

**LIFESCHOOL OF DALLAS**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022

**LIFESCHOOL OF DALLAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

**TABLE OF CONTENTS**

	<u>Page</u>
Certificate of Board.....	1
Independent Auditors' Report.....	2-3
General-Purpose Financial Statements	
A-1 Statements of Financial Position.....	4
A-2 Statements of Activities.....	5-6
A-3 Statements of Cash Flows.....	7
A-4 Statements of Functional Expenses.....	8-9
Notes to the Financial Statements.....	10-20
Specific-Purpose Financial Statements	
B-1 Statements of Financial Position.....	21
B-2 Statements of Activities.....	22-23
B-3 Statements of Cash Flows.....	24
B-4 Statements of Functional Expenses.....	25-26
Required Supplementary Information	
C-1 Schedule of Expenses.....	27
D-1 Schedule of Capital Assets.....	28
E-1 Budgetary Comparison Schedule.....	29
E-2 Notes to Budgetary Comparison Schedule.....	30
F-1 Schedule of Real Property Ownership Interest.....	31
G-1 Schedule of Related Party Transactions.....	32
H-1 Schedule of Related Party Compensation and Benefits.....	33
I-1 Use of Funds Report – Select State Allotment Programs.....	34
Reports on Compliance, Internal Controls, and Federal Awards Section	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	35-36
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance.....	37-38
J-1 Schedule of Findings and Questioned Costs.....	39
K-1 Corrective Action Plan.....	40
L-1 Schedule of Prior Audit Findings.....	41
M-1 Schedule of Expenditures and Federal Awards.....	42-43
Notes to the Schedule of Expenditures of Federal Awards.....	44

LIFESCHOOL OF DALLAS  
CERTIFICATE OF BOARD  
AUGUST 31, 2022

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, 2022, at a meeting of the governing body the charter holder on the 18th day of January, 2023.

  
Signature of Board Secretary

  
Signature of Board President

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

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

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CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TX 76202-0977  
TEL. (940) 387-8563  
FAX (940) 383-4746

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the accompanying financial statements of LifeSchool of Dallas (a nonprofit organization and the charter holder), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LifeSchool of Dallas as of August 31, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LifeSchool of Dallas and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibility of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LifeSchool of Dallas's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LifeSchool of Dallas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LifeSchool of Dallas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit findings, and certain internal control related matters that we identified during the audit.

### **Supplementary 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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for 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 12, 2023, 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 12, 2023

**General-Purpose  
Financial Statements**

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

Exhibit A-1

STATEMENTS OF FINANCIAL POSITION  
AS OF AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 28,421,075	\$ 22,563,216
Cash and cash equivalents - restricted	3,162,460	2,263,501
Due from State and other governments	11,951,047	8,338,221
Prepaid expenses	225,300	284,677
Other receivables	358,491	188,613
Total Current Assets	<u>44,118,373</u>	<u>33,638,228</u>
Property and Equipment		
Land	5,642,748	5,657,748
Building and improvements	89,955,582	89,937,500
Furniture and equipment	7,428,686	7,356,914
Vehicles	918,710	708,014
Assets purchased under capital lease	999,324	999,324
Construction in progress	220,536	144,163
Less accumulated depreciation	<u>(34,239,752)</u>	<u>(31,196,868)</u>
Total Property and Equipment	<u>70,925,834</u>	<u>73,606,795</u>
Other Assets		
Capitalized Debt Issuance Costs	4,266,335	4,464,139
Other Assets	<u>465,766</u>	<u>356,579</u>
	<u>4,732,101</u>	<u>4,820,718</u>
Total Assets	<u>\$ 119,776,308</u>	<u>\$ 112,065,741</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 773,384	\$ 1,061,128
Accrued wages	1,316,065	1,112,129
Due to state government	174	251
Due to student groups	54,586	42,027
Unearned revenues	58,347	419,578
Accrued employee benefits	464,765	344,827
Accrued interest expense	138,546	486,295
Current portion of notes payable	101,297	60,331
Current portion of bonds payable	50,000	40,000
Total Current Liabilities	<u>2,957,164</u>	<u>3,566,566</u>
Long Term Debt (net of current portions)		
Notes payable	189,127	186,423
Bonds payable	<u>103,266,999</u>	<u>103,541,903</u>
Total Long-Term Debt	<u>103,456,126</u>	<u>103,728,326</u>
Total Liabilities	<u>106,413,290</u>	<u>107,294,892</u>
Net Assets		
Without donor restriction	1,372,299	1,346,223
With donor restriction	<u>11,990,719</u>	<u>3,424,626</u>
Total Net Assets	<u>13,363,018</u>	<u>4,770,849</u>
Total Liabilities and Net Assets	<u>\$ 119,776,308</u>	<u>\$ 112,065,741</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, 2022 AND 2021**

	2022		
	Without Donor Restriction	With Donor Restriction	Totals
Revenues			
Local Support:			
Contributions	\$ 150,898	\$ -	\$ 150,898
Food Service Activity	-	122,216	122,216
Athletic Activities	322,694	-	322,694
Rent	8,237	-	8,237
Interest	145,787	-	145,787
Other Revenues	362,684	-	362,684
Total Local Support	990,300	122,216	1,112,516
State Program Revenues:			
Foundation School Program	-	57,476,032	57,476,032
Other State Grants	-	307,019	307,019
Food Service	-	8,428	8,428
Total State Program Revenues	-	57,791,479	57,791,479
Federal Program Revenues:			
IDEA Part B, Formula	-	835,733	835,733
Emergency Connectivity Fund	-	549,600	549,600
COVID-19 School Health Support Grant	-	171,177	171,177
ESEA Title I Part A Improving Basic Programs	-	1,234,466	1,234,466
ESEA Title II Part A Teacher and Principal Training	-	185,448	185,448
ESEA Title IV Part A Student Support	-	105,089	105,089
ESSER Relief Fund II	-	3,337,133	3,337,133
ESSER Relief Fund III	-	3,030,517	3,030,517
Medicaid Administrative Claiming Program-MAC	-	31,089	31,089
National School Breakfast and Lunch Program	-	2,927,241	2,927,241
P-EBT Administrative Costs Grant	-	3,063	3,063
TCLAS - ESSER III	-	2,800	2,800
Title III Part A - English Language Acquisition and Enhancement	-	38,435	38,435
School Health and Related Services	-	772,600	772,600
Career & Technical - Basic Grant	-	74,494	74,494
Total Federal Program Revenues	-	13,298,885	13,298,885
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	62,646,487	(62,646,487)	-
Total Revenues	63,636,787	8,566,093	72,202,880
Expenses			
Program Services:			
Instruction and Instructional-Related Services	32,460,023	-	32,460,023
Instructional and School Leadership	4,675,701	-	4,675,701
Support Services:			
Administrative Support Services	3,740,374	-	3,740,374
Support Services - Non-Student Based	11,205,428	-	11,205,428
Support Services - Student (Pupil)	8,424,489	-	8,424,489
Ancillary Services	303,813	-	303,813
Debt Service	2,800,883	-	2,800,883
Total Expenses	63,610,711	-	63,610,711
Change in Net Assets	26,076	8,566,093	8,592,169
Net Assets, Beginning of Year	1,346,223	3,424,626	4,770,849
Net Assets, End of Year	\$ 1,372,299	\$ 11,990,719	\$ 13,363,018

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, 2022 AND 2021**

	2021		
	Without Donor Restriction	With Donor Restriction	Totals
<b>Revenues</b>			
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
Other State Grants	-	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 Stimulus 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
<b>Expenses</b>			
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-3

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2022</u>	<u>2021</u>
Change in Net Assets	\$ 8,592,169	\$ (566,270)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation and amortization	3,042,884	2,892,794
Amortization of Capitalized Debt Issuance Costs	197,804	145,939
(Increase) Decrease in Due from State and Other Governments	(3,612,826)	(4,351,843)
(Increase) Decrease in Prepaid Expenses	59,377	21,386
(Increase) Decrease in Other Receivables	(169,878)	572,055
(Increase) Decrease in Other Assets	(109,187)	(101,472)
Increase (Decrease) in Accounts Payable	(287,744)	(53,601)
Increase (Decrease) in Accrued Wages	203,936	170,003
Increase (Decrease) in Due to State Government	(77)	(319)
Increase (Decrease) in Due to Student Groups	12,559	(4,410)
Increase (Decrease) in Unearned Revenues	(361,231)	355,480
Increase (Decrease) in Accrued Employee Benefits	119,938	101,472
Increase (Decrease) in Accrued Interest Expense	(347,749)	309,962
Net Cash Provided (Used) by Operating Activities	<u>7,339,975</u>	<u>(508,824)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	<u>(361,923)</u>	<u>(655,129)</u>
Net Cash Provided (Used) by Investing Activities	<u>(361,923)</u>	<u>(655,129)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from (on) Capital Lease Payable	-	(72,124)
Proceeds (Payments) from (on) Notes Payable	43,670	(2,376,063)
Issuance of Debt (Net of issuance costs)	-	9,197,115
Principal Payments on Bonds Payable	<u>(264,904)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(221,234)</u>	<u>6,748,928</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	6,756,818	5,584,975
Cash and Cash Equivalents, Beginning of Year	<u>24,826,717</u>	<u>19,241,742</u>
Cash and Cash Equivalents, End of Year (includes restricted cash of \$3,162,460 and \$2,263,501 at August 31, 2022 and 2021, respectively)	<u>\$ 31,583,535</u>	<u>\$ 24,826,717</u>
Cash Paid for Interest During the Year	\$ 3,141,618	\$ 3,235,207
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)**

Exhibit A-4

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2022									
	Program Services			Support Services						Total Functional Expenses
	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	
Salaries and Wages	24,301,154	3,667,991	27,969,145	2,212,828	2,060,457	3,456,645	166,237	-	7,896,167	
Payroll Taxes	388,474	54,183	442,657	32,886	29,750	50,742	2,487	-	115,865	558,522
Employee Benefits	3,638,519	540,856	4,179,375	477,304	340,006	625,996	31,141	-	1,474,447	5,653,822
Fees For Services	396,798	78,539	475,337	390,304	1,198,372	361,457	33,344	-	1,983,477	2,458,814
Food	-	-	-	-	-	2,309,015	-	-	2,309,015	2,309,015
Insurance	-	-	-	3,247	379,307	34,269	-	-	416,823	416,823
Interest and Fiscal Charges	-	-	-	-	-	-	-	2,800,883	2,800,883	2,800,883
Miscellaneous	117,629	97,466	215,095	438,024	6,088	99,267	12,354	-	555,733	770,828
Rent	7,000	5,653	12,653	2,840	3,118,598	58,160	1,215	-	3,180,813	3,193,466
Repairs and Maintenance	2,076	-	2,076	-	1,618,681	123,744	-	-	1,742,425	1,744,501
Supplies	1,584,816	214,607	1,799,423	118,719	885,665	647,666	56,631	-	1,708,681	3,508,104
Travel	31,896	13,342	45,238	12,353	8,918	246,967	404	-	268,642	313,880
Utilities	-	-	-	-	955,562	18,295	-	-	973,857	973,857
Depreciation	1,991,661	3,064	1,994,725	51,869	604,024	392,266	-	-	1,048,159	3,042,884
<b>Total expenses by function</b>	<b>32,460,023</b>	<b>4,675,701</b>	<b>37,135,724</b>	<b>3,740,374</b>	<b>11,205,428</b>	<b>8,424,489</b>	<b>303,813</b>	<b>2,800,883</b>	<b>26,474,987</b>	<b>63,610,711</b>

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

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

Exhibit A-4

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

	2021									
	Program Services			Support Services						Total Functional Expenses
	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	
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	-	-	-	-	1,185,076	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
<b>Total expenses by function</b>	<b>32,530,899</b>	<b>4,607,592</b>	<b>37,138,491</b>	<b>3,790,728</b>	<b>11,215,714</b>	<b>6,354,598</b>	<b>365,128</b>	<b>9,021,273</b>	<b>30,747,441</b>	<b>67,885,932</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, 2022 AND 2021**

**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 eight 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, 2022 AND 2021**

**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)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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, 2022, the carrying amount of the charter holder's deposits (cash demand accounts and interest-bearing accounts included in cash and cash equivalents) was \$31,576,475, and the bank balance was \$31,959,452. The corporation's cash deposits at August 31, 2022, and during the year ended August 31, 2022, 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 \$28,125,153 of fully collateralized investments in TexPool accounted for as cash equivalents.

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.

The corporation has restricted cash and cash equivalents of \$3,162,460 and \$2,263,501 as of August 31, 2022 and 2021, respectively. These amounts are deposited with Region's Bank in short-term cash sweep accounts. As of August 31, 2022, \$306,736 of bonds payable proceeds are restricted for future construction projects. The remaining \$2,855,724 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, 2022 AND 2021**

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, 2022:

- 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 \$3,038,470 and occurred during the month of December 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](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)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

As of August 31, 2021 (the most recent information available), TRS had total net plan assets of \$201.8 billion and accumulated benefit obligation of \$249.4 billion, leaving a net pension liability of \$47.6 billion. TRS is 79.1% funded. There is not a collective-bargaining agreement that covers the plan.

State law provides for the following contribution rates for 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Employees (members)	8.00%	7.7%
Non-Employer Contributing Entity (State)	7.75%	7.5%
Employers	7.75%	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 1.7% 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 2022 and 2021 are shown below. Contributions made each year were equal to the required contributions.

	<u>2022</u>	<u>2021</u>
Employees (members)	\$2,754,615	\$2,637,267
Employer	\$1,438,826	\$1,216,720

**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](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**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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 2022 and 2021:

	2022	2021
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 2022 and 2021 are shown below. Contributions made each year were equal to the required contributions.

	2022	2021
Employees (members)	\$ 223,812	\$ 222,627
Employer	\$ 298,415	\$ 278,752

**5. HEALTH CARE COVERAGE**

During the years ended August 31, 2022 and 2021, full-time employees of the charter school were covered by a health insurance plan (the Plan). For the years ended August 31, 2022 and 2021, the charter school contributed a minimum of \$525 and \$525, 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, 2022 and 2021.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

**8. PROPERTY AND EQUIPMENT**

Property and Equipment at August 31, 2022, were as follows:

	<u>Balance</u> <u>9/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2022</u>
Land	\$ 5,657,748	\$ -	\$ 15,000	\$ 5,642,748
Buildings and Improvements	89,937,500	22,769	4,687	89,955,582
Furniture and Equipment	7,356,914	72,748	976	7,428,686
Vehicles	708,014	210,696	-	918,710
Capital Lease	999,324	-	-	999,324
Construction in Progress	144,163	76,373	-	220,536
Accumulated Depreciation	<u>(31,196,868)</u>	<u>(3,043,091)</u>	<u>(207)</u>	<u>(34,239,752)</u>
	<u>\$ 73,606,795</u>	<u>\$ (2,660,505)</u>	<u>\$ 20,456</u>	<u>\$ 70,925,834</u>

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>-</u>	<u>(31,196,868)</u>
	<u>\$ 75,844,460</u>	<u>\$ (2,237,665)</u>	<u>\$ -</u>	<u>\$ 73,606,795</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, 2022 and 2021, the charter holder earned revenue of \$57,476,032 and \$58,265,719, respectively, from the State of Texas. This constitutes approximately 79.60% and 86.55%, 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, 2022 AND 2021**

**10. NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restriction for the years ended August 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Foundation School Program	\$9,856,936	\$1,798,658
Campus Activity Funds	332,176	290,816
ESEA Title I Part A, Improving Basic Programs	42,880	169,323
National School Lunch & Breakfast Program	<u>1,758,727</u>	<u>1,165,829</u>
	<u>\$11,990,719</u>	<u>\$3,424,626</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, 2022.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

A summary of bonds payable for the year ended August 31, 2022 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 09/01/21	Issued/ (Retired)	Amounts Outstanding 08/31/22	Amount due within one year
QSCB's Taxable Bonds – Series 2014Q Variable Rate Education Revenue Refunding Bonds – Series 2021A Education Revenue Bonds – Series 2021B	4.56%	6,515,000	6,515,000	-	6,515,000	-
	3.00%	89,390,000	89,390,000	-	89,390,000	-
	3.00%-4.00%	2,500,000	2,500,000	(40,000)	2,460,000	50,000
<b>Total bonded debt payable</b>			<u>98,405,000</u>	<u>(40,000)</u>	<u>98,365,000</u>	<u>50,000</u>
Bond Premium (Discount)			<u>5,176,903</u>	<u>(224,904)</u>	<u>4,951,999</u>	<u>-</u>
<b>Total</b>			<u>\$ 103,581,903</u>	<u>\$ (264,904)</u>	<u>\$ 103,316,999</u>	<u>\$ 50,000</u>

Debt service requirements are as follows:

Years ending 31-Aug	Principal	Interest	Requirements
2023	\$ 50,000	\$ 3,057,673	\$ 3,107,673
2024	55,000	3,055,673	3,110,673
2025	55,000	3,053,473	3,108,473
2026	55,000	3,051,273	3,106,273
2027	3,955,000	2,298,197	6,248,197
2028-2032	21,060,000	10,157,157	31,217,157
2033-2037	31,655,000	6,518,583	38,173,583
2038-2042	28,430,000	3,332,226	31,762,226
2043-2047	12,575,000	511,974	13,086,974
2048-2051	480,000	36,450	516,450
Thereafter	-	-	-
	<u>\$ 98,365,000</u>	<u>\$ 35,072,679</u>	<u>\$ 133,437,679</u>

The Corporation received a Qualified School Construction Bond subsidy of \$279,904 during the year ending August 31, 2022 and \$279,895 during the year ending August 31, 2021 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, 2022 AND 2021**

**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.

During the fiscal year ended August 31, 2021 the balance due on the note was fully repaid. The line of credit expired in June 2021 and was not renewed.

**13. NOTE PAYABLE - VEHICLES**

The Corporation purchased 2 school buses under a note payable in the 2021-2022 year. The Corporation is also obligated under a prior year note payable for 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>Payment</u>
Mercedes-Benz Financial	4.500%	7/15/2020	\$ 313,799	3 Buses	\$5,850/month
Mercedes-Benz Financial	4.150%	9/17/2021	210,696	2 Buses	\$45,634/year

Future principal payments under the note payable as of August 31, 2022 are as follows:

2022-23	\$ 101,297
2023-24	104,425
2024-25	42,069
2025-26	42,633
Thereafter	<u>-</u>
Total future principal payments	290,424
Less current portion	<u>(101,297)</u>
Long-term	<u>\$ 189,127</u>

**14. OPERATING LEASES**

The Corporation leased facilities through various operating leases expiring between 2022 and 2035. The minimum monthly payment at August 31, 2022 was \$249,144. Rent expense was \$2,956,121 and \$3,002,074, respectively, for the years ended August 31, 2022 and 2021.

Future minimum payments under noncancellable operating leases as of August 31, 2022 are as follows:

2022-23	\$ 2,989,729
2023-24	2,993,867
2024-25	3,575,437
2025-26	3,575,437
2026-27	3,576,259
Thereafter	<u>9,703,298</u>
Total	<u>\$ 26,414,027</u>



**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

**15. SUBSEQUENT EVENTS**

Management has evaluated the impact of all subsequent events on the Corporation through January 12, 2023, 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	\$ 28,421,075
Due from State and other governments	11,951,047
Other receivables	358,491
Less amount with donor restriction	<u>(11,990,719)</u>
	<u>\$ 28,739,894</u>

**Specific-Purpose  
Financial Statements**

**LIFESCHOOL OF DALLAS**

Exhibit B-1

**STATEMENTS OF FINANCIAL POSITION  
AS OF AUGUST 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 28,421,075	\$ 22,563,216
Cash and cash equivalents - restricted	3,162,460	2,263,501
Due from State and other governments	11,951,047	8,338,221
Prepaid expenses	225,300	284,677
Other receivables	358,491	188,613
<b>Total Current Assets</b>	<b>44,118,373</b>	<b>33,638,228</b>
<b>Property and Equipment</b>		
Land	5,642,748	5,657,748
Building and improvements	89,955,582	89,937,500
Furniture and equipment	7,428,686	7,356,914
Vehicles	918,710	708,014
Assets purchased under capital lease	999,324	999,324
Construction in progress	220,536	144,163
Less accumulated depreciation	(34,239,752)	(31,196,868)
<b>Total Property and Equipment</b>	<b>70,925,834</b>	<b>73,606,795</b>
<b>Other Assets</b>		
Capitalized Debt Issuance Costs	4,266,335	4,464,139
Other Assets	465,766	356,579
	<b>4,732,101</b>	<b>4,820,718</b>
<b>Total Assets</b>	<b>\$ 119,776,308</b>	<b>\$ 112,065,741</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 773,384	\$ 1,061,128
Accrued wages	1,316,065	1,112,129
Due to state government	174	251
Due to student groups	54,586	42,027
Unearned Revenues	58,347	419,578
Accrued employee benefits	464,765	344,827
Accrued interest expense	138,546	486,295
Current portion of notes payable	101,297	60,331
Current portion of bonds payable	50,000	40,000
<b>Total Current Liabilities</b>	<b>2,957,164</b>	<b>3,566,566</b>
<b>Long Term Debt (net of current portions)</b>		
Notes payable	189,127	186,423
Bonds payable	103,266,999	103,541,903
<b>Total Long-Term Debt</b>	<b>103,456,126</b>	<b>103,728,326</b>
<b>Total Liabilities</b>	<b>106,413,290</b>	<b>107,294,892</b>
<b>Net Assets</b>		
Without donor restriction	1,372,299	1,346,223
With donor restriction	11,990,719	3,424,626
<b>Total Net Assets</b>	<b>13,363,018</b>	<b>4,770,849</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 119,776,308</b>	<b>\$ 112,065,741</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, 2022 AND 2021**

	2022		
	Without Donor Restriction	With Donor Restriction	Totals
<b>Revenues</b>			
Local Support:			
5740 Other Revenues from Local Sources	\$ 409,690	\$ -	\$ 409,690
5750 Cocurricular and Enterprising Activities	580,610	122,216	702,826
Total Local Support	990,300	122,216	1,112,516
State program revenues:			
5810 Foundation School Program	-	57,476,032	57,476,032
5820 State Program Revenues Distributed by TEA Texas Education Agency	-	315,447	315,447
Total state program revenues	-	57,791,479	57,791,479
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	11,778,393	11,778,393
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	970,892	970,892
5940 Federal Revenues Distributed Directly from the Federal Government	-	549,600	549,600
Total state program revenues	-	13,298,885	13,298,885
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	62,646,487	(62,646,487)	-
<b>Total Revenues</b>	<b>63,636,787</b>	<b>8,566,093</b>	<b>72,202,880</b>
<b>Expenses</b>			
11 Instruction	29,902,549	-	29,902,549
12 Instructional Resources and Media Services	97,245	-	97,245
13 Curriculum Development and Instructional Staff Development	2,460,229	-	2,460,229
21 Instructional Leadership	1,127,028	-	1,127,028
23 School Leadership	3,548,673	-	3,548,673
31 Guidance, Counseling and Evaluation Services	2,812,488	-	2,812,488
33 Health Services	605,312	-	605,312
34 Student (Pupil) Transportation	239,390	-	239,390
35 Food Service	2,454,336	-	2,454,336
36 Cocurricular/Extracurricular Activities	2,312,963	-	2,312,963
41 General Administration	3,740,374	-	3,740,374
51 Plant Maintenance and Operations	8,165,633	-	8,165,633
52 Security and Monitoring	976,285	-	976,285
53 Data Processing Services	2,063,510	-	2,063,510
61 Community Services	151,794	-	151,794
71 Debt Service	2,800,883	-	2,800,883
81 Fund Raising	152,019	-	152,019
<b>Total Expenses</b>	<b>63,610,711</b>	<b>-</b>	<b>63,610,711</b>
<b>Change in Net Assets</b>	<b>26,076</b>	<b>8,566,093</b>	<b>8,592,169</b>
<b>Net Assets, Beginning of Year</b>	<b>1,346,223</b>	<b>3,424,626</b>	<b>4,770,849</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,372,299</b>	<b>\$ 11,990,719</b>	<b>\$ 13,363,018</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, 2022 AND 2021**

	2021		Totals
	Without Donor Restriction	With Donor Restriction	
<b>Revenues</b>			
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>
<b>Expenses</b>			
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-3

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2022</u>	<u>2021</u>
Change in Net Assets	\$ 8,592,169	\$ (566,270)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation and amortization	3,042,884	2,892,794
Amortization of Capitalized Debt Issuance Costs	197,804	145,939
(Increase) Decrease in Due from State and Other Governments	(3,612,826)	(4,351,843)
(Increase) Decrease in Prepaid Expenses	59,377	21,386
(Increase) Decrease in Other Receivables	(169,878)	572,055
(Increase) Decrease in Other Assets	(109,187)	(101,472)
Increase (Decrease) in Accounts Payable	(287,744)	(53,601)
Increase (Decrease) in Accrued Wages	203,936	170,003
Increase (Decrease) in Due to State Government	(77)	(319)
Increase (Decrease) in Due to Student Groups	12,559	(4,410)
Increase (Decrease) in Unearned Revenues	(361,231)	355,480
Increase (Decrease) in Accrued Employee Benefits	119,938	101,472
Increase (Decrease) in Accrued Interest Expense	(347,749)	309,962
Net Cash Provided (Used) by Operating Activities	<u>7,339,975</u>	<u>(508,824)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	<u>(361,923)</u>	<u>(655,129)</u>
Net Cash Provided (Used) by Investing Activities	<u>(361,923)</u>	<u>(655,129)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from (on) Capital Lease Payable	-	(72,124)
Proceeds from Notes Payable	43,670	(2,376,063)
Issuance of Debt (Net of issuance costs)	-	9,197,115
Principal Payments on Bonds Payable	<u>(264,904)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(221,234)</u>	<u>6,748,928</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	6,756,818	5,584,975
Cash and Cash Equivalents, Beginning of Year	<u>24,826,717</u>	<u>19,241,742</u>
Cash and Cash Equivalents, End of Year (includes restricted cash of \$3,162,460 and \$2,263,501 at August 31, 2022 and 2021, respectively)	<u>\$ 31,583,535</u>	<u>\$ 24,826,717</u>
Cash Paid for Interest During the Year	\$ 3,141,618	\$ 3,235,207
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)**

Exhibit B-4

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2022										
	Program Services			Support Services							Total Functional Expenses
	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		
Salaries and Wages	24,301,154	3,667,991	27,969,145	2,212,828	2,060,457	3,456,645	166,237	-	7,896,167	35,865,312	
Payroll Taxes	388,474	54,183	442,657	32,886	29,750	50,742	2,487	-	115,865	558,522	
Employee Benefits	3,638,519	540,856	4,179,375	477,304	340,006	625,996	31,141	-	1,474,447	5,653,822	
Fees For Services	396,798	78,539	475,337	390,304	1,198,372	361,457	33,344	-	1,983,477	2,458,814	
Food	-	-	-	-	-	2,309,015	-	-	2,309,015	2,309,015	
Insurance	-	-	-	3,247	379,307	34,269	-	-	416,823	416,823	
Interest and Fiscal Charges	-	-	-	-	-	-	-	2,800,883	2,800,883	2,800,883	
Miscellaneous	117,629	97,466	215,095	438,024	6,088	99,267	12,354	-	555,733	770,828	
Rent	7,000	5,653	12,653	2,840	3,118,598	58,160	1,215	-	3,180,813	3,193,466	
Repairs and Maintenance	2,076	-	2,076	-	1,618,681	123,744	-	-	1,742,425	1,744,501	
Supplies	1,584,816	214,607	1,799,423	118,719	885,665	647,666	56,631	-	1,708,681	3,508,104	
Travel	31,896	13,342	45,238	12,353	8,918	246,967	404	-	268,642	313,880	
Utilities	-	-	-	-	955,562	18,295	-	-	973,857	973,857	
Depreciation	1,991,661	3,064	1,994,725	51,869	604,024	392,266	-	-	1,048,159	3,042,884	
<b>Total expenses by function</b>	<b>32,460,023</b>	<b>4,675,701</b>	<b>37,135,724</b>	<b>3,740,374</b>	<b>11,205,428</b>	<b>8,424,489</b>	<b>303,813</b>	<b>2,800,883</b>	<b>26,474,987</b>	<b>63,610,711</b>	

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

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

Exhibit B-4

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2021									
	Program Services			Support Services						Total Functional Expenses
	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	
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	-	-	-	-	1,185,076	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
<b>Total expenses by function</b>	<b>32,530,899</b>	<b>4,607,592</b>	<b>37,138,491</b>	<b>3,790,728</b>	<b>11,215,714</b>	<b>6,354,598</b>	<b>365,128</b>	<b>9,021,273</b>	<b>30,747,441</b>	<b>67,885,932</b>

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, 2022 AND 2021**

Expenses	<u>2022</u>	<u>2021</u>
6100 Payroll Costs	\$ 41,947,421	\$ 41,010,001
6200 Professional and Contracted Services	8,481,796	8,355,840
6300 Supplies and Materials	5,888,723	5,290,281
6400 Other Operating Costs	4,491,888	4,208,537
6500 Debt	<u>2,800,883</u>	<u>9,021,273</u>
Total Expenses	<u>\$ 63,610,711</u>	<u>\$ 67,885,932</u>

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

**LIFESCHOOL OF DALLAS**

Exhibit D-1

SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2022

	Ownership Interest		
	Local	State	Federal
1510 Land and Improvements	\$ -	\$ 5,642,748	\$ -
1520 Buildings and Improvements	55,597	89,517,199	382,786
1531 Vehicles	-	918,710	-
1539 Furniture and Equipment	34,826	6,104,605	1,028,052
1549 Furniture and Equipment	-	16,768	244,435
1559 Capital Lease	-	999,324	-
1580 Construction in Progress	-	220,536	-
1570 Less Accumulated Depreciation	(52,902)	(33,090,698)	(1,096,152)
Total Property and Equipment	<u>\$ 37,521</u>	<u>\$ 70,329,192</u>	<u>\$ 559,121</u>

Note: Accumulated depreciation of \$33,090,698 above on capital assets acquired with state funds includes \$766,339 accumulated depreciation on assets recorded under capital leases.

**LIFESCHOOL OF DALLAS**

Exhibit E-1

**BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 25,000	\$ 332,659	\$ 409,690	\$ 77,031
5750 Cocurricular and Enterprising Activities	730,418	624,720	702,826	78,106
Total Local Support	755,418	957,379	1,112,516	155,137
State Program Revenues:				
5810 Foundation School Program Act Revenues	57,519,254	56,158,808	57,476,032	1,317,224
5820 State Program Revenues Distributed by TEA	211,786	1,016,673	315,447	(701,226)
Total State Program Revenues	57,731,040	57,175,481	57,791,479	615,998
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	7,078,478	9,695,012	11,778,393	2,083,381
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	350,000	495,067	970,892	475,825
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	549,600	549,600
Total Federal Program Revenues	7,428,478	10,190,079	13,298,885	3,108,806
Total Revenues	65,914,936	68,322,939	72,202,880	3,879,941
<b>Expenses</b>				
11 Instruction	31,272,921	32,536,905	29,902,549	2,634,356
12 Instructional Resources & Media Services	118,258	131,498	97,245	34,253
13 Curriculum & Instructional Staff Development	2,549,974	3,072,260	2,460,229	612,031
21 Instructional Leadership	1,101,546	1,162,324	1,127,028	35,296
23 School leadership	3,473,914	3,544,580	3,548,673	(4,093)
31 Guidance, Counseling, & Evaluation Services	2,564,786	3,000,974	2,812,488	188,486
33 Health Services	546,180	620,805	605,312	15,493
34 Student Transportation	209,308	285,855	239,390	46,465
35 Food Services	2,579,180	2,717,676	2,454,336	263,340
36 Cocurricular/Extracurricular Activities	2,083,162	2,572,499	2,312,963	259,536
41 General Administration	4,176,035	4,324,535	3,740,374	584,161
51 Plant Maintenance & Operations	8,443,998	8,512,981	8,165,633	347,348
52 Security & Monitoring Services	1,149,740	1,151,553	976,285	175,268
53 Data Processing Services	2,764,838	2,768,407	2,063,510	704,897
61 Community Services	242,791	244,578	151,794	92,784
71 Debt Service	3,609,273	4,209,273	2,800,883	1,408,390
81 Fundraising	265,127	265,127	152,019	113,108
Total Expenses	67,151,031	71,121,830	63,610,711	7,511,119
Change in Net Assets	(1,236,095)	(2,798,891)	8,592,169	11,391,060
Net Assets, Beginning of Year	4,770,849	4,770,849	4,770,849	-
Net Assets, End of Year	\$ 3,534,754	\$ 1,971,958	\$ 13,363,018	\$ 11,391,060

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

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

- 1) 5740 – Increase in budget due to higher athletic event participation.
- 2) 5750 – Decrease in budget to account for lower breakfast and lunch sales. We also had a higher percentage of students qualify for free and reduced lunch than previous year.
- 3) 5820 – Increase in budget to account for the new Dyslexia Grant funds.
- 4) 5920 – Increase in budget to spend more ESSER II and III grant funds.
- 5) 5930 – Increase in budget to account for the School Health Support Grant.
- 6) 5940 – Decrease in budget due to expected SHARS revenue.
- 7) Function 12 – Increase due to anticipated supplemental resources for campus libraries.
- 8) Function 13 – Increase due to anticipated professional development expenses.
- 9) Function 31 – Increase due to additional contracted services for Special Education.
- 10) Function 33 – Increase due to additional medical equipment and supply needs.
- 11) Function 34 – Increase due to higher fuel and maintenance costs for buses.
- 12) Function 36 – Increase due to higher participation and advancement in UIL and athletic activities.
- 13) Function 71 – Increase to ensure all expenses were accounted for in the year following the district's advance refunding of debt.

**LIFESCHOOL OF DALLAS**

**SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST  
FOR THE YEAR ENDED AUGUST 31, 2022**

(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	\$ 7,794,410	-	7,794,410	-
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	\$ 35,093,226		35,093,226	
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	\$ 3,295,076		3,295,076	
Life Middle School Waxahachie Legal Description: PT 1 A WAXAHACHIE HEALTH 16.845 ACRES	3295 N. US Hwy 77 Waxahachie, TX 75165	\$ 6,918,635		6,918,635	
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, 2022**

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

**LIFESCHOOL OF DALLAS**

**SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS  
FOR THE YEAR ENDED AUGUST 31, 2022**

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



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

Exhibit I-1

**USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS  
FOR THE YEAR ENDED AUGUST 31, 2022**

Section A: Compensatory Education Programs

AP1	Did the LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$5,598,952
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$2,744,674

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$309,468
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$107,893

**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  
P.O. BOX 977  
DENTON, TX 76202-0977  
  
TEL. (940) 387-8563  
FAX (940) 383-4746

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, 2022 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 12, 2023.

### **Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

## Report on 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 12, 2023

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**

***Opinion on Each Major Federal Program***

We have audited LifeSchool of Dallas' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of LifeSchool of Dallas' major federal programs for the year ended August 31, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LifeSchool of Dallas and to meet other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of LifeSchool of Dallas' compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirement of laws, statutes, regulations, rules, contracts, or grant agreements applicable to its federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LifeSchool of Dallas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements

referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about LifeSchool of Dallas' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LifeSchool of Dallas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of LifeSchool of Dallas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of LifeSchool of Dallas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Hankins, Eastup, Deaton, Tonn & Seay, PC*

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

January 12, 2023

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

Exhibit J-1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2022**

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:

- FALN 32.009 - Emergency Connectivity Fund
- FALN 84.010A - ESEA, Title I, Part A - Improving Basic Programs
- FALN 84.425D - Elementary & Secondary School Emergency Relief II
- FALN 84.425U - ESSER III - ARP School Emergency Relief

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, 2022

CORRECTIVE ACTION PLAN:

None Required



**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2022

No prior audit findings.

**LIFESCHOOL OF DALLAS**

Exhibit M-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2022**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal FALN Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>FEDERAL COMMUNICATIONS COMMISSION</b>			
<u>Direct Programs</u>			
Emergency Connectivity Fund	32.009	140871	\$ 549,600
Total Direct Programs			\$ 549,600
<b>TOTAL FEDERAL COMMUNICATIONS COMMISSION</b>			\$ 549,600
<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	22671001057950	38,435
Total Passed Through Region 10 Education Service Center			38,435
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101057807	1,142,196
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101057807	92,270
Total FALN Number 84.010A			1,234,466
*IDEA - Part B, Formula	84.027A	226600010578076600	649,539
*IDEA - Part B, Formula	84.027A	236600010578076600	98,400
*IDEA - Part B, Formula ARP	84.027A	225350010578075000	38,507
*IDEA - Part B, Formula ARP	84.027X	225350010578075000	49,287
Total Special Education Cluster (IDEA) Passed Through State Department of Education			835,733
Career and Technical - Basic Grant	84.048A	22420006057807	74,494
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	22694501057807	157,945
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	23694501057807	27,503
Total FALN Number 84.367A			185,448
ESEA, Title IV, Part A - Student Support	84.424A	22680101057807	89,521
ESEA, Title IV, Part A - Student Support	84.424A	23680101057807	15,568
Total FALN Number 84.424A			105,089
Elementary & Secondary School Emergency Relief II	84.425D	21521001057807	3,337,133
ESSER III - ARP School Emergency Relief	84.425U	21528001057807	3,030,517
Texas COVID Learning Supports - State ESSER III	84.425U	21528042057807	2,800
Total FALN Number 84.425			6,370,450
Total Passed Through State Department of Education			8,805,680
<b>TOTAL DEPARTMENT OF EDUCATION</b>			\$ 8,844,115
<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	\$ 31,089
Total Passed Through the State Department of Human Services			\$ 31,089
<u>Passed Through State Department of Education</u>			
COVID-19 School Health Support Grant	93.323	39352201	\$ 171,177
Total Passed Through the State Department of Education			\$ 171,177
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			\$ 202,266
*Clustered Programs			

**LIFESCHOOL OF DALLAS**

Exhibit M-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2022**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal FALN Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through State Department of Agriculture</u>			
*School Breakfast Program	10.553	806780706	\$ 410,744
*National School Lunch Program - Cash Assistance	10.555	806780706	2,301,173
*National School Lunch Program - Non-Cash Assistance	10.555	806780706	215,324
Total FALN Number 10.555			<u>2,516,497</u>
Total Child Nutrition Cluster			<u>2,927,241</u>
P-EBT Local Administrative costs	10.649	806780706	3,063
Total Passed Through the State Department of Agriculture			<u>\$ 2,930,304</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 2,930,304</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 12,526,285</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, 2022**

- 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 \$941,185.
- Reconciliation Information:

Amounts reported on the Schedule of Expenditures of Federal awards	\$ 12,526,285
SHARS Revenue not reported on the Schedule of Expenditures of Federal awards	<u>772,600</u>
Total Federal Program Revenue	<u>\$ 13,298,885</u>