

LIFESCHOOL OF DALLAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2025

LIFESCHOOL OF DALLAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2025

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LIFESCHOOL OF DALLAS
CERTIFICATE OF BOARD
AUGUST 31, 2025

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, 2025, at a meeting of the governing body the charter holder on the 12th day of January, 2026.


Signature of Board Secretary


Signature of Board President

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

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

CERTIFIED PUBLIC ACCOUNTANTS

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

TEL. (940) 387-8563
FAX (940) 383-4746

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of LifeSchool of Dallas (a nonprofit organization and the charter holder), which comprise the statements of financial position as of August 31, 2025 and 2024, 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, 2025 and 2024, 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 and *Government 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 and *Government 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 December 31, 2025, 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
December 31, 2025

**General-Purpose
Financial Statements**

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit A-1

**STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2025 AND 2024**

| | <u>2025</u> | <u>2024</u> |
|--|------------------------------|------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 32,147,219 | \$ 36,326,681 |
| Cash and cash equivalents - restricted | 110,938,832 | 3,830,700 |
| Due from State and other governments | 8,711,706 | 8,614,181 |
| Prepaid expenses | 401,667 | 397,302 |
| Other receivables | 403,766 | 145,527 |
| Total Current Assets | <u>152,603,190</u> | <u>49,314,391</u> |
| Property and Equipment | | |
| Property and equipment - net | 90,966,823 | 82,839,376 |
| Right-to-use asset - net | 8,724,736 | 12,536,920 |
| Total Property and Equipment | <u>99,691,559</u> | <u>95,376,296</u> |
| Other Assets | | |
| Capitalized Debt Issuance Costs | 8,592,447 | 3,870,728 |
| Other Assets | 230,627 | 171,610 |
| | <u>8,823,074</u> | <u>4,042,338</u> |
| Total Assets | <u><u>\$ 261,117,823</u></u> | <u><u>\$ 148,733,025</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 1,090,972 | \$ 1,065,546 |
| Accrued wages | 1,437,848 | 1,458,751 |
| Due to state government | 371 | 103 |
| Due to student groups | 65,189 | 53,934 |
| Unearned revenues | 7,531 | 3,143 |
| Accrued employee benefits | 657,567 | 171,610 |
| Accrued interest expense | 381,783 | 136,172 |
| Current portion of lease payable | 2,140,547 | 2,450,418 |
| Current portion of notes payable | 157,571 | 42,056 |
| Current portion of bonds payable | 55,000 | 55,000 |
| Total Current Liabilities | <u>5,994,379</u> | <u>5,436,733</u> |
| Long Term Debt (net of current portions) | | |
| Lease payable | 8,109,300 | 11,894,268 |
| Notes payable | 399,056 | 44,200 |
| Bonds payable | 216,372,444 | 102,707,191 |
| Total Long-Term Debt | <u>224,880,800</u> | <u>114,645,659</u> |
| Total Liabilities | <u>230,875,179</u> | <u>120,082,392</u> |
| Net Assets | | |
| Without donor restriction | 1,387,408 | 1,346,421 |
| With donor restriction | 28,855,236 | 27,304,212 |
| Total Net Assets | <u>30,242,644</u> | <u>28,650,633</u> |
| Total Liabilities and Net Assets | <u><u>\$ 261,117,823</u></u> | <u><u>\$ 148,733,025</u></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, 2025 AND 2024**

| | 2025 | | |
|---|------------------------------|---------------------------|---------------|
| | Without Donor Restriction | With Donor Restriction | Totals |
| Revenues | | | |
| Local Support: | | | |
| Contributions | \$ 230,260 | \$ - | \$ 230,260 |
| Food Service Activity | - | 422,619 | 422,619 |
| Athletic Activities | 387,606 | - | 387,606 |
| Rent | 8,160 | - | 8,160 |
| Interest | 5,856,136 | - | 5,856,136 |
| Other Revenues | 635,927 | - | 635,927 |
| Total Local Support | 7,118,089 | 422,619 | 7,540,708 |
| State Program Revenues: | | | |
| Foundation School Program | - | 64,237,197 | 64,237,197 |
| TRS On-Behalf | - | 3,094,910 | 3,094,910 |
| Other State Grants | - | 1,142,562 | 1,142,562 |
| Food Service | - | 11,241 | 11,241 |
| Total State Program Revenues | - | 68,485,910 | 68,485,910 |
| Federal Program Revenues: | | | |
| School Health and Related Services | - | 256,238 | 256,238 |
| Medicaid Administrative Claiming Program-MAC | - | 25,985 | 25,985 |
| ESEA Title I, Part A Improving Basic Programs | - | 2,141,256 | 2,141,256 |
| ESEA Title I, 1003 Effective Schools Framework | - | 162,117 | 162,117 |
| ESEA Title II, Part A Teacher and Principal Training | - | 189,055 | 189,055 |
| ESEA Title III, Part A - English Language Acquisition | - | 45,125 | 45,125 |
| ESEA Title IV, Part A Student Support | - | 119,917 | 119,917 |
| Career & Technical - Basic Grant | - | 89,417 | 89,417 |
| IDEA Part B, Formula | - | 902,927 | 902,927 |
| National School Breakfast and Lunch Program | - | 2,045,996 | 2,045,996 |
| Warehouse Distribution Fees Reimbursement | - | 16,266 | 16,266 |
| ESSER Relief Fund III | - | 171,692 | 171,692 |
| TCLAS - ESSER III | - | 35,788 | 35,788 |
| Summer School LEP | - | 4,302 | 4,302 |
| Total Federal Program Revenues | - | 6,206,081 | 6,206,081 |
| Net Assets Released from Restrictions: | | | |
| Restrictions Satisfied by Payments | 73,563,586 | (73,563,586) | - |
| Total Revenues | 80,681,675 | 1,551,024 | 82,232,699 |
| Expenses | | | |
| Program Services: | | | |
| Instruction and Instructional-Related Services | 39,640,599 | - | 39,640,599 |
| Instructional and School Leadership | 5,163,972 | - | 5,163,972 |
| Support Services: | | | |
| Administrative Support Services | 4,438,405 | - | 4,438,405 |
| Support Services - Non-Student Based | 13,405,050 | - | 13,405,050 |
| Support Services - Student (Pupil) | 9,547,315 | - | 9,547,315 |
| Ancillary Services | 318,996 | - | 318,996 |
| Debt Service | 8,126,351 | - | 8,126,351 |
| Total Expenses | 80,640,688 | - | 80,640,688 |
| Change in Net Assets | 40,987 | 1,551,024 | 1,592,011 |
| Net Assets, Beginning of Year | 1,346,421 | 27,304,212 | 28,650,633 |
| Net Assets, End of Year | \$ 1,387,408 | \$ 28,855,236 | \$ 30,242,644 |

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, 2025 AND 2024**

| | 2024 | | |
|---|------------------------------|---------------------------|---------------|
| | Without Donor Restriction | With Donor Restriction | Totals |
| Revenues | | | |
| Local Support: | | | |
| Contributions | \$ 154,783 | \$ - | \$ 154,783 |
| Food Service Activity | - | 460,085 | 460,085 |
| Athletic Activities | 340,217 | - | 340,217 |
| Rent | 11,314 | - | 11,314 |
| Interest | 2,032,717 | - | 2,032,717 |
| Other Revenues | 506,192 | - | 506,192 |
| Total Local Support | 3,045,223 | 460,085 | 3,505,308 |
| State Program Revenues: | | | |
| Foundation School Program | - | 62,692,016 | 62,692,016 |
| TRS On-Behalf | - | 2,591,097 | 2,591,097 |
| Other State Grants | - | 738,380 | 738,380 |
| Food Service | - | 12,228 | 12,228 |
| Total State Program Revenues | - | 66,033,721 | 66,033,721 |
| Federal Program Revenues: | | | |
| School Health and Related Services | - | 632,826 | 632,826 |
| Medicaid Administrative Claiming Program-MAC | - | 31,156 | 31,156 |
| ESEA Title I Part A Improving Basic Programs | - | 1,764,522 | 1,764,522 |
| ESEA Title II Part A Teacher and Principal Training | - | 309,459 | 309,459 |
| Title III Part A - English Language Acquisition | - | 99,167 | 99,167 |
| ESEA Title IV Part A Student Support | - | 158,392 | 158,392 |
| Career & Technical - Basic Grant | - | 85,362 | 85,362 |
| IDEA Part B, Formula | - | 823,576 | 823,576 |
| Special Education Contracted Services Reimb. | - | 18,655 | 18,655 |
| National School Breakfast and Lunch Program | - | 2,012,759 | 2,012,759 |
| ESSER Relief Fund III | - | 3,748,623 | 3,748,623 |
| TCLAS - ESSER III | - | 194,518 | 194,518 |
| Total Federal Program Revenues | - | 9,879,015 | 9,879,015 |
| Net Assets Released from Restrictions: | | | |
| Restrictions Satisfied by Payments | 67,963,688 | (67,963,688) | - |
| Total Revenues | 71,008,911 | 8,409,133 | 79,418,044 |
| Expenses | | | |
| Program Services: | | | |
| Instruction and Instructional-Related Services | 36,502,238 | - | 36,502,238 |
| Instructional and School Leadership | 5,131,141 | - | 5,131,141 |
| Support Services: | | | |
| Administrative Support Services | 4,077,784 | - | 4,077,784 |
| Support Services - Non-Student Based | 12,574,060 | - | 12,574,060 |
| Support Services - Student (Pupil) | 8,768,215 | - | 8,768,215 |
| Ancillary Services | 338,094 | - | 338,094 |
| Debt Service | 3,637,956 | - | 3,637,956 |
| Total Expenses | 71,029,488 | - | 71,029,488 |
| Change in Net Assets | (20,577) | 8,409,133 | 8,388,556 |
| Net Assets, Beginning of Year | 1,366,998 | 18,895,079 | 20,262,077 |
| Net Assets, End of Year | \$ 1,346,421 | \$ 27,304,212 | \$ 28,650,633 |

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, 2025 AND 2024**

| CASH FLOWS FROM OPERATING ACTIVITIES | 2025 | 2024 |
|--|----------------|---------------|
| Change in Net Assets | \$ 1,592,011 | \$ 8,388,556 |
| Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities: | | |
| Depreciation and amortization | 5,951,735 | 5,790,020 |
| Amortization of Capitalized Debt Issuance Costs | 106,844 | 197,803 |
| Loss on Asset Disposal | 77,340 | - |
| Gain on Termination of Lease | (137,164) | - |
| (Increase) Decrease in Due from State and Other Governments | (97,525) | (832,946) |
| (Increase) Decrease in Prepaid Expenses | (4,365) | (281,916) |
| (Increase) Decrease in Other Receivables | (258,239) | 192,159 |
| (Increase) Decrease in Other Assets | (59,017) | (35,960) |
| Increase (Decrease) in Accounts Payable | 25,426 | 142,542 |
| Increase (Decrease) in Accrued Wages | (20,903) | (224,452) |
| Increase (Decrease) in Due to State Government | 268 | (26,227) |
| Increase (Decrease) in Due to Student Groups | 11,255 | (9,324) |
| Increase (Decrease) in Unearned Revenues | 4,388 | 2,829 |
| Increase (Decrease) in Accrued Employee Benefits | 485,957 | 36,959 |
| Increase (Decrease) in Accrued Interest Expense | 245,611 | (1,805) |
| Net Cash Provided (Used) by Operating Activities | 7,923,622 | 13,338,238 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Land, Buildings, and Equipment | (11,851,592) | (10,136,769) |
| Net Cash Provided (Used) by Investing Activities | (11,851,592) | (10,136,769) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issuance of Debt (Net of issuance costs) | 109,559,470 | - |
| Principal Payments on Bonds Payable | (55,000) | (279,904) |
| Principal Payments on Notes Payable | (197,409) | (104,102) |
| Principal Payments on Leases Payable | (2,450,421) | (2,361,101) |
| Net Cash Provided (Used) by Financing Activities | 106,856,640 | (2,745,107) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 102,928,670 | 456,362 |
| Cash and Cash Equivalents, Beginning of Year | 40,157,381 | 39,701,019 |
| Cash and Cash Equivalents, End of Year (includes restricted cash of \$110,938,832 and \$3,830,700 at August 31, 2025 and 2024, respectively) | \$ 143,086,051 | \$ 40,157,381 |
| Cash Paid for Interest During the Year | \$ 7,511,544 | \$ 3,635,509 |
| 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, 2025 AND 2024

| | 2025 | | | | | | | | | |
|-----------------------------|--|---|----------------------|---------------------------------------|---|--|-----------------------|---------------------|----------------------|---------------------------------|
| | Program Services | | | Support Services | | | | | | Total Functional Expenses |
| | Instruction and Instructional- Related Services | Instructional and School Leadership | Total | Administrative Support Services | Support Services - Non-Student Based | Support Services - Student (Pupil) | Ancillary Services | Debt Service | Total | |
| Salaries and Wages | \$ 28,711,524 | \$ 3,989,261 | \$ 32,700,785 | \$ 2,512,607 | \$ 2,296,464 | \$ 4,238,900 | \$ 176,262 | \$ - | \$ 9,224,233 | \$ 41,925,018 |
| Payroll Taxes | 450,728 | 58,703 | 509,431 | 36,743 | 32,796 | 63,007 | 2,556 | - | 135,102 | 644,533 |
| Employee Benefits | 5,534,630 | 733,863 | 6,268,493 | 561,595 | 442,356 | 750,856 | 34,346 | - | 1,789,153 | 8,057,646 |
| Fees For Services | 576,477 | 103,201 | 679,678 | 595,118 | 1,675,603 | 387,664 | 38,729 | - | 2,697,114 | 3,376,792 |
| Food | - | - | - | - | - | 1,919,456 | - | - | 1,919,456 | 1,919,456 |
| Insurance | - | - | - | 3,247 | 637,954 | 37,385 | - | - | 678,586 | 678,586 |
| Interest and Fiscal Charges | - | - | - | - | - | - | - | 8,126,351 | 8,126,351 | 8,126,351 |
| Miscellaneous | 93,768 | 148,914 | 242,682 | 491,888 | 19,189 | 148,903 | 16,906 | - | 676,886 | 919,568 |
| Rent | 42,000 | 8,103 | 50,103 | 2,003 | 224,866 | 63,573 | 1,433 | - | 291,875 | 341,978 |
| Repairs and Maintenance | 3,350 | - | 3,350 | 3,525 | 2,304,084 | 191,064 | - | - | 2,498,673 | 2,502,023 |
| Supplies | 2,161,184 | 104,447 | 2,265,631 | 177,470 | 1,079,351 | 876,091 | 45,349 | - | 2,178,261 | 4,443,892 |
| Travel | 224,537 | 16,297 | 240,834 | 32,406 | 17,044 | 287,202 | 3,415 | - | 340,067 | 580,901 |
| Utilities | - | - | - | - | 1,172,209 | - | - | - | 1,172,209 | 1,172,209 |
| Depreciation | 1,842,401 | 1,183 | 1,843,584 | 21,803 | 3,503,134 | 583,214 | - | - | 4,108,151 | 5,951,735 |
| Total expenses by function | <u>\$ 39,640,599</u> | <u>\$ 5,163,972</u> | <u>\$ 44,804,571</u> | <u>\$ 4,438,405</u> | <u>\$ 13,405,050</u> | <u>\$ 9,547,315</u> | <u>\$ 318,996</u> | <u>\$ 8,126,351</u> | <u>\$ 35,836,117</u> | <u>\$ 80,640,688</u> |

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, 2025 AND 2024

| | 2024 | | | | | | | | | |
|-----------------------------|--|---|----------------------|---------------------------------------|---|--|-----------------------|---------------------|----------------------|---------------------------------|
| | Program Services | | | Support Services | | | | | | Total Functional Expenses |
| | Instruction and Instructional- Related Services | Instructional and School Leadership | Total | Administrative Support Services | Support Services - Non-Student Based | Support Services - Student (Pupil) | Ancillary Services | Debt Service | Total | |
| Salaries and Wages | \$ 27,015,906 | \$ 3,932,448 | \$ 30,948,354 | \$ 2,463,338 | \$ 2,272,526 | \$ 3,814,775 | \$ 121,120 | \$ - | \$ 8,671,759 | \$ 39,620,113 |
| Payroll Taxes | 425,858 | 58,423 | 484,281 | 36,111 | 33,249 | 56,147 | 1,756 | - | 127,263 | 611,544 |
| Employee Benefits | 5,012,902 | 727,310 | 5,740,212 | 497,379 | 449,227 | 649,561 | 23,374 | - | 1,619,541 | 7,359,753 |
| Fees For Services | 589,793 | 147,563 | 737,356 | 371,150 | 1,573,425 | 493,630 | 113,192 | - | 2,551,397 | 3,288,753 |
| Food | - | - | - | - | - | 2,238,429 | - | - | 2,238,429 | 2,238,429 |
| Insurance | - | - | - | 3,247 | 526,627 | 37,385 | - | - | 567,259 | 567,259 |
| Interest and Fiscal Charges | - | - | - | - | - | - | - | 3,637,956 | 3,637,956 | 3,637,956 |
| Miscellaneous | 92,054 | 137,430 | 229,484 | 478,555 | 10,169 | 123,858 | 10,386 | - | 622,968 | 852,452 |
| Rent | 34,000 | 6,420 | 40,420 | 4,521 | 190,155 | 68,345 | 4,005 | - | 267,026 | 307,446 |
| Repairs and Maintenance | - | - | - | 1,806 | 1,873,572 | 129,748 | - | - | 2,005,126 | 2,005,126 |
| Supplies | 1,354,638 | 98,330 | 1,452,968 | 135,171 | 918,103 | 470,038 | 62,046 | - | 1,585,358 | 3,038,326 |
| Travel | 188,930 | 20,153 | 209,083 | 34,637 | 25,163 | 262,797 | 2,215 | - | 324,812 | 533,895 |
| Utilities | - | - | - | - | 1,168,055 | 10,361 | - | - | 1,178,416 | 1,178,416 |
| Depreciation | 1,788,157 | 3,064 | 1,791,221 | 51,869 | 3,533,789 | 413,141 | - | - | 3,998,799 | 5,790,020 |
| Total expenses by function | <u>\$ 36,502,238</u> | <u>\$ 5,131,141</u> | <u>\$ 41,633,379</u> | <u>\$ 4,077,784</u> | <u>\$ 12,574,060</u> | <u>\$ 8,768,215</u> | <u>\$ 338,094</u> | <u>\$ 3,637,956</u> | <u>\$ 29,396,109</u> | <u>\$ 71,029,488</u> |

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, 2025 AND 2024

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.

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

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

H. Personal Leave

All employees of the school earn three 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, 2025, the carrying amount of the charter holder's deposits (cash demand accounts and interest-bearing accounts included in cash and cash equivalents) was \$143,081,931, and the bank balance was \$143,797,967. The corporation's cash deposits at August 31, 2025, and during the year ended August 31, 2025 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 \$32,504,198 of fully collateralized investments in TexPool accounted for as cash equivalents.

At August 31, 2024, the carrying amount of the charter holder's deposits (cash demand accounts and interest-bearing accounts included in cash and cash equivalents) was \$40,152,320, and the bank balance was \$40,741,452. The corporation's cash deposits at August 31, 2024, and during the year ended August 31, 2024, 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 \$36,236,243 of fully collateralized investments in TexPool accounted for as cash equivalents.

The corporation has restricted cash and cash equivalents of \$110,938,832 and \$3,830,700 as of August 31, 2025 and 2024, respectively. These amounts are deposited with Region's Bank in short-term cash sweep accounts. As of August 31, 2025, \$101,525,902 of bonds payable proceeds are restricted for future construction projects. \$9,412,930 is held in various reserve accounts and is restricted for debt service reserves by the corporation's bonds payable indentures.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
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In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit at InterBank during the year ended August 31, 2025:

- 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 \$3,236,807 and occurred during the month of April 2025.
- 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 on the internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778. 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: 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.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
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As of August 31, 2024 (the most recent information available), TRS had total net plan assets of \$210.5 billion and accumulated benefit obligation of \$271.6 billion, leaving a net pension liability of \$61.1 billion. TRS is 77.51% funded. There is not a collective-bargaining agreement that covers the plan.

State law provides for the following contribution rates for 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|--|-------------|-------------|
| Employees (members) | 8.25% | 8.25% |
| Non-Employer Contributing Entity (State) | 8.25% | 8.25% |
| Employers | 8.25% | 8.25% |

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 2.0% 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 2025 and 2024 are shown below. Contributions made each year were equal to the required contributions.

| | <u>2025</u> | <u>2024</u> |
|---------------------|-------------|-------------|
| Employees (members) | \$3,358,224 | \$3,157,512 |
| Employer | \$1,856,387 | \$1,773,854 |

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 on the internet at <http://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
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B. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

State law provides for the following contribution rates for 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|--|-------------|-------------|
| Employees (members) | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |

Contributions made by the Corporation and employees for 2025 and 2024 are shown below. Contributions made each year were equal to the required contributions.

| | <u>2025</u> | <u>2024</u> |
|---------------------|-------------|-------------|
| Employees (members) | \$ 264,588 | \$ 248,774 |
| Employer | \$ 338,344 | \$ 292,397 |

5. HEALTH CARE COVERAGE

During the years ended August 31, 2025 and 2024, full-time employees of the charter school were covered by a health insurance plan (the Plan). For the years ended August 31, 2025 and 2024, the charter school contributed a minimum of \$371 and \$371, 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.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
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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, 2025 and 2024.

8. PROPERTY AND EQUIPMENT

Property and Equipment at August 31, 2025, were as follows:

| | Balance 9/1/2024 | Additions | Deletions | Balance 8/31/2025 |
|----------------------------|----------------------|---------------------|-----------------------|----------------------|
| Land | \$ 13,469,028 | \$ 3,092,752 | \$ - | \$ 16,561,780 |
| Buildings and Improvements | 94,301,825 | 4,581,883 | (91,207) | 98,792,501 |
| Furniture and Equipment | 9,937,769 | 754,982 | (34,880) | 10,657,871 |
| Vehicles | 918,710 | 667,000 | - | 1,585,710 |
| Capital Lease | 1,016,973 | - | - | 1,016,973 |
| Construction in Progress | 3,908,501 | 6,725,806 | (3,970,831) | 6,663,476 |
| Accumulated Depreciation | (40,713,430) | (3,646,806) | 48,748 | (44,311,488) |
| | <u>\$ 82,839,376</u> | <u>\$12,175,617</u> | <u>\$ (4,048,170)</u> | <u>\$ 90,966,823</u> |

Property and Equipment at August 31, 2024, were as follows:

| | Balance 9/1/2023 | Additions | Deletions | Balance 8/31/2024 |
|----------------------------|----------------------|---------------------|---------------------|----------------------|
| Land | \$ 12,668,946 | \$ 800,082 | \$ - | \$ 13,469,028 |
| Buildings and Improvements | 90,700,927 | 3,600,898 | - | 94,301,825 |
| Furniture and Equipment | 7,813,313 | 2,124,456 | - | 9,937,769 |
| Vehicles | 918,710 | - | - | 918,710 |
| Capital Lease | 1,016,973 | - | - | 1,016,973 |
| Construction in Progress | 297,168 | 3,856,090 | (244,757) | 3,908,501 |
| Accumulated Depreciation | (37,259,741) | (3,453,689) | - | (40,713,430) |
| | <u>\$ 76,156,296</u> | <u>\$ 6,927,837</u> | <u>\$ (244,757)</u> | <u>\$ 82,839,376</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.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

9. ECONOMIC DEPENDENCY

During the years ended August 31, 2025 and 2024, the charter holder earned revenue of \$64,237,197 and \$62,692,016, respectively, from the State of Texas. This constitutes approximately 78.1% and 78.9%, 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.

10. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction for the years ended August 31, 2025 and 2024, consisted of the following:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Foundation School Program | \$25,661,904 | \$24,199,561 |
| Campus Activity Funds | 409,150 | 390,491 |
| National School Lunch & Breakfast Program | <u>2,834,182</u> | <u>2,714,160</u> |
| | <u>\$28,855,236</u> | <u>\$27,304,212</u> |

11. BONDS PAYABLE

In, October 2024, the Corporation issued Education Revenue Bonds, Series 2024 with a par value of \$112,910,000 and interest rates ranging from 4.0% to 5.0%. Total proceeds from the bonds, including premiums of \$1,070,852, were \$108,852,784.

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, 2025.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

A summary of bonds payable for the year ended August 31, 2025 is as follows:

| Description | Interest Rate | Original Issue | Outstanding 09/01/24 | Issued | Retired | Outstanding 08/31/25 | Due within one year |
|--------------------------------|---------------|----------------|----------------------|----------------|--------------|----------------------|---------------------|
| QSCB - Series 2014Q | 4.56% | \$ 6,515,000 | \$ 6,515,000 | \$ - | \$ - | \$ 6,515,000 | \$ - |
| Series 2021A - Refunding Bonds | 3.00% | 89,390,000 | 89,390,000 | - | - | 89,390,000 | - |
| Series 2021B - Revenue Bonds | 3.00%-4.00% | 2,500,000 | 2,355,000 | - | (55,000) | 2,300,000 | 55,000 |
| Series 2024 - Revenue Bonds | 4.00%-5.00% | 112,910,000 | - | 112,910,000 | - | 112,910,000 | - |
| Total bonded debt payable | | | 98,260,000 | 112,910,000 | (55,000) | 211,115,000 | 55,000 |
| Bond Premium (Discount) | | | 4,502,191 | 1,070,852 | (260,599) | 5,312,444 | 260,599 |
| Total | | | \$ 102,762,191 | \$ 113,980,852 | \$ (315,599) | \$ 216,427,444 | \$ 315,599 |

Debt service requirements are as follows:

| Years ending August 31, | Principal | Interest | Requirements |
|-------------------------|----------------|----------------|----------------|
| 2026 | \$ 55,000 | \$ 7,887,392 | \$ 7,942,392 |
| 2027 | 4,720,000 | 7,134,316 | 11,854,316 |
| 2028 | 4,940,000 | 7,009,392 | 11,949,392 |
| 2029 | 5,165,000 | 6,875,738 | 12,040,738 |
| 2030 | 5,405,000 | 6,733,300 | 12,138,300 |
| 2031-2035 | 38,380,000 | 30,577,816 | 68,957,816 |
| 2036-2040 | 41,280,000 | 24,311,928 | 65,591,928 |
| 2041-2045 | 46,070,000 | 17,594,732 | 63,664,732 |
| 2046-2050 | 33,450,000 | 10,751,026 | 44,201,026 |
| 2051-2054 | 31,650,000 | 3,320,456 | 34,970,456 |
| | \$ 211,115,000 | \$ 122,196,096 | \$ 333,311,096 |

12. NOTE PAYABLE - VEHICLES

The Corporation purchased five school buses under four separate note payable agreements during the 2024-2025 year. The Corporation is also obligated under a prior year note payable for the purchase of two school buses.

The following schedule lists the property financed:

| Note Payable Details | Interest Rate | Date of Agreement | Original Note | Property Purchased | Payment |
|-------------------------|---------------|-------------------|---------------|--------------------|---------------|
| Mercedes-Benz Financial | 4.15% | 09/17/21 | \$ 210,696 | 2 Buses | \$45,634/year |
| Daimler Truck Financial | 8.39% | 09/04/24 | \$ 268,195 | 2 Buses | \$62,608/year |
| Daimler Truck Financial | 8.39% | 09/18/24 | \$ 134,195 | 1 Bus | \$31,327/year |
| Daimler Truck Financial | 8.39% | 10/02/24 | \$ 134,195 | 1 Bus | \$31,327/year |
| Daimler Truck Financial | 7.39% | 02/18/25 | \$ 131,195 | 1 Bus | \$30,091/year |

Future principal payments under the note payable as of August 31, 2025 are as follows:

| Years ending August 31, | Principal | Interest | Requirements |
|---------------------------------|------------|------------|--------------|
| 2026 | \$ 157,571 | \$ 43,416 | \$ 200,987 |
| 2027 | 122,655 | 32,697 | 155,352 |
| 2028 | 132,703 | 22,649 | 155,352 |
| 2029 | 143,698 | 11,654 | 155,352 |
| Total Future Principal Payments | 556,627 | \$ 110,416 | \$ 667,043 |
| Less: Current Portion | (157,571) | | |
| Long-Term | \$ 399,056 | | |

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
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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.

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, 2025 are as follows:

| | |
|-----------------------|------------------|
| Finance lease cost | \$ - |
| Short-term lease cost | - |
| Operating lease cost | <u>2,927,269</u> |
| Total lease cost | \$ 2,927,269 |

Amounts reported in the statement of financial position for the year ended August 31, 2025 are as follows:

| | |
|--------------------------|---------------|
| Right-to-use asset – net | \$ 8,724,736 |
| Lease payable | \$ 10,249,847 |

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

Supplemental cash flow information:

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

| | | |
|---|----|-----------|
| Operating cash flow from operating leases | \$ | 2,927,269 |
|---|----|-----------|

RTU assets obtained in exchange for lease obligations:

| | | |
|------------------|----|-----------|
| Operating leases | \$ | 2,450,421 |
|------------------|----|-----------|

Weighted average remaining lease term:

| | |
|------------------|------|
| Operating leases | 4.92 |
|------------------|------|

Weighted average discount rate:

| | |
|------------------|-------|
| Operating leases | 3.64% |
|------------------|-------|

Future minimum payments under noncancellable operating leases as of August 31, 2025 are as follows:

| | |
|---------------------------|---------------|
| 2026 | \$ 2,478,072 |
| 2027 | 2,478,894 |
| 2028 | 2,487,930 |
| 2029 | 2,321,344 |
| 2030 | 488,904 |
| Thereafter | 937,067 |
| Total | 11,192,211 |
| Less: Imputed Interest | (942,364) |
| Operating Lease Liability | \$ 10,249,847 |

14. 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.

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

15. 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 | \$ 32,147,219 |
| Due from State and other governments | 8,711,706 |
| Other receivables | 403,766 |
| Less amount with donor restriction | <u>(28,855,236)</u> |
| | <u>\$ 12,407,455</u> |

16. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the Corporation through December 31, 2025, the date of financial statement issuance, and has determined that there were no subsequent events that require recognition or disclosure in the financial statements.

Specific-Purpose Financial Statements

LIFESCHOOL OF DALLAS

Exhibit B-1

**STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2025 AND 2024**

| | <u>2025</u> | <u>2024</u> |
|--|------------------------------|------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 32,147,219 | \$ 36,326,681 |
| Cash and cash equivalents - restricted | 110,938,832 | 3,830,700 |
| Due from State and other governments | 8,711,706 | 8,614,181 |
| Prepaid expenses | 401,667 | 397,302 |
| Other receivables | 403,766 | 145,527 |
| Total Current Assets | <u>152,603,190</u> | <u>49,314,391</u> |
| Property and Equipment | | |
| Property and equipment - net | 90,966,823 | 82,839,376 |
| Right-of-use asset - net | 8,724,736 | 12,536,920 |
| Total Property and Equipment | <u>99,691,559</u> | <u>95,376,296</u> |
| Other Assets | | |
| Capitalized Debt Issuance Costs | 8,592,447 | 3,870,728 |
| Other Assets | 230,627 | 171,610 |
| | <u>8,823,074</u> | <u>4,042,338</u> |
| Total Assets | <u><u>\$ 261,117,823</u></u> | <u><u>\$ 148,733,025</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 1,090,972 | \$ 1,065,546 |
| Accrued wages | 1,437,848 | 1,458,751 |
| Due to state government | 371 | 103 |
| Due to student groups | 65,189 | 53,934 |
| Unearned Revenues | 7,531 | 3,143 |
| Accrued employee benefits | 657,567 | 171,610 |
| Accrued interest expense | 381,783 | 136,172 |
| Current portion of lease payable | 2,140,547 | 2,450,418 |
| Current portion of notes payable | 157,571 | 42,056 |
| Current portion of bonds payable | 55,000 | 55,000 |
| Total Current Liabilities | <u>5,994,379</u> | <u>5,436,733</u> |
| Long Term Debt (net of current portions) | | |
| Lease payable | 8,109,300 | 11,894,268 |
| Notes payable | 399,056 | 44,200 |
| Bonds payable | 216,372,444 | 102,707,191 |
| Total Long-Term Debt | <u>224,880,800</u> | <u>114,645,659</u> |
| Total Liabilities | <u>230,875,179</u> | <u>120,082,392</u> |
| Net Assets | | |
| Without donor restriction | 1,387,408 | 1,346,421 |
| With donor restriction | 28,855,236 | 27,304,212 |
| Total Net Assets | <u>30,242,644</u> | <u>28,650,633</u> |
| Total Liabilities and Net Assets | <u><u>\$ 261,117,823</u></u> | <u><u>\$ 148,733,025</u></u> |

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

LIFESCHOOL OF DALLAS

Exhibit B-2

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

| | 2025 | | |
|--|------------------------------|---------------------------|----------------------|
| | Without Donor Restriction | With Donor Restriction | Totals |
| Revenues | | | |
| Local Support: | | | |
| 5740 Other Revenues from Local Sources | \$ 6,442,143 | \$ - | \$ 6,442,143 |
| 5750 Cocurricular and Enterprising Activities | 675,946 | 422,619 | 1,098,565 |
| Total Local Support | 7,118,089 | 422,619 | 7,540,708 |
| State program revenues: | | | |
| 5810 Foundation School Program | - | 64,237,197 | 64,237,197 |
| 5820 State Program Revenues Distributed by TEA Texas Education Agency | - | 1,153,803 | 1,153,803 |
| 5830 State Revenues Distributed by Other State Government Agencies (Other than TEA) | - | 3,094,910 | 3,094,910 |
| Total state program revenues | - | 68,485,910 | 68,485,910 |
| Federal Program Revenues: | | | |
| 5920 Federal Revenues Distributed by TEA | - | 5,907,592 | 5,907,592 |
| 5930 Federal Revenues Distributed by Other State Government Agencies (Other than TEA) | - | 298,489 | 298,489 |
| Total federal program revenues | - | 6,206,081 | 6,206,081 |
| Net Assets Released from Restrictions: | | | |
| Restrictions Satisfied by Payments | 73,563,586 | (73,563,586) | - |
| Total Revenues | 80,681,675 | 1,551,024 | 82,232,699 |
| Expenses | | | |
| 11 Instruction | 36,964,613 | - | 36,964,613 |
| 12 Instructional Resources and Media Services | 3,025 | - | 3,025 |
| 13 Curriculum Development and Instructional Staff Development | 2,672,961 | - | 2,672,961 |
| 21 Instructional Leadership | 1,330,289 | - | 1,330,289 |
| 23 School Leadership | 3,833,683 | - | 3,833,683 |
| 31 Guidance, Counseling and Evaluation Services | 3,257,016 | - | 3,257,016 |
| 32 Social Work Services | 58,073 | - | 58,073 |
| 33 Health Services | 611,975 | - | 611,975 |
| 34 Student (Pupil) Transportation | 457,356 | - | 457,356 |
| 35 Food Service | 2,345,438 | - | 2,345,438 |
| 36 Cocurricular/Extracurricular Activities | 2,817,457 | - | 2,817,457 |
| 41 General Administration | 4,438,405 | - | 4,438,405 |
| 51 Plant Maintenance and Operations | 9,408,537 | - | 9,408,537 |
| 52 Security and Monitoring | 1,427,946 | - | 1,427,946 |
| 53 Data Processing Services | 2,568,567 | - | 2,568,567 |
| 61 Community Services | 91,605 | - | 91,605 |
| 71 Debt Service | 8,126,351 | - | 8,126,351 |
| 81 Fund Raising | 227,391 | - | 227,391 |
| Total Expenses | 80,640,688 | - | 80,640,688 |
| Change in Net Assets | 40,987 | 1,551,024 | 1,592,011 |
| Net Assets, Beginning of Year | 1,346,421 | 27,304,212 | 28,650,633 |
| Net Assets, End of Year | \$ 1,387,408 | \$ 28,855,236 | \$ 30,242,644 |

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, 2025 AND 2024**

| | 2024 | | |
|--|------------------------------|---------------------------|-------------------|
| | Without Donor Restriction | With Donor Restriction | Totals |
| Revenues | | | |
| Local Support: | | | |
| 5740 Other Revenues from Local Sources | \$ 2,430,507 | \$ - | \$ 2,430,507 |
| 5750 Cocurricular and Enterprising Activities | 614,716 | 460,085 | 1,074,801 |
| Total Local Support | 3,045,223 | 460,085 | 3,505,308 |
| State program revenues: | | | |
| 5810 Foundation School Program | - | 62,692,016 | 62,692,016 |
| 5820 State Program Revenues Distributed by TEA Texas Education Agency | - | 750,608 | 750,608 |
| 5830 State Revenues Distributed by Other State Government Agencies (Other than TEA) | - | 2,591,097 | 2,591,097 |
| Total state program revenues | - | 66,033,721 | 66,033,721 |
| Federal Program Revenues: | | | |
| 5920 Federal Revenues Distributed by TEA | - | 9,195,385 | 9,195,385 |
| 5930 Federal Revenues Distributed by Other State Government Agencies (Other than TEA) | - | 683,630 | 683,630 |
| Total federal program revenues | - | 9,879,015 | 9,879,015 |
| Net Assets Released from Restrictions: | | | |
| Restrictions Satisfied by Payments | 67,963,688 | (67,963,688) | - |
| Total Revenues | 71,008,911 | 8,409,133 | 79,418,044 |
| Expenses | | | |
| 11 Instruction | 34,022,031 | - | 34,022,031 |
| 12 Instructional Resources and Media Services | 62 | - | 62 |
| 13 Curriculum Development and Instructional Staff Development | 2,480,144 | - | 2,480,144 |
| 21 Instructional Leadership | 1,305,748 | - | 1,305,748 |
| 23 School Leadership | 3,825,393 | - | 3,825,393 |
| 31 Guidance, Counseling and Evaluation Services | 2,966,978 | - | 2,966,978 |
| 32 Social Work Services | 9,159 | - | 9,159 |
| 33 Health Services | 645,767 | - | 645,767 |
| 34 Student (Pupil) Transportation | 352,034 | - | 352,034 |
| 35 Food Service | 2,245,512 | - | 2,245,512 |
| 36 Cocurricular/Extracurricular Activities | 2,548,765 | - | 2,548,765 |
| 41 General Administration | 4,077,784 | - | 4,077,784 |
| 51 Plant Maintenance and Operations | 8,500,565 | - | 8,500,565 |
| 52 Security and Monitoring | 1,437,401 | - | 1,437,401 |
| 53 Data Processing Services | 2,636,095 | - | 2,636,095 |
| 61 Community Services | 150,935 | - | 150,935 |
| 71 Debt Service | 3,637,956 | - | 3,637,956 |
| 81 Fund Raising | 187,159 | - | 187,159 |
| Total Expenses | 71,029,488 | - | 71,029,488 |
| Change in Net Assets | (20,577) | 8,409,133 | 8,388,556 |
| Net Assets, Beginning of Year | 1,366,998 | 18,895,079 | 20,262,077 |
| Net Assets, End of Year | \$ 1,346,421 | \$ 27,304,212 | \$ 28,650,633 |

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

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

| CASH FLOWS FROM OPERATING ACTIVITIES | <u>2025</u> | <u>2024</u> |
|---|-----------------------|----------------------|
| Change in Net Assets | \$ 1,592,011 | \$ 8,388,556 |
| Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities: | | |
| Depreciation and amortization | 5,951,735 | 5,790,020 |
| Amortization of Capitalized Debt Issuance Costs | 106,844 | 197,803 |
| Loss on Asset Disposal | 77,340 | - |
| Gain on Termination of Lease | (137,164) | - |
| (Increase) Decrease in Due from State and Other Governments | (97,525) | (832,946) |
| (Increase) Decrease in Prepaid Expenses | (4,365) | (281,916) |
| (Increase) Decrease in Other Receivables | (258,239) | 192,159 |
| (Increase) Decrease in Other Assets | (59,017) | (35,960) |
| Increase (Decrease) in Accounts Payable | 25,426 | 142,542 |
| Increase (Decrease) in Accrued Wages | (20,903) | (224,452) |
| Increase (Decrease) in Due to State Government | 268 | (26,227) |
| Increase (Decrease) in Due to Student Groups | 11,255 | (9,324) |
| Increase (Decrease) in Unearned Revenues | 4,388 | 2,829 |
| Increase (Decrease) in Accrued Employee Benefits | 485,957 | 36,959 |
| Increase (Decrease) in Accrued Interest Expense | 245,611 | (1,805) |
| Net Cash Provided (Used) by Operating Activities | <u>7,923,622</u> | <u>13,338,238</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Land, Buildings, and Equipment | <u>(11,851,592)</u> | <u>(10,136,769)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>(11,851,592)</u> | <u>(10,136,769)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issuance of Debt (Net of issuance costs) | 109,559,470 | - |
| Principal Payments on Bonds Payable | (55,000) | (279,904) |
| Principal Payments on Notes Payable | (197,409) | (104,102) |
| Principal Payments on Leases Payable | <u>(2,450,421)</u> | <u>(2,361,101)</u> |
| Net Cash Provided (Used) by Financing Activities | <u>106,856,640</u> | <u>(2,745,107)</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 102,928,670 | 456,362 |
| Cash and Cash Equivalents, Beginning of Year | <u>40,157,381</u> | <u>39,701,019</u> |
| Cash and Cash Equivalents, End of Year (includes restricted cash of \$110,938,832 and \$3,830,700 at August 31, 2025 and 2024, respectively) | <u>\$ 143,086,051</u> | <u>\$ 40,157,381</u> |
| Cash Paid for Interest During the Year | \$ 7,511,544 | \$ 3,635,509 |
| Cash Paid for Income Taxes During the Year | \$ - | \$ - |

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

LIFESCHOOL OF DALLAS

Exhibit B-4

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

| | 2025 | | | | | | | | | |
|-----------------------------|--|---|----------------------|---------------------------------------|---|--|-----------------------|---------------------|----------------------|---------------------------------|
| | Program Services | | | Support Services | | | | | | Total Functional Expenses |
| | Instruction and Instructional- Related Services | Instructional and School Leadership | Total | Administrative Support Services | Support Services - Non-Student Based | Support Services - Student (Pupil) | Ancillary Services | Debt Service | Total | |
| Salaries and Wages | \$ 28,711,524 | \$ 3,989,261 | \$ 32,700,785 | \$ 2,512,607 | \$ 2,296,464 | \$ 4,238,900 | \$ 176,262 | \$ - | \$ 9,224,233 | \$ 41,925,018 |
| Payroll Taxes | 450,728 | 58,703 | 509,431 | 36,743 | 32,796 | 63,007 | 2,556 | - | 135,102 | 644,533 |
| Employee Benefits | 5,534,630 | 733,863 | 6,268,493 | 561,595 | 442,356 | 750,856 | 34,346 | - | 1,789,153 | 8,057,646 |
| Fees For Services | 576,477 | 103,201 | 679,678 | 595,118 | 1,675,603 | 387,664 | 38,729 | - | 2,697,114 | 3,376,792 |
| Food | - | - | - | - | - | 1,919,456 | - | - | 1,919,456 | 1,919,456 |
| Insurance | - | - | - | 3,247 | 637,954 | 37,385 | - | - | 678,586 | 678,586 |
| Interest and Fiscal Charges | - | - | - | - | - | - | - | 8,126,351 | 8,126,351 | 8,126,351 |
| Miscellaneous | 93,768 | 148,914 | 242,682 | 491,888 | 19,189 | 148,903 | 16,906 | - | 676,886 | 919,568 |
| Rent | 42,000 | 8,103 | 50,103 | 2,003 | 224,866 | 63,573 | 1,433 | - | 291,875 | 341,978 |
| Repairs and Maintenance | 3,350 | - | 3,350 | 3,525 | 2,304,084 | 191,064 | - | - | 2,498,673 | 2,502,023 |
| Supplies | 2,161,184 | 104,447 | 2,265,631 | 177,470 | 1,079,351 | 876,091 | 45,349 | - | 2,178,261 | 4,443,892 |
| Travel | 224,537 | 16,297 | 240,834 | 32,406 | 17,044 | 287,202 | 3,415 | - | 340,067 | 580,901 |
| Utilities | - | - | - | - | 1,172,209 | - | - | - | 1,172,209 | 1,172,209 |
| Depreciation | 1,842,401 | 1,183 | 1,843,584 | 21,803 | 3,503,134 | 583,214 | - | - | 4,108,151 | 5,951,735 |
| Total expenses by function | <u>\$ 39,640,599</u> | <u>\$ 5,163,972</u> | <u>\$ 44,804,571</u> | <u>\$ 4,438,405</u> | <u>\$ 13,405,050</u> | <u>\$ 9,547,315</u> | <u>\$ 318,996</u> | <u>\$ 8,126,351</u> | <u>\$ 35,836,117</u> | <u>\$ 80,640,688</u> |

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

LIFESCHOOL OF DALLAS

Exhibit B-4

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

| | 2024 | | | | | | | | | |
|-----------------------------|--|---|----------------------|---------------------------------------|---|--|-----------------------|---------------------|----------------------|---------------------------------|
| | Program Services | | | Support Services | | | | | | |
| | Instruction and Instructional- Related Services | Instructional and School Leadership | Total | Administrative Support Services | Support Services - Non-Student Based | Support Services - Student (Pupil) | Ancillary Services | Debt Service | Total | Total Functional Expenses |
| Salaries and Wages | \$ 27,015,906 | \$ 3,932,448 | \$ 30,948,354 | \$ 2,463,338 | \$ 2,272,526 | \$ 3,814,775 | \$ 121,120 | \$ - | \$ 8,671,759 | \$ 39,620,113 |
| Payroll Taxes | 425,858 | 58,423 | 484,281 | 36,111 | 33,249 | 56,147 | 1,756 | - | 127,263 | 611,544 |
| Employee Benefits | 5,012,902 | 727,310 | 5,740,212 | 497,379 | 449,227 | 649,561 | 23,374 | - | 1,619,541 | 7,359,753 |
| Fees For Services | 589,793 | 147,563 | 737,356 | 371,150 | 1,573,425 | 493,630 | 113,192 | - | 2,551,397 | 3,288,753 |
| Food | - | - | - | - | - | 2,238,429 | - | - | 2,238,429 | 2,238,429 |
| Insurance | - | - | - | 3,247 | 526,627 | 37,385 | - | - | 567,259 | 567,259 |
| Interest and Fiscal Charges | - | - | - | - | - | - | - | 3,637,956 | 3,637,956 | 3,637,956 |
| Miscellaneous | 92,054 | 137,430 | 229,484 | 478,555 | 10,169 | 123,858 | 10,386 | - | 622,968 | 852,452 |
| Rent | 34,000 | 6,420 | 40,420 | 4,521 | 190,155 | 68,345 | 4,005 | - | 267,026 | 307,446 |
| Repairs and Maintenance | - | - | - | 1,806 | 1,873,572 | 129,748 | - | - | 2,005,126 | 2,005,126 |
| Supplies | 1,354,638 | 98,330 | 1,452,968 | 135,171 | 918,103 | 470,038 | 62,046 | - | 1,585,358 | 3,038,326 |
| Travel | 188,930 | 20,153 | 209,083 | 34,637 | 25,163 | 262,797 | 2,215 | - | 324,812 | 533,895 |
| Utilities | - | - | - | - | 1,168,055 | 10,361 | - | - | 1,178,416 | 1,178,416 |
| Depreciation | 1,788,157 | 3,064 | 1,791,221 | 51,869 | 3,533,789 | 413,141 | - | - | 3,998,799 | 5,790,020 |
| Total expenses by function | <u>\$ 36,502,238</u> | <u>\$ 5,131,141</u> | <u>\$ 41,633,379</u> | <u>\$ 4,077,784</u> | <u>\$ 12,574,060</u> | <u>\$ 8,768,215</u> | <u>\$ 338,094</u> | <u>\$ 3,637,956</u> | <u>\$ 29,396,109</u> | <u>\$ 71,029,488</u> |

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, 2025 AND 2024**

| Expenses | | <u>2025</u> | <u>2024</u> |
|----------|--------------------------------------|----------------------|----------------------|
| 6100 | Payroll Costs | \$ 50,627,197 | \$ 47,591,410 |
| 6200 | Professional and Contracted Services | 7,393,002 | 6,779,741 |
| 6300 | Supplies and Materials | 6,363,348 | 5,276,755 |
| 6400 | Other Operating Costs | 8,130,790 | 7,743,626 |
| 6500 | Debt | <u>8,126,351</u> | <u>3,637,956</u> |
| | Total Expenses | <u>\$ 80,640,688</u> | <u>\$ 71,029,488</u> |

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

LIFESCHOOL OF DALLAS

Exhibit D-1

SCHEDULE OF ASSETS
FOR THE YEAR ENDED AUGUST 31, 2025

| | Ownership Interest | | |
|------------------------------------|---------------------|-----------------------|---------------------|
| | Local | State | Federal |
| 1110 Cash | \$ 4,251,155 | \$ 138,834,896 | \$ - |
| 1120 Investments | - | - | - |
| 1510 Land and Improvements | - | 16,561,780 | - |
| 1520 Buildings and Improvements | 55,597 | 98,175,574 | 561,330 |
| 1531 Vehicles | - | 1,585,710 | - |
| 1539 Furniture and Equipment | 52,111 | 7,744,931 | 2,634,506 |
| 1549 Furniture and Equipment | - | 226,323 | - |
| 1551 Right-to-use asset | - | 25,465,462 | - |
| 1559 Capital Lease | - | 1,016,973 | - |
| 1580 Construction in Progress | - | 6,663,476 | - |
| 1570 Less Accumulated Depreciation | (95,497) | (42,364,452) | (1,851,539) |
| 1576 Less Accumulated Amortization | - | (16,740,726) | - |
| Total Property and Equipment | <u>\$ 4,263,366</u> | <u>\$ 237,169,947</u> | <u>\$ 1,344,297</u> |

integral part of these financial statements.

LIFESCHOOL OF DALLAS

Exhibit E-1

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|---|-------------------------|---------------|----------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>from Final</u> <u>Budget</u> |
| Revenues | | | | |
| Local Support: | | | | |
| 5740 Other Revenues from Local Sources | \$ 1,500,000 | \$ 5,906,849 | \$ 6,442,143 | \$ 535,294 |
| 5750 Cocurricular and Enterprising Activities | 559,100 | 1,007,252 | 1,098,565 | 91,313 |
| Total Local Support | 2,059,100 | 6,914,101 | 7,540,708 | 626,607 |
| State Program Revenues: | | | | |
| 5810 Foundation School Program Act Revenues | 62,191,721 | 63,280,908 | 64,237,197 | 956,289 |
| 5820 State Program Revenues Distributed by TEA | 731,573 | 675,457 | 1,153,803 | 478,346 |
| 5830 State Revenues - Other than TEA | 2,600,000 | 2,787,216 | 3,094,910 | 307,694 |
| Total State Program Revenues | 65,523,294 | 66,743,581 | 68,485,910 | 1,742,329 |
| Federal Program Revenues: | | | | |
| 5920 Federal Revenues Distributed by TEA | 5,118,438 | 6,007,796 | 5,907,592 | (100,204) |
| 5930 Federal Revenues - Other than TEA | 230,000 | 272,432 | 298,489 | 26,057 |
| Total Federal Program Revenues | 5,348,438 | 6,280,228 | 6,206,081 | (74,147) |
| Total Revenues | 72,930,832 | 79,937,910 | 82,232,699 | 2,294,789 |
| Expenses | | | | |
| 11 Instruction | 35,130,666 | 37,647,604 | 36,964,613 | 682,991 |
| 12 Instructional Resources & Media Services | 2,320 | 12,457 | 3,025 | 9,432 |
| 13 Curriculum & Instructional Staff Development | 2,618,540 | 2,880,722 | 2,672,961 | 207,761 |
| 21 Instructional Leadership | 1,387,558 | 1,424,517 | 1,330,289 | 94,228 |
| 23 School leadership | 4,005,989 | 4,275,962 | 3,833,683 | 442,279 |
| 31 Guidance, Counseling, & Evaluation Services | 3,002,852 | 3,486,939 | 3,257,016 | 229,923 |
| 32 Social Work Services | 56,889 | 65,693 | 58,073 | 7,620 |
| 33 Health Services | 680,147 | 663,127 | 611,975 | 51,152 |
| 34 Student Transportation | 400,562 | 508,189 | 457,356 | 50,833 |
| 35 Food Services | 2,298,584 | 2,693,383 | 2,345,438 | 347,945 |
| 36 Cocurricular/Extracurricular Activities | 2,079,779 | 2,995,144 | 2,817,457 | 177,687 |
| 41 General Administration | 4,691,984 | 4,981,127 | 4,438,405 | 542,722 |
| 51 Plant Maintenance & Operations | 9,219,918 | 11,414,698 | 9,408,537 | 2,006,161 |
| 52 Security & Monitoring Services | 1,495,406 | 1,683,103 | 1,427,946 | 255,157 |
| 53 Data Processing Services | 2,830,373 | 2,984,594 | 2,568,567 | 416,027 |
| 61 Community Services | 87,044 | 110,402 | 91,605 | 18,797 |
| 71 Debt Service | 3,668,639 | 4,454,142 | 8,126,351 | (3,672,209) |
| 81 Fundraising | 285,262 | 256,757 | 227,391 | 29,366 |
| Total Expenses | 73,942,512 | 82,538,560 | 80,640,688 | 1,897,872 |
| Change in Net Assets | (1,011,680) | (2,600,650) | 1,592,011 | 4,192,661 |
| Net Assets, Beginning of Year | 28,650,633 | 28,650,633 | 28,650,633 | - |
| Net Assets, End of Year | \$ 27,638,953 | \$ 26,049,983 | \$ 30,242,644 | \$ 4,192,661 |

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, 2025

- 1) 5740 - Increase in final budget due to interest income on 2024 bonds issued.
- 2) 5750 - Increase in final budget due to higher athletic event participation, enterprising services revenue and cocurricular activities.
- 3) 5920 - Increase to final budget due to carryover funds and additional entitlements received for federal funds.
- 4) 5930 - Increase to final budget due to account for the School Health Support Grant.
- 5) Function 12 - Increase in final budget due to anticipated supplemental resources for campus libraries.
- 6) Function 13 - Increase in final budget due to anticipated professional development expenses.
- 7) Function 31 - Increase in final budget due to additional contracted services for Special Education.
- 8) Function 32 - Increase in final budget due to additional truancy support services.
- 9) Function 34 - Increase in final budget due to additional fuel and maintenance costs for new buses added.
- 10) Function 35 - Increase in final budget due to anticipated food services expenses.
- 11) Function 36 - Increase in final budget due to higher participation and advancement in UIL and athletic activities.
- 12) Function 51 - Increase in final budget due to anticipated facility maintenance expenses.
- 13) Function 52 - Increase in final budget due to anticipated security expenses.
- 14) Function 61 - Increase in final budget due to anticipated community and parent engagement expenses.
- 15) Function 71 - Increase in final budget due to new 2024 bond series expenses.
- 16) Function 81 - Decrease in final budget due to lower fundraising expenses.
- 17) 5820 - Actual revenue is higher than budget due to additional Instructional Materials and Technology Allotment disbursements.
- 18) 5830 - Actual revenue is higher than budget due to additional TRS on Behalf revenues.
- 19) 5930 - Actual revenue is higher than budget due to additional School Health Support Grant revenues.
- 20) Function 71 - Actual expense is higher than budget due to new 2024 bond series interest expense paid in August 2025.

LIFESCHOOL OF DALLAS

SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
FOR THE YEAR ENDED AUGUST 31, 2025

| (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 School Oak Cliff Legal Description: BLK 6013 TR 3 ACS 9.344 | 330 E. Ann Arbor Ave. Dallas, TX 75224 | \$ 4,521,260 | - | 4,521,260 | - |
| Life School Oak Cliff Legal Description: BLK 6011 TR 1 ACS 2.567 | 340 E. Ann Arbor Ave. Dallas, TX 75224 | \$ 815,950 | - | 815,950 | - |
| 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 | \$ 51,002,814 | - | 51,002,814 | - |
| 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 | \$ 4,567,549 | - | 4,567,549 | - |
| Life Middle School Waxahachie Legal Description: PT 1 A WAXAHACHIE HEALTH 16.845 ACRES | 3295 N. US Hwy 77 Waxahachie, TX 75165 | \$ 10,514,484 | - | 10,514,484 | - |
| 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 7 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 | \$ 4,322,550 | - | 4,322,550 | - |
| 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 | - |
| Land Parcel 5 - Red Oak Legal Description: 30+/- ac A. FREDERICK SURV, ABS 375 | Red Oak, TX 75154 | \$ 3,037,252 | - | 3,037,252 | - |

LIFESCHOOL OF DALLAS

SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED AUGUST 31, 2025

| 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 |
|--------------------------|---|--------------|------------------------|---|----------------------------|----------------------|----------------------------|-----------------------------|
| None. | | | | | | | | |
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LIFESCHOOL OF DALLAS

SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
FOR THE YEAR ENDED AUGUST 31, 2025

| 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 |
|--------------------------|---|--------------|----------------------------|----------------------|-------------|----------------------------|----------------------------|
| None. | | | | | | | |
| | | | | | | | |
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LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit I-1

**USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2025**

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. | \$5,940,704 |
| AP4 | List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. | \$2,311,326 |

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. | \$390,422 |
| AP8 | List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35) | \$313,199 |

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

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, 2025 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 December 31, 2025.

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
December 31, 2025

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

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FAX (940) 383-4746

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, 2025. 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, 2025.

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
December 31, 2025

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)

Exhibit J-1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2025**

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 Program

FALN 10.555 - National School Lunch Program

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

2025-01

III. Findings and Questioned Costs for State and Federal Awards

None

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED AUGUST 31, 2025

Financial Statement Findings**2025-01 – Deficiency in Internal Controls over Payroll Reporting**

Criteria: Internal Revenue Service (IRS) regulations require that Medicare wages reported on Form 941 include wages subject to Medicare tax. Certain pretax deductions (such as cafeteria plan contributions under Section 125) are not subject to Medicare tax and should therefore be excluded from Medicare wages reported on the quarterly Form 941.

Condition: During our audit procedures, we noted that the District did not exclude applicable pretax deductions from Medicare wages reported on its quarterly Form 941 filings. As a result, Medicare wages were overstated for the quarters tested.

Cause: The overstatement resulted from a lack of review and reconciliation between payroll records and the quarterly Form 941 filings, as well as a misunderstanding of which pretax deductions are exempt from Medicare taxation.

Effect: As a result of this error, the District overstated Medicare wages and potentially overstated Medicare tax liabilities on its quarterly filings. This increases the risk of inaccurate payroll tax reporting and may require amended Form 941 filings (Form 941-X) to correct the errors.

Recommendation: We recommend that management review the payroll deduction setup to ensure that all applicable pretax deductions are properly excluded from Medicare wages. In addition, management should implement a reconciliation process between payroll registers and Form 941 filings prior to submission. Management should consult with a tax attorney to determine whether amended filings are necessary.

District Response

Management concurs with the finding. Upon notification, management reviewed the payroll deduction setup and identified that certain pretax deductions were not properly excluded from Medicare wages. Management has coordinated with the payroll department and financial software company to correct the deduction configuration going forward.

Management has revised the quarterly reconciliation process between payroll records and Form 941 filings to ensure Medicare wages are accurately reported.

Management discussed the finding with a tax attorney and was advised to file amended Forms 941-X for the affected quarters: 2025 – Q1, Q2, and Q3.

Contact – Megan Beck, Chief Financial Officer

Estimated Completion Date: January 31, 2026

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025

No prior audit findings.

LIFESCHOOL OF DALLAS

Exhibit M-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025**

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (2) Federal FALN Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|--|----------------------------------|---|--------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Passed Through Region 10 Education Service Center</u> | | | |
| Title III, Part A - English Language Acquisition | 84.365A | 25671001057950 | 45,125 |
| Total Passed Through Region 10 Education Service Center | | | <u>45,125</u> |
| <u>Passed Through State Department of Education</u> | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 25610101057807 | 2,141,256 |
| ESEA, Title I, 1003 - Effective Schools Framework | 84.010A | 25610139057807 | 162,117 |
| Total FALN Number 84.010A | | | <u>2,303,373</u> |
| *IDEA - Part B, Formula | 84.027A | 256600010578076000 | 902,927 |
| Career and Technical - Basic Grant | 84.048A | 25420006057807 | 89,417 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 25694501057807 | 189,055 |
| LEP Summer School | 84.369A | 69552402 | 4,302 |
| ESEA, Title IV, Part A - Student Support | 84.424A | 25680101057807 | 119,917 |
| ESSER III - ARP School Emergency Relief | 84.425U | 21528001057807 | 171,692 |
| Texas COVID Learning Supports - State ESSER III | 84.425U | 21528042057807 | 35,788 |
| Total Passed Through State Department of Education | | | <u>3,816,471</u> |
| TOTAL DEPARTMENT OF EDUCATION | | | <u>\$ 3,861,596</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <u>Passed Through Texas Health and Human Services Commission</u> | | | |
| Medicaid Administrative Claiming Program - MAC | 93.778 | HHS000537900339 | \$ 25,985 |
| Total Passed Through Texas Health and Human Services Commission | | | <u>\$ 25,985</u> |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | <u>\$ 25,985</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through State Department of Agriculture</u> | | | |
| *School Breakfast Program | 10.553 | 71402501 | \$ 274,923 |
| *National School Lunch Program - Cash Assistance | 10.555 | 71302501 | 1,569,172 |
| *National School Lunch Program - Non-Cash Assistance | 10.555 | 71302501 | 201,901 |
| Total FALN Number 10.555 | | | <u>1,771,073</u> |
| Total Child Nutrition Cluster | | | <u>2,045,996</u> |
| Warehouse Distribution Fees Reimbursement | 10.560 | 246TX312N2533 | 16,266 |
| Total Passed Through the State Department of Agriculture | | | <u>\$ 2,062,262</u> |
| TOTAL DEPARTMENT OF AGRICULTURE | | | <u>\$ 2,062,262</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 5,949,843</u></u> |

LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025

- 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 \$210,249.
- Reconciliation Information:

| | |
|---|---------------------|
| Amounts reported on the Schedule of Expenditures of Federal awards | \$ 5,949,843 |
| SHARS Revenue not reported on the Schedule of Expenditures of Federal awards | <u>256,238</u> |
| Total Federal Program Revenue | <u>\$ 6,206,081</u> |