
Amortization of Capitalized Debt Issuance Costs	145,939	130,617
(Increase) Decrease in Due from State and Other Governments	(4,351,843)	2,051,221
(Increase) Decrease in Prepaid Expenses	21,386	54,215
(Increase) Decrease in Other Receivables	572,055	(257,318)
(Increase) Decrease in Other Assets	(101,472)	(89,500)
Increase (Decrease) in Accounts Payable	(53,601)	103,880
Increase (Decrease) in Accrued Wages	170,003	(7,512)
Increase (Decrease) in Due to State Government	(319)	278
Increase (Decrease) in Due to Student Groups	(4,410)	(2,755)
Increase (Decrease) in Unearned Revenues	355,480	(3,391)
Increase (Decrease) in Accrued Employee Benefits	101,472	89,500
Increase (Decrease) in Accrued Interest Expense	309,962	(5,535)
	(508,824)	3,229,945
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(655,129)	(1,241,807)
	(655,129)	(1,241,807)
Net Cash Provided (Used) by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from (on) Capital Lease Payable	(72,124)	(69,142)
Proceeds from Notes Payable	(2,376,063)	304,435
Issuance of Debt (Net of issuance costs)	9,197,115	-
Principal Payments on Bonds Payable	-	(1,825,371)
	6,748,928	(1,590,078)
Net Cash Provided (Used) by Financing Activities		
Net Increase/(Decrease) in Cash and Cash Equivalents	5,584,975	398,060
Cash and Cash Equivalents, Beginning of Year	19,241,742	18,843,682
Cash and Cash Equivalents, End of Year (includes restricted cash of \$2,263,501 and \$2,457,365 at August 31, 2021 and 2020, respectively)	\$ 24,826,717	\$ 19,241,742
Cash Paid for Interest During the Year	\$ 3,235,207	\$ 3,770,485
Cash Paid for Income Taxes During the Year	\$ -	\$ -

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, 2021 AND 2020

	2021				2020				
	Program Services		Support Services		Support Services		Support Services		
	Instructional and Related Services	Instructional and School Leadership	Administrative Support Services	Support Services - Non-Student Based	Support Services - Student (Pupil)	Ancillary Services	Debt Service	Total	
Salaries and Wages	23,404,586	3,682,764	2,240,893	2,021,013	3,403,589	249,903	-	7,915,398	35,002,748
Payroll Taxes	359,657	53,983	33,284	29,436	49,786	3,672	-	116,178	529,818
Employee Benefits	3,586,873	559,242	493,685	386,239	453,441	38,741	-	1,372,106	5,518,221
Fees For Services	357,770	50,657	420,738	1,048,337	168,880	30,250	-	1,668,205	2,076,632
Food	-	-	-	-	1,071,578	-	-	1,071,578	1,071,578
Insurance	-	-	3,246	326,347	35,506	-	-	365,099	365,099
Interest and Fiscal Charges	-	-	-	-	-	-	9,021,273	9,021,273	9,021,273
Miscellaneous	139,564	104,347	474,048	6,928	80,669	7,768	-	569,413	813,324
Rent	5,260	5,500	3,276	3,158,681	43,986	241	-	3,206,184	3,216,944
Repairs and Maintenance	6,900	-	435	1,690,814	120,939	-	-	1,812,188	1,819,088
Supplies	2,735,819	146,444	65,438	777,380	432,654	33,460	-	1,308,932	4,191,195
Travel	10,632	1,591	3,816	4,695	142,999	1,093	-	152,603	164,826
Utilities	-	-	-	1,185,076	17,316	-	-	1,202,392	1,202,392
Depreciation	1,923,838	3,064	51,869	580,768	333,255	-	-	965,892	2,892,794
Total expenses by function	32,530,899	4,607,592	3,790,728	11,215,714	6,354,598	365,128	9,021,273	30,747,441	67,885,932

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, 2021 AND 2020

	2020									
	Program Services				Support Services					
	Instruction and 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 Functional Expenses
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
Total expenses by function	32,848,909	4,441,883	37,290,792	4,003,903	11,062,983	6,884,182	371,558	3,830,855	26,153,481	63,444,273

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

**Required
Supplementary
Information**

LIFESCHOOL OF DALLAS

Exhibit C-1

SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

Expenses	<u>2021</u>	<u>2020</u>
6100 Payroll Costs	\$ 41,010,001	\$ 41,082,426
6200 Professional and Contracted Services	8,355,840	8,823,311
6300 Supplies and Materials	5,290,281	4,779,096
6400 Other Operating Costs	4,208,537	4,928,585
6500 Debt	<u>9,021,273</u>	<u>3,830,855</u>
Total Expenses	<u>\$ 67,885,932</u>	<u>\$ 63,444,273</u>

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

SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2021

	Ownership Interest		
	Local	State	Federal
1510 Land and Improvements	\$ -	\$ 5,657,748	\$ -
1520 Buildings and Improvements	55,597	89,499,117	382,786
1531 Vehicles	-	708,014	-
1539 Furniture and Equipment	34,826	6,084,465	986,948
1549 Furniture and Equipment	-	16,768	233,907
1559 Capital Lease	-	999,324	-
1580 Construction in Progress	-	144,163	-
1570 Less Accumulated Depreciation	(46,887)	(30,179,834)	(970,147)
Total Property and Equipment	<u>\$ 43,536</u>	<u>\$ 72,929,765</u>	<u>\$ 633,494</u>

Note: Accumulated depreciation of \$30,179,834 above on capital assets acquired with state funds includes \$679,552 accumulated depreciation on assets recorded under capital leases.

LIFESCHOOL OF DALLAS

Exhibit E-1

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 190,000	\$ 304,744	\$ 372,937	\$ 68,193
5750 Cocurricular and Enterprising Activities	730,418	385,813	431,480	45,667
Total Local Support	920,418	690,557	804,417	113,860
State Program Revenues:				
5810 Foundation School Program Act Revenues	55,919,884	56,302,380	58,265,719	1,963,339
5820 State Program Revenues Distributed by TEA	258,000	554,115	482,659	(71,456)
5830 State Revenues from State of Texas Government Agencies (Other than TEA)	-	-	-	-
Total State Program Revenues	56,177,884	56,856,495	58,748,378	1,891,883
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	4,484,473	5,921,989	6,261,142	339,153
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	1,106,453	1,492,145	385,692
5940 Federal Revenues Distributed Directly from the Federal Government	700,000	593,519	13,580	(579,939)
Total Federal Program Revenues	5,184,473	7,621,961	7,766,867	144,906
Total Revenues	62,282,775	65,169,013	67,319,662	2,150,649
Expenses				
11 Instruction	30,280,120	32,863,065	30,039,393	2,823,672
12 Instructional Resources & Media Services	92,776	136,527	99,093	37,434
13 Curriculum & Instructional Staff Development	2,510,498	2,592,291	2,392,413	199,878
21 Instructional Leadership	1,241,019	1,338,964	1,149,440	189,524
23 School leadership	3,313,333	3,665,399	3,458,152	207,247
31 Guidance, Counseling, & Evaluation Services	2,505,404	2,619,111	2,454,599	164,512
33 Health Services	509,991	583,218	504,708	78,510
34 Student Transportation	125,305	125,305	40,739	84,566
35 Food Services	2,500,798	1,641,404	1,205,168	436,236
36 Cocurricular/Extracurricular Activities	2,068,838	2,352,382	2,149,384	202,998
41 General Administration	4,207,686	4,193,771	3,790,728	403,043
51 Plant Maintenance & Operations	8,347,304	8,637,385	8,151,815	485,570
52 Security & Monitoring Services	1,112,050	1,193,684	902,608	291,076
53 Data Processing Services	2,159,227	2,575,091	2,161,291	413,800
61 Community Services	194,378	241,938	163,636	78,302
71 Debt Service	4,320,200	10,320,200	9,021,273	1,298,927
81 Fundraising	242,808	242,388	201,492	40,896
Total Expenses	65,731,735	75,322,123	67,885,932	7,436,191
Change in Net Assets	(3,448,960)	(10,153,110)	(566,270)	9,586,840
Net Assets, Beginning of Year	5,337,119	5,337,119	5,337,119	-
Net Assets, End of Year	\$ 1,888,159	\$ (4,815,991)	\$ 4,770,849	\$ 9,586,840

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

LIFESCHOOL OF DALLAS

**SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
FOR THE YEAR ENDED AUGUST 31, 2021**

(1) Description (list each parcel separately)	(2) Property Address	(3) Total Assessed Value	(4) Ownership Interest - Local	(5) Ownership Interest - State	(6) Ownership Interest - Federal
Life School Oak Cliff Legal Description: 101 E. Ann Arbor Ave., DA LIFE CHARTER SCHOOL NO 2 Block 3/6013, LT 1A ACS 17.891	4400 S. RL Thornton Frwy. Dallas, TX 75224	\$ 7,405,960	-	7,405,960	-
Life High School Waxahachie Legal Description: LOT PT 1R BLK A LIFE SCHOOL WAXAHACHIE ADDN-REV 42.833 AC	170 W. Butcher Rd. Waxahachie, TX 75165	\$ 26,641,130		26,641,130	
Life High School Waxahachie PH II Legal Description: LOT 1R BLK A BOYKIN BUSINESS PARK PH 2 2.311 AC	150 W. Butcher Rd. Waxahachie, TX 75165	\$ 2,657,820		2,657,820	
Life Middle School Waxahachie Legal Description: PT 1 A WAXAHACHIE HEALTH 16.845 ACRES	3295 N. US Hwy 77 Waxahachie, TX 75165	\$ 5,172,800		5,172,800	
Life School Lancaster Legal Description: PS11-07 LOT 18 AR, BLOCK A of the Victory Family Church Addition	950 S. I-35E Lancaster, TX 75146	\$ 7,065,240		7,065,240	
Life School Cedar Hill Legal Description: HIGH POINTE BLK 12, LT 3R LESS ROW	129 W. Wintergreen Rd. Cedar Hill, TX 75104	\$ 8,039,240		8,039,240	

LIFESCHOOL OF DALLAS

**SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED AUGUST 31, 2021**

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total paid During FY	Principal Balance Due

LIFESCHOOL OF DALLAS

**SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
FOR THE YEAR ENDED AUGUST 31, 2021**

Related Party Name	Name of Relation to the Related Party	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total paid During FY

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

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

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

January 13, 2022

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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, 2021 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report dated January 13, 2022.

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.

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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, 2021. 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, 2021.

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

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

January 13, 2022

LIFESCHOOL OF DALLAS (THE CHARTER HOLDING)

Exhibit I-1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021**

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:

Special Education Cluster:

FALN 84.027A IDEA - Part B Formula

FALN 84.425D - CRF Operation Connectivity Prior Purchase Reimb. Program

FALN 84.425D - Elementary & Secondary School Emergency Fund

FALN 84.425D - Elementary & Secondary School Emergency Fund II

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, 2021

CORRECTIVE ACTION PLAN:

None Required

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2021

No prior audit findings.

LIFESCHOOL OF DALLAS

Exhibit L-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal FALN Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region 10 Education Service Center</u>			
Title III, Part A - English Language Acquisition	84.365A	21671001057950	25,485
Total Passed Through Region 10 Education Service Center			<u>25,485</u>
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101057807	168,401
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101057807	1,228,614
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101057807	118,066
ESEA, Title I, School Improvement	84.010A	21610141057807	74,745
Total CFDA Number 84.010A			<u>1,589,826</u>
*IDEA - Part B, Formula	84.027A	206600010578076600	54,163
*IDEA - Part B, Formula	84.027A	216600010578076600	611,541
*IDEA - Part B, Formula	84.027A	226600010578076600	115,723
Total Special Education Cluster (IDEA) Passed Through State Department of Education			<u>781,427</u>
Career and Technical - Basic Grant	84.048A	21420006057807	63,679
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	20694501057807	25,479
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	21694501057807	158,313
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	22694501057807	43,371
Total CFDA Number 84.367A			<u>227,163</u>
Instructional Continuity	84.377A	17610740057807	22,587
ESEA, Title IV, Part A - Student Support	84.424A	20680101057807	51,682
ESEA, Title IV, Part A - Student Support	84.424A	21680101057807	86,879
ESEA, Title IV, Part A - Student Support	84.424A	22680101057807	21,800
Total CFDA Number 84.424A			<u>160,361</u>
CRF Operation Connectivity Prior Purchase Reimb. Program	84.425D	52102135	485,367
Elementary & Secondary School Emergency Relief Fd	84.425D	20521001057807	34,541
Elementary & Secondary School Emergency Relief III	84.425U	21528001057807	1,699,482
Total CFDA Number 84.425D			<u>2,219,390</u>
Total Passed Through State Department of Education			<u>5,064,433</u>
TOTAL DEPARTMENT OF EDUCATION			\$ 5,089,918
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
CRF Provider Relief Fund	93.498	01-057807	\$ 13,580
Total Direct Programs			<u>\$ 13,580</u>
<u>Passed Through State Department of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-13-0035-00004	\$ 30,182
Total Passed Through the State Department of Human Services			<u>\$ 30,182</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 43,762

*Clustered Programs

LIFESCHOOL OF DALLAS

Exhibit L-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal FALN Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through State Department of Agriculture</u>			
*School Breakfast Program	10.553	806780706	\$ 143,498
*National School Lunch Program - Cash Assistance	10.555	806780706	927,980
*National School Lunch Program - Non-Cash Assistance	10.555	806780706	99,746
*Child Nutrition Program EOC Reimbursement	10.555	806780706	180,180
Total CFDA Number 10.555			<u>1,207,906</u>
Total Child Nutrition Cluster			<u>1,351,404</u>
Total Passed Through the State Department of Agriculture			<u>\$ 1,351,404</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 1,351,404</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 6,485,084</u></u>

*Clustered Programs

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

- 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.
- The period of performance 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 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343 (b).
- FALN numbers for commodity assistance are the FALN numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$480,939.
- Reconciliation Information:

Amounts reported on the Schedule of Expenditures of Federal awards	\$ 6,485,084
SHARS Revenue reported in the General Fund	571,327
Revenue Received from Coronavirus Relief Fund for FY20 Expenditures:	
Passed through TDEM	32,549
ESSER Relief Fund III	461,825
Prior Purchase Reimbursement Program	<u>216,082</u>
Total Federal Program Revenue	<u>\$ 7,766,867</u>