

LIFESCHOOL OF DALLAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2023

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LIFESCHOOL OF DALLAS
CERTIFICATE OF BOARD
AUGUST 31, 2023

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, 2023, at a meeting of the governing body the charter holder on the 17th day of January, 2024.

Mary Lou Walker
Signature of Board Secretary

[Signature]
Signature of Board President

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

**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**
A Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
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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, 2023 and 2022, 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, 2023 and 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2024, 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 & Scarborough, LLC

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

January 12, 2024

**General-Purpose
Financial Statements**

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit A-1

**STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 36,156,050	\$ 28,421,075
Cash and cash equivalents - restricted	3,544,969	3,162,460
Due from State and other governments	7,781,235	11,951,047
Prepaid expenses	115,386	225,300
Other receivables	337,686	358,491
Total Current Assets	<u>47,935,326</u>	<u>44,118,373</u>
Property and Equipment		
Property and equipment - net	76,156,296	70,925,834
Right-to-use asset - net	14,873,251	17,209,582
Total Property and Equipment	<u>91,029,547</u>	<u>88,135,416</u>
Other Assets		
Capitalized Debt Issuance Costs	4,068,531	4,266,335
Other Assets	135,650	465,766
	<u>4,204,181</u>	<u>4,732,101</u>
Total Assets	<u>\$ 143,169,054</u>	<u>\$ 136,985,890</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 923,004	\$ 773,384
Accrued wages	1,683,203	1,316,065
Due to state government	26,330	174
Due to student groups	63,258	54,586
Unearned revenues	314	58,347
Accrued employee benefits	134,651	464,765
Accrued interest expense	137,977	138,546
Current portion of lease payable	2,361,101	2,277,855
Current portion of notes payable	104,425	101,297
Current portion of bonds payable	55,000	50,000
Total Current Liabilities	<u>5,489,263</u>	<u>5,235,019</u>
Long Term Debt (net of current portions)		
Lease payable	14,344,686	16,705,787
Notes payable	85,933	189,127
Bonds payable	102,987,095	103,266,999
Total Long-Term Debt	<u>117,417,714</u>	<u>120,161,913</u>
Total Liabilities	<u>122,906,977</u>	<u>125,396,932</u>
Net Assets		
Without donor restriction	1,366,998	1,372,299
With donor restriction	18,895,079	10,216,659
Total Net Assets	<u>20,262,077</u>	<u>11,588,958</u>
Total Liabilities and Net Assets	<u>\$ 143,169,054</u>	<u>\$ 136,985,890</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, 2023 AND 2022**

	2023		
	Without Donor Restriction	With Donor Restriction	Totals
Revenues			
Local Support:			
Contributions	\$ 135,014	\$ -	\$ 135,014
Food Service Activity	-	535,120	535,120
Athletic Activities	338,592	-	338,592
Rent	20,471	-	20,471
Interest	1,730,438	-	1,730,438
Other Revenues	467,964	-	467,964
Total Local Support	2,692,479	535,120	3,227,599
State Program Revenues:			
Foundation School Program	-	58,239,627	58,239,627
Other State Grants	-	915,361	915,361
Food Service	-	13,023	13,023
Total State Program Revenues	-	59,168,011	59,168,011
Federal Program Revenues:			
Emergency Connectivity Fund	-	824,000	824,000
COVID-19 School Health Support Grant	-	16,895	16,895
IDEA Part B, Formula	-	982,827	982,827
ESEA Title I Part A Improving Basic Programs	-	1,755,158	1,755,158
ESEA Title II Part A Teacher and Principal Training	-	208,857	208,857
ESEA Title IV Part A Student Support	-	107,827	107,827
ESSER Relief Fund II	-	1,677,350	1,677,350
ESSER Relief Fund III	-	2,154,672	2,154,672
Medicaid Administrative Claiming Program-MAC	-	40,003	40,003
National School Breakfast and Lunch Program	-	2,178,325	2,178,325
P-EBT Administrative Costs Grant	-	3,135	3,135
TCLAS - ESSER III	-	134,408	134,408
Title III Part A - English Language Acquisition and Enhancement	-	18,449	18,449
School Health and Related Services	-	1,140,192	1,140,192
Summer School LEP	-	2,918	2,918
Career & Technical - Basic Grant	-	83,023	83,023
Total Federal Program Revenues	-	11,328,039	11,328,039
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	62,352,750	(62,352,750)	-
Total Revenues	65,045,229	8,678,420	73,723,649
Expenses			
Program Services:			
Instruction and Instructional-Related Services	33,418,025	-	33,418,025
Instructional and School Leadership	4,797,142	-	4,797,142
Support Services:			
Administrative Support Services	3,810,448	-	3,810,448
Support Services - Non-Student Based	11,347,178	-	11,347,178
Support Services - Student (Pupil)	8,032,912	-	8,032,912
Ancillary Services	210,752	-	210,752
Debt Service	3,434,073	-	3,434,073
Total Expenses	65,050,530	-	65,050,530
Change in Net Assets	(5,301)	8,678,420	8,673,119
Net Assets, Beginning of Year	1,372,299	10,216,659	11,588,958
Net Assets, End of Year	\$ 1,366,998	\$ 18,895,079	\$ 20,262,077

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, 2023 AND 2022**

	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	<u>990,300</u>	<u>122,216</u>	<u>1,112,516</u>
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	<u>-</u>	<u>57,791,479</u>	<u>57,791,479</u>
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	<u>-</u>	<u>13,298,885</u>	<u>13,298,885</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>62,784,981</u>	<u>(62,784,981)</u>	<u>-</u>
Total Revenues	<u>63,775,281</u>	<u>8,427,599</u>	<u>72,202,880</u>
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	10,628,869	-	10,628,869
Support Services - Student (Pupil)	8,424,489	-	8,424,489
Ancillary Services	303,813	-	303,813
Debt Service	3,515,936	-	3,515,936
Total Expenses	<u>63,749,205</u>	<u>-</u>	<u>63,749,205</u>
Change in Net Assets	<u>26,076</u>	<u>8,427,599</u>	<u>8,453,675</u>
Net Assets, Beginning of Year	1,346,223	3,424,626	4,770,849
Prior Period Adjustment	<u>-</u>	<u>(1,635,566)</u>	<u>(1,635,566)</u>
Net Assets, End of Year	<u>\$ 1,372,299</u>	<u>\$ 10,216,659</u>	<u>\$ 11,588,958</u>

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, 2023 AND 2022

CASH FLOWS FROM OPERATING ACTIVITIES	2023	2022
Change in Net Assets	\$ 8,673,119	\$ 8,453,675
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation and amortization	5,356,320	5,379,215
Amortization of Capitalized Debt Issuance Costs	197,804	197,804
(Increase) Decrease in Due from State and Other Governments	4,169,812	(3,612,826)
(Increase) Decrease in Prepaid Expenses	109,914	59,377
(Increase) Decrease in Other Receivables	20,805	(169,878)
(Increase) Decrease in Other Assets	330,116	(109,187)
Increase (Decrease) in Accounts Payable	149,620	(287,744)
Increase (Decrease) in Accrued Wages	367,138	203,936
Increase (Decrease) in Due to State Government	26,156	(77)
Increase (Decrease) in Due to Student Groups	8,672	12,559
Increase (Decrease) in Unearned Revenues	(58,033)	(361,231)
Increase (Decrease) in Accrued Employee Benefits	(330,114)	119,938
Increase (Decrease) in Accrued Interest Expense	(569)	(347,749)
Net Cash Provided (Used) by Operating Activities	19,020,760	9,537,812
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(8,250,451)	(361,923)
Net Cash Provided (Used) by Investing Activities	(8,250,451)	(361,923)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from (on) Lease Payable	(2,277,855)	(2,197,837)
Proceeds (Payments) from (on) Notes Payable	(100,066)	43,670
Principal Payments on Bonds Payable	(274,904)	(264,904)
Net Cash Provided (Used) by Financing Activities	(2,652,825)	(2,419,071)
Net Increase/(Decrease) in Cash and Cash Equivalents	8,117,484	6,756,818
Cash and Cash Equivalents, Beginning of Year	31,583,535	24,826,717
Cash and Cash Equivalents, End of Year (includes restricted cash of \$3,544,969 and \$3,162,460 at August 31, 2023 and 2022, respectively)	39,701,019	\$ 31,583,535
Cash Paid for Interest During the Year	\$ 3,426,627	\$ 3,856,671
Cash Paid for Income Taxes During the Year	\$ -	\$ -

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	2023				2022					
	Program Services		Support Services		Program Services		Support Services			
	Instructional and Related Services	Instructional and School Leadership	Total	Administrative Support Services	Support Services - Non-Student Based	Support Services - Student (Pupil)	Ancillary Services	Debt Service	Total	Total Functional Expenses
Salaries and Wages	24,866,352	3,813,377	28,679,729	2,311,334	2,059,343	3,619,873	98,302	-	8,088,852	36,768,581
Payroll Taxes	386,589	56,071	442,660	39,763	30,395	53,024	1,476	-	124,658	567,318
Employee Benefits	3,117,779	516,146	3,633,925	362,019	288,807	548,633	17,134	-	1,216,593	4,850,518
Fees For Services	416,329	138,273	554,602	368,855	1,447,626	347,191	38,830	-	2,202,502	2,757,104
Food	-	-	-	-	-	1,766,158	-	-	1,766,158	1,766,158
Insurance	-	-	-	3,247	436,419	40,500	-	-	480,166	480,166
Interest and Fiscal Charges	-	-	-	-	-	-	-	3,434,073	3,434,073	3,434,073
Miscellaneous	96,439	124,716	221,155	512,744	9,502	142,125	8,847	-	673,218	894,373
Rent	42,000	6,827	48,827	4,633	210,556	72,522	295	-	288,006	336,833
Repairs and Maintenance	327	-	327	75	1,817,272	150,851	-	-	1,968,198	1,968,525
Supplies	2,429,341	115,943	2,545,284	121,181	1,001,303	672,856	43,673	-	1,839,013	4,384,297
Travel	133,926	22,725	156,651	34,728	18,224	207,489	2,195	-	262,636	419,287
Utilities	-	-	-	-	1,050,929	16,048	-	-	1,066,977	1,066,977
Depreciation	1,928,943	3,064	1,932,007	51,869	2,976,802	395,642	-	-	3,424,313	5,356,320
Total expenses by function	33,418,025	4,797,142	38,215,167	3,810,448	11,347,178	8,032,912	210,752	3,434,073	26,835,363	65,050,530

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	Program Services				Support Services				Total Functional Expenses
	Instructional-Related Services	Instructional and School Leadership	Administrative Support Services	Support Services - Non-Student Based	Support Services - Student (Pupil)	Ancillary Services	Debt Service	Total	
Salaries and Wages	24,301,154	3,667,991	2,212,828	2,060,457	3,456,645	166,237	-	7,896,167	35,865,312
Payroll Taxes	388,474	54,183	32,886	29,750	50,742	2,487	-	115,865	558,522
Employee Benefits	3,638,519	540,856	477,304	340,006	625,996	31,141	-	1,474,447	5,653,822
Fees For Services	396,798	78,539	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	-	-	-	-	-	-	3,515,936	3,515,936	3,515,936
Miscellaneous	117,629	97,466	438,024	6,088	99,267	12,354	-	555,733	770,828
Rent	7,000	5,653	2,840	205,708	58,160	1,215	-	267,923	280,576
Repairs and Maintenance	2,076	-	-	1,618,681	123,744	-	-	1,742,425	1,744,501
Supplies	1,584,816	214,607	118,719	885,665	647,666	56,631	-	1,708,681	3,508,104
Travel	31,896	13,342	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	51,869	2,940,355	392,266	-	-	3,384,490	5,379,215
Total expenses by function	32,460,023	4,675,701	3,740,374	10,628,869	8,424,489	303,813	3,515,936	26,613,481	63,749,205

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, 2023 AND 2022

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 to July 31, 2023. The Corporation's charter was renewed for another ten years to July 31, 2033. 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.

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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.

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H. Personal Leave

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

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

I. Functional Allocation of Expenses

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

2. CASH AND CASH EQUIVALENTS

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

At August 31, 2023, the carrying amount of the charter holder's deposits (cash demand accounts and interest-bearing accounts included in cash and cash equivalents) was \$39,694,458, and the bank balance was \$40,517,053. The corporation's cash deposits at August 31, 2023, and during the year ended August 31, 2023, 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 \$35,826,444 of fully collateralized investments in TexPool accounted for as cash equivalents.

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.

The corporation has restricted cash and cash equivalents of \$3,544,969 and \$3,162,460 as of August 31, 2023 and 2022, respectively. These amounts are deposited with Region's Bank in short-term cash sweep accounts. As of August 31, 2023, \$319,237 of bonds payable proceeds are restricted for future construction projects. \$3,225,732 is held in various reserve accounts and is restricted for debt service reserves by the corporation's bonds payable indentures.

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In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit at InterBank during the year ended August 31, 2023:

- 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 \$3,093,861 and occurred during the month of December 2022.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

3. PENSION PLAN OBLIGATIONS

A. Plan Description

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

B. Funding Policy

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

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As of August 31, 2022 (the most recent information available), TRS had total net plan assets of \$184.2 billion and accumulated benefit obligation of \$243.6 billion, leaving a net pension liability of \$59.4 billion. TRS is 75.62% funded. There is not a collective-bargaining agreement that covers the plan.

State law provides for the following contribution rates for 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Employees (members)	8.00%	8.00%
Non-Employer Contributing Entity (State)	8.00%	7.75%
Employers	8.00%	7.75%

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 1.8% 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 2023 and 2022 are shown below. Contributions made each year were equal to the required contributions.

	<u>2023</u>	<u>2022</u>
Employees (members)	\$2,798,516	\$2,754,615
Employer	\$1,550,346	\$1,438,826

C. Additional plans

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

4. PUBLIC SCHOOL RETIREE HEALTH PLAN

A. Plan Description

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

B. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state,

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active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

State law provides for the following contribution rates for 2023 and 2022:

	2023	2022
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 2023 and 2022 are shown below. Contributions made each year were equal to the required contributions.

	2023	2022
Employees (members)	\$ 227,380	\$ 223,812
Employer	\$ 267,711	\$ 298,415

5. HEALTH CARE COVERAGE

During the years ended August 31, 2023 and 2022, full-time employees of the charter school were covered by a health insurance plan (the Plan). For the years ended August 31, 2023 and 2022, the charter school contributed a minimum of \$371 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, 2023 and 2022.

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NOTES TO THE FINANCIAL STATEMENTS
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8. PROPERTY AND EQUIPMENT

Property and Equipment at August 31, 2023, were as follows:

	<u>Balance</u> <u>9/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2023</u>
Land	\$ 5,642,748	\$ 7,026,198	\$ -	\$ 12,668,946
Buildings and Improvements	89,955,582	745,345	-	90,700,927
Furniture and Equipment	7,428,686	402,276	-	7,830,962
Vehicles	918,710	-	-	918,710
Capital Lease	999,324	-	-	999,324
Construction in Progress	220,536	76,632	-	297,168
Accumulated Depreciation	<u>(34,239,752)</u>	<u>(3,019,989)</u>	-	<u>(37,259,741)</u>
	<u>\$ 70,925,834</u>	<u>\$ 5,230,462</u>	<u>\$ -</u>	<u>\$ 76,156,296</u>

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>

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, 2023 and 2022, the charter holder earned revenue of \$58,239,627 and \$57,476,032, respectively, from the State of Texas. This constitutes approximately 79.0% and 79.6%, 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, 2023 AND 2022

10. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction for the years ended August 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Foundation School Program	\$16,016,148	\$8,082,876
Campus Activity Funds	361,821	332,176
ESEA Title I Part A, Improving Basic Programs	40,527	42,880
National School Lunch & Breakfast Program	<u>2,476,583</u>	<u>1,758,727</u>
	<u>\$18,895,079</u>	<u>\$10,216,659</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 15 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, 2023.

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FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

A summary of bonds payable for the year ended August 31, 2023 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 09/01/22	Issued/ (Retired)	Amounts Outstanding 08/31/23	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	<u>2,460,000</u>	<u>(50,000)</u>	<u>2,410,000</u>	<u>55,000</u>
Total bonded debt payable			<u>98,365,000</u>	<u>(50,000)</u>	<u>98,315,000</u>	<u>55,000</u>
Bond Premium (Discount)			<u>4,951,999</u>	<u>(224,904)</u>	<u>4,727,095</u>	<u>-</u>
Total			<u>\$ 103,316,999</u>	<u>\$ (264,904)</u>	<u>\$ 103,042,095</u>	<u>\$ 55,000</u>

Debt service requirements are as follows:

Years ending 31-Aug	Principal	Interest	Requirements
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	3,950,000	2,298,197	6,248,197
2028	4,030,000	2,211,773	6,241,773
2029-2033	28,040,000	9,696,889	37,736,889
2034-2038	26,090,000	5,675,418	31,765,418
2039-2043	29,045,000	2,714,316	31,759,316
2044-2048	6,630,000	235,944	6,865,944
2049-2051	365,000	22,050	387,050
Thereafter	-	-	-
	<u>\$ 98,315,000</u>	<u>\$ 32,015,006</u>	<u>\$ 130,330,006</u>

The Corporation received a Qualified School Construction Bond subsidy of \$289,410 during the year ending August 31, 2023 and \$279,904 during the year ending August 31, 2022 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, 2023 AND 2022

12. 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, 2023 are as follows:

2023-24	\$ 104,425
2024-25	42,069
2025-26	43,864
Thereafter	-
Total future principal payments	190,358
Less current portion	<u>(104,425)</u>
Long-term	<u>\$ 85,933</u>

13. LEASES

The Corporation recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Corporation is a lessee in several operating leases for classroom space and office space. The Corporation determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Corporation recognizes a lease liability and a right to use (RTU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate if it is readily determinable or otherwise the Corporation uses its incremental borrowing rate. The implicit rates of the Corporations leases are not readily determinable and accordingly, the incremental borrowing rate based on the information available at the commencement date for all leases has been used. The Corporation's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The Corporation uses the rate applicable on its line of credit, in affect when the lease begins, for its incremental borrowing rate. RTU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Corporation has elected, for all underlying classes of assets, to not recognize RTU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Corporation is reasonably certain to exercise. The Corporation recognizes lease costs associated with short-term leases on a straight-line basis over the lease term.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

The Corporation has obligations as a lessee for classroom space and office space with initial noncancelable terms in excess of one year. The Corporation classified these leases as operating leases. These leases generally contain renewal options for periods ranging from two to ten years. The Corporation evaluates whether it is reasonably certain to exercise these renewal options. If it is reasonably certain that the Corporation will exercise the renewal options, the optional periods are included in the lease term, and associated payments under these renewal options are excluded from lease payments. The Corporation's leases do not include termination options for either party to the lease or restrictive financial or other covenants.

The components of lease cost for the year ended August 31, 2023 are as follows:

Finance lease cost	\$	-
Short-term lease cost		-
Operating lease cost		<u>2,923,730</u>
Total lease cost	\$	<u>2,923,730</u>

Amounts reported in the statement of financial position for the year ended August 31, 2023 are as follows:

Right-to-use asset – net	\$	14,873,251
Lease payable	\$	16,705,787

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flow from operating leases	\$	2,834,408
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RTU assets obtained in exchange for lease obligations:

Operating leases	\$	2,277,855
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Weighted average remaining lease term:

Operating leases	13.07
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Weighted average discount rate:

Operating leases	3.63%
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Future minimum payments under noncancellable operating leases as of August 31, 2023 are as follows:

2023-24	\$	2,924,025
2024-25		2,927,267
2025-26		2,927,267
2026-27		2,928,089
2027-28		2,937,128
Thereafter		<u>4,159,079</u>
Total		18,802,855
Less imputed interest		<u>(2,097,068)</u>
Operating lease liability	\$	<u>16,705,787</u>

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

14. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the Corporation through January 12, 2024, the date of financial statement issuance, and has determined that there were no subsequent events that require recognition or disclosure in the financial statements.

15. 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.

16. 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	\$ 36,156,050
Due from State and other governments	7,781,235
Other receivables	337,686
Less amount with donor restriction	<u>(18,895,079)</u>
	<u>\$ 25,379,892</u>

17. PRIOR PERIOD ADJUSTMENT

The Corporation had a prior period adjustment due to implementing FASB ASC 842, *Leases*. The Corporation had to calculate prior ROU assets and operating lease liabilities. The adjustment of \$1,635,566 was the net difference of the asset and liability.

**Specific-Purpose
Financial Statements**

LIFESCHOOL OF DALLAS

Exhibit B-1

**STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 36,156,050	\$ 28,421,075
Cash and cash equivalents - restricted	3,544,969	3,162,460
Due from State and other governments	7,781,235	11,951,047
Prepaid expenses	115,386	225,300
Other receivables	337,686	358,491
Total Current Assets	<u>47,935,326</u>	<u>44,118,373</u>
Property and Equipment		
Property and equipment - net	76,156,296	70,925,834
Right-of-use asset - net	14,873,251	17,209,582
Total Property and Equipment	<u>91,029,547</u>	<u>88,135,416</u>
Other Assets		
Capitalized Debt Issuance Costs	4,068,531	4,266,335
Other Assets	135,650	465,766
	<u>4,204,181</u>	<u>4,732,101</u>
Total Assets	<u>\$ 143,169,054</u>	<u>\$ 136,985,890</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 923,004	\$ 773,384
Accrued wages	1,683,203	1,316,065
Due to state government	26,330	174
Due to student groups	63,258	54,586
Unearned Revenues	314	58,347
Accrued employee benefits	134,651	464,765
Accrued interest expense	137,977	138,546
Current portion of lease payable	2,361,101	2,277,855
Current portion of notes payable	104,425	101,297
Current portion of bonds payable	55,000	50,000
Total Current Liabilities	<u>5,489,263</u>	<u>5,235,019</u>
Long Term Debt (net of current portions)		
Lease payable	14,344,686	16,705,787
Notes payable	85,933	189,127
Bonds payable	102,987,095	103,266,999
Total Long-Term Debt	<u>117,417,714</u>	<u>120,161,913</u>
Total Liabilities	<u>122,906,977</u>	<u>125,396,932</u>
Net Assets		
Without donor restriction	1,366,998	1,372,299
With donor restriction	18,895,079	10,216,659
Total Net Assets	<u>20,262,077</u>	<u>11,588,958</u>
Total Liabilities and Net Assets	<u>\$ 143,169,054</u>	<u>\$ 136,985,890</u>

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

LIFESCHOOL OF DALLAS

Exhibit B-2

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

	2023		
	Without Donor Restriction	With Donor Restriction	Totals
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 2,092,872	\$ -	\$ 2,092,872
5750 Cocurricular and Enterprising Activities	599,607	535,120	1,134,727
Total Local Support	2,692,479	535,120	3,227,599
State program revenues:			
5810 Foundation School Program	-	58,239,627	58,239,627
5820 State Program Revenues Distributed by TEA Texas Education Agency	-	928,384	928,384
Total state program revenues	-	59,168,011	59,168,011
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	9,303,877	9,303,877
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	1,200,162	1,200,162
5940 Federal Revenues Distributed Directly from the Federal Government	-	824,000	824,000
Total state program revenues	-	11,328,039	11,328,039
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	62,352,750	(62,352,750)	-
Total Revenues	65,045,229	8,678,420	73,723,649
Expenses			
11 Instruction	31,056,819	-	31,056,819
12 Instructional Resources and Media Services	13,885	-	13,885
13 Curriculum Development and Instructional Staff Development	2,347,321	-	2,347,321
21 Instructional Leadership	1,222,212	-	1,222,212
23 School Leadership	3,574,930	-	3,574,930
31 Guidance, Counseling and Evaluation Services	2,779,809	-	2,779,809
33 Health Services	609,563	-	609,563
34 Student (Pupil) Transportation	273,135	-	273,135
35 Food Service	1,984,167	-	1,984,167
36 Cocurricular/Extracurricular Activities	2,386,238	-	2,386,238
41 General Administration	3,810,448	-	3,810,448
51 Plant Maintenance and Operations	7,773,792	-	7,773,792
52 Security and Monitoring	1,301,431	-	1,301,431
53 Data Processing Services	2,271,955	-	2,271,955
61 Community Services	48,244	-	48,244
71 Debt Service	3,434,073	-	3,434,073
81 Fund Raising	162,508	-	162,508
Total Expenses	65,050,530	-	65,050,530
Change in Net Assets	(5,301)	8,678,420	8,673,119
Net Assets, Beginning of Year	1,372,299	10,216,659	11,588,958
Net Assets, End of Year	\$ 1,366,998	\$ 18,895,079	\$ 20,262,077

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, 2023 AND 2022

	2022		
	Without Donor Restriction	With Donor Restriction	Totals
Revenues			
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	62,784,981	(62,784,981)	-
Total Revenues	63,775,281	8,427,599	72,202,880
Expenses			
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	7,589,074	-	7,589,074
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	3,515,936	-	3,515,936
81 Fund Raising	152,019	-	152,019
Total Expenses	63,749,205	-	63,749,205
Change in Net Assets	26,076	8,427,599	8,453,675
Net Assets, Beginning of Year	1,346,223	3,424,626	4,770,849
Prior Period Adjustment	-	(1,635,566)	(1,635,566)
Net Assets, End of Year	\$ 1,372,299	\$ 10,216,659	\$ 11,588,958

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, 2023 AND 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	2022	2022
Change in Net Assets	\$ 8,673,119	\$ 8,453,675
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation and amortization	5,356,320	5,379,215
Amortization of Capitalized Debt Issuance Costs	197,804	197,804
(Increase) Decrease in Due from State and Other Governments	4,169,812	(3,612,826)
(Increase) Decrease in Prepaid Expenses	109,914	59,377
(Increase) Decrease in Other Receivables	20,805	(169,878)
(Increase) Decrease in Other Assets	330,116	(109,187)
Increase (Decrease) in Accounts Payable	149,620	(287,744)
Increase (Decrease) in Accrued Wages	367,138	203,936
Increase (Decrease) in Due to State Government	26,156	(77)
Increase (Decrease) in Due to Student Groups	8,672	12,559
Increase (Decrease) in Unearned Revenues	(58,033)	(361,231)
Increase (Decrease) in Accrued Employee Benefits	(330,114)	119,938
Increase (Decrease) in Accrued Interest Expense	(569)	(347,749)
	19,020,760	9,537,812
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	(8,250,451)	(361,923)
	(8,250,451)	(361,923)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from (on) Lease Payable	(2,277,855)	(2,197,837)
Proceeds (Payments) from (on) Notes Payable	(100,066)	43,670
Principal Payments on Bonds Payable	(274,904)	(264,904)
	(2,652,825)	(2,419,071)
Net Increase/(Decrease) in Cash and Cash Equivalents	8,117,484	6,756,818
Cash and Cash Equivalents, Beginning of Year	31,583,535	24,826,717
Cash and Cash Equivalents, End of Year (includes restricted cash of \$3,544,969 and \$3,162,460 at August 31, 2023 and 2022, respectively)	\$ 39,701,019	\$ 31,583,535
Cash Paid for Interest During the Year	\$ 3,426,627	\$ 3,856,671
Cash Paid for Income Taxes During the Year	\$ -	\$ -

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	2023				2022					
	Program Services		Support Services		Support Services		Support Services			
	Instructional-Related Services	Instructional and School Leadership	Total	Administrative Support Services	Support Services - Non-Student Based	Support - Student (Pupil)	Ancillary Services	Debt Service	Total	Total Functional Expenses
Salaries and Wages	24,866,352	3,813,377	28,679,729	2,311,334	2,059,343	3,619,873	98,302	-	8,088,852	36,768,581
Payroll Taxes	386,589	56,071	442,660	39,763	30,395	53,024	1,476	-	124,658	567,318
Employee Benefits	3,117,779	516,146	3,633,925	362,019	288,807	548,633	17,134	-	1,216,593	4,850,518
Fees For Services	416,329	138,273	554,602	368,855	1,447,626	347,191	38,830	-	2,202,502	2,757,104
Food	-	-	-	-	-	1,766,158	-	-	1,766,158	1,766,158
Insurance	-	-	-	3,247	436,419	40,500	-	-	480,166	480,166
Interest and Fiscal Charges	-	-	-	-	-	-	-	3,434,073	3,434,073	3,434,073
Miscellaneous	96,439	124,716	221,155	512,744	9,502	142,125	8,847	-	673,218	894,373
Rent	42,000	6,827	48,827	4,633	210,556	72,522	295	-	288,006	336,833
Repairs and Maintenance	327	-	327	75	1,817,272	150,851	-	-	1,968,198	1,968,525
Supplies	2,429,341	115,943	2,545,284	121,181	1,001,303	672,856	43,673	-	1,839,013	4,384,287
Travel	133,926	22,725	156,651	34,728	18,224	207,489	2,195	-	262,636	419,287
Utilities	-	-	-	-	1,050,929	16,048	-	-	1,066,977	1,066,977
Depreciation	1,928,943	3,064	1,932,007	51,869	2,976,802	395,642	-	-	3,424,313	5,356,320
Total expenses by function	33,418,025	4,797,142	38,215,167	3,810,448	11,347,178	8,032,912	210,752	3,434,073	26,835,363	65,050,530

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	2022									
	Program Services					Support Services				
	Instructional-Related Services	Instructional and School Leadership	Total	Administrative Support Services	Support Services - Non-Student Based	Support Student (Pupil)	Ancillary Services	Debt Service	Total	Total Functional Expenses
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	-	-	-	-	-	-	-	3,515,936	3,515,936	3,515,936
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	205,708	58,160	1,215	-	267,923	280,576
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	2,940,355	392,266	-	-	3,384,490	5,379,215
Total expenses by function	32,460,023	4,675,701	37,135,724	3,740,374	10,628,869	8,424,489	303,813	3,515,936	26,613,481	63,749,205

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, 2023 AND 2022**

Expenses	<u>2023</u>	<u>2022</u>
6100 Payroll Costs	\$ 42,069,418	\$ 41,947,421
6200 Professional and Contracted Services	6,246,438	7,905,237
6300 Supplies and Materials	6,150,454	5,888,723
6400 Other Operating Costs	7,150,147	4,491,888
6500 Debt	<u>3,434,073</u>	<u>3,515,936</u>
Total Expenses	<u>\$ 65,050,530</u>	<u>\$ 63,749,205</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, 2023**

	Ownership Interest		
	<u>Local</u>	<u>State</u>	<u>Federal</u>
1510 Land and Improvements	\$ -	\$ 12,668,946	\$ -
1520 Buildings and Improvements	55,597	90,084,000	561,330
1531 Vehicles	-	918,710	-
1539 Furniture and Equipment	34,826	7,186,546	1,028,052
1549 Furniture and Equipment	-	241,363	339,499
1551 Right-to-use asset	-	29,233,595	-
1580 Construction in Progress	-	297,168	-
1570 Less Accumulated Depreciation	(58,918)	(35,975,807)	(1,225,016)
1576 Less Accumulated Amortization	-	(14,360,344)	-
Total Property and Equipment	<u>\$ 31,505</u>	<u>\$ 90,294,177</u>	<u>\$ 703,865</u>

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

LIFESCHOOL OF DALLAS

Exhibit E-1

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 75,000	\$ 2,054,819	\$ 2,092,872	\$ 38,053
5750 Cocurricular and Enterprising Activities	689,931	1,050,121	1,134,727	84,606
Total Local Support	764,931	3,104,940	3,227,599	122,659
State Program Revenues:				
5810 Foundation School Program Act Revenues	56,137,263	57,918,599	58,239,627	321,028
5820 State Program Revenues Distributed by TEA	400,000	633,503	928,384	294,881
Total State Program Revenues	56,537,263	58,552,102	59,168,011	615,909
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	5,376,032	8,430,347	9,303,877	873,530
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	520,000	1,201,806	1,200,162	(1,644)
5940 Federal Revenues Distributed Directly from the Federal Government	-	824,000	824,000	-
Total Federal Program Revenues	5,896,032	10,456,153	11,328,039	871,886
Total Revenues	63,198,226	72,113,195	73,723,649	1,610,454
Expenses				
11 Instruction	29,275,089	31,676,698	31,056,819	619,879
12 Instructional Resources & Media Services	25,519	33,466	13,885	19,581
13 Curriculum & Instructional Staff Development	2,099,311	2,394,924	2,347,321	47,603
21 Instructional Leadership	1,151,236	1,301,594	1,222,212	79,382
23 School leadership	3,425,514	3,651,532	3,574,930	76,602
31 Guidance, Counseling, & Evaluation Services	1,586,565	2,911,325	2,779,809	131,516
33 Health Services	534,657	653,535	609,563	43,972
34 Student Transportation	287,539	303,755	273,135	30,620
35 Food Services	2,621,038	2,621,038	1,984,167	636,871
36 Cocurricular/Extracurricular Activities	1,885,473	2,517,929	2,386,238	131,691
41 General Administration	4,042,464	4,072,348	3,810,448	261,900
51 Plant Maintenance & Operations	8,304,124	8,778,303	7,773,792	1,004,511
52 Security & Monitoring Services	1,139,586	1,397,817	1,301,431	96,386
53 Data Processing Services	2,718,998	2,718,998	2,271,955	447,043
61 Community Services	102,807	145,928	48,244	97,684
71 Debt Service	3,592,273	5,184,243	3,434,073	1,750,170
81 Fundraising	190,379	192,634	162,508	30,126
Total Expenses	62,982,572	70,556,067	65,050,530	5,505,537
Change in Net Assets	215,654	1,557,128	8,673,119	7,115,991
Net Assets, Beginning of Year	11,588,958	11,588,958	11,588,958	-
Net Assets, End of Year	\$ 11,804,612	\$ 13,146,086	\$ 20,262,077	\$ 7,115,991

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, 2023

- 1) 5740 – Increase in budget to account for higher interest income earned on investments
- 2) 5750 – Increase in budget to account for higher athletic ticket sales, concession sales and other cocurricular activities
- 3) 5820 – Increase in budget to account for the School Safety and Security Grant, Silent Panic Alert Technology Grant, TCLAS Grant and 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 and Related Services (SHARS) revenue
- 6) 5940 – Increase in budget to account for Emergency Connectivity Fund (ECF) funding
- 7) Function 12 – Increase due to anticipated supplemental resources for campus libraries
- 8) Function 13 – Increase due to anticipated professional development expenses
- 9) Function 21 – Increase due to new hires with higher salaries, new positions and professional development for school leaders
- 10) Function 31 – Increase due to additional contracted services for Special Education
- 11) Function 33 – Increase due to additional medical equipment and supply needs
- 12) Function 36 – Increase due to higher participation and advancement in UIL and athletic activities
- 13) Function 52 – Increase due to pay increase for contracted police officers
- 14) Function 61 – Increase due to additional parent involvement funds
- 15) Function 71 – Increase due to the change in accounting method for leases under ASC 842

LIFESCHOOL OF DALLAS

**SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
FOR THE YEAR ENDED AUGUST 31, 2023**

(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: LIFE CHARTER SCHOOL NO 2 Block 3/6013, LT 1A ACS 17.891	4400 S. RL Thornton Frwy. Dallas, TX 75224	\$ 7,858,590	-	7,858,590	-
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	\$ 42,087,194		42,087,194	
Life High School Waxahachie PH II Legal Description: LOT PT 1R BLK A LIFE SCHOOL WAXAHACHIE ADDN-REV 2.309 AC	150 W. Butcher Rd. Waxahachie, TX 75165	\$ 3,895,135		3,895,135	
Life Middle School Waxahachie Legal Description: PT 1 A WAXAHACHIE HEALTH 16.845 ACRES	3295 N. US Hwy 77 Waxahachie, TX 75165	\$ 7,468,076		7,468,076	
Life School Lancaster Legal Description: VICTORY FAMILY CHURCH BLK 1 LT 18A ACS 3.0067	950 S. I-35E Lancaster, TX 75146	\$ 7,905,440		7,905,440	
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	
Land Parcel 1 - Lancaster Legal Description: FRANCIS JONES ABST 672 PG 535 TR 9.1 ACS 11.41	954 S I-35 Lancaster, TX 75146	\$ 228,200		228,200	
Land Parcel 2 - Lancaster Legal Description: FRANCIS JONES ABST 672 PG 535 TR 9.1 ACS 3.0361	1000 S I-35 Lancaster, TX 75146	\$ 528,990		528,990	
Land Parcel 3 - Duncanville Legal Description: NEL A AYERS ABST 11 PG 100 TR 9 ACS 99.265	1000 E Danieldale Rd Duncanville, TX 75137	\$ 4,323,980		4,323,980	
Land Parcel 4 - Duncanville Legal Description: KEYSTONE PLACE LK 1 LT 1 ACS 6.005	1600 S Cockrell Hill Rd Duncanville, TX 75137	\$ 630,380		630,380	

LIFESCHOOL OF DALLAS

**SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED AUGUST 31, 2023**

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, 2023

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, 2023**

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.	\$5,749,664
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$2,412,607

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.	\$322,368
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$123,114

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

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**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**
A Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977
TEL. (940) 387-8563
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of LifeSchool of Dallas (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023 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, 2024.

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 + Scarborough, LLC

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

January 12, 2024

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

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

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

Report on Compliance for Each Major Federal Program

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, 2023. 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, 2023.

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 + Scarborough, LLC

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

January 12, 2024

LIFESCHOOL OF DALLAS (THE CHARTER HOLDING)

Exhibit J-1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023**

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:

- Child Nutrition Cluster:
 - FALN 10.553 - School Breakfast
 - FALN 10.555 - National School Lunch Program - Cash Assistance
 - FALN 10.555 - National School Lunch Program - Non-Cash Assistance

- FALN 32.009 - Emergency Connectivity Fund
- FALN 84.425D - Elementary & Secondary School Emergency Relief II
- FALN 84.425U - ESSER III - ARP School Emergency Relief
- FALN 84.425U - Texas COVID Learning Supports - State ESSER III

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, 2023

CORRECTIVE ACTION PLAN:

None Required

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023

No prior audit findings.

LIFESCHOOL OF DALLAS

Exhibit M-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal FALN Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
FEDERAL COMMUNICATIONS COMMISSION			
<u>Direct Programs</u>			
Emergency Connectivity Fund	32.009	140871	\$ 824,000
Total Direct Programs			\$ 824,000
TOTAL FEDERAL COMMUNICATIONS COMMISSION			\$ 824,000
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region 10 Education Service Center</u>			
Title III, Part A - English Language Acquisition	84.365A	23671001057950	18,449
Total Passed Through Region 10 Education Service Center			18,449
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101057807	25,964
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101057807	1,600,799
ESEA, Title I, Part A - Improving Basic Programs	84.010A	24610101057807	128,395
Total FALN Number 84.010A			1,755,158
*IDEA - Part B, Formula	84.027A	236600010578076600	732,099
*IDEA - Part B, Formula	84.027A	246600010578076600	89,240
*IDEA - Part B, Formula ARP	84.027A	235350010578075000	161,488
Total Special Education Cluster (IDEA) Passed Through State Department of Education			982,827
Career and Technical - Basic Grant	84.048A	23420006057807	83,023
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	23694501057807	179,065
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	24694501057807	29,792
Total FALN Number 84.367A			208,857
LEP Summer School	84.369A	69552202	2,918
ESEA, Title IV, Part A - Student Support	84.424A	23680101057807	92,259
ESEA, Title IV, Part A - Student Support	84.424A	24680101057807	15,568
Total FALN Number 84.424A			107,827
Elementary & Secondary School Emergency Relief II	84.425D	21521001057807	1,677,350
ESSER III - ARP School Emergency Relief	84.425U	21528001057807	2,154,672
Texas COVID Learning Supports - State ESSER III	84.425U	21528042057807	134,408
Total FALN Number 84.425			3,966,430
Total Passed Through State Department of Education			7,107,040
TOTAL DEPARTMENT OF EDUCATION			\$ 7,125,489
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-13-0035-00004	\$ 40,003
Total Passed Through the State Department of Human Services			\$ 40,003

*Clustered Programs

LIFESCHOOL OF DALLAS

Exhibit M-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal FALN Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<u>Passed Through State Department of Education</u>			
COVID-19 School Health Support Grant	93.323	39352201	\$ 16,895
Total Passed Through the State Department of Education			\$ 16,895
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 56,898
 U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through State Department of Agriculture</u>			
*School Breakfast Program	10.553	NT4XL2YGLGC5	\$ 290,486
*National School Lunch Program - Cash Assistance	10.555	NT4XL2YGLGC5	1,700,689
*National School Lunch Program - Non-Cash Assistance	10.555	NT4XL2YGLGC5	187,150
Total FALN Number 10.555			<u>1,887,839</u>
Total Child Nutrition Cluster			<u>2,178,325</u>
P-EBT Local Administrative costs	10.649	NT4XL2YGLGC5	3,135
Total Passed Through the State Department of Agriculture			\$ 2,181,460
TOTAL DEPARTMENT OF AGRICULTURE			\$ 2,181,460
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 10,187,847

*Clustered Programs

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

- 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 \$175,994.
- Reconciliation Information:

Amounts reported on the Schedule of Expenditures of Federal awards	\$ 10,187,847
SHARS Revenue not reported on the Schedule of Expenditures of Federal awards	<u>1,140,192</u>
Total Federal Program Revenue	<u>\$ 11,328,039</u>