# TLC Academy

Annual Financial Report
For the Fiscal Years Ended August 31, 2021 and 2020

weaver
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# TLC Academy

Annual Financial Report
For the Fiscal Years Ended August 31, 2021 and 2020
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# Introductory Section

# CERTIFICATE OF BOARD

**TLC ACADEMY**

TLC Academy
Name

226-801
Co. – Dist. Number

We, the undersigned, certify that the attached Financial and Compliance Report of TLC Academy was reviewed and ( X ) approved ( ) disapproved for the year ended August 31, 2021 at a meeting of the Board of Directors of the charter holder on the 18th day of January 2022.

Charity Vasquez
Signature of Board Secretary

Raymond Ortiz
Signature of Board President

# Financial Section

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## Independent Auditor's Report

To the Board of Directors of
TLC Academy

**Report on the Financial Statements**

We have audited the accompanying financial statements of TLC Academy (the School), a nonprofit organization, which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TLC Academy as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors of
TLC Academy

***Other Matters***

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenses, capital assets and budgetary comparison are presented for purposes of additional analysis and are not a required part of the financial statements. Additionally the accompanying schedule of expenditures of federal awards, as required by the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenses, capital assets, budgetary comparison and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2022, on our consideration of TLC Academy's 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 TLC Academy's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
January 26, 2022

# Financial Statements

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**TLC Academy** **Exhibit A-1**

Statements of Financial Position
August 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 3,024,629 | $ 2,601,379 |
| Investments | 5,867,522 | 5,860,278 |
| Investments - restricted | - | 660,251 |
| Accounts receivable | 1,235,859 | 167,178 |
| Inventory | 68,157 | 38,499 |
| Prepaid expenses | (3,999) | 110,056 |
| Total current assets | 10,192,168 | 9,437,641 |
| **PROPERTY AND EQUIPMENT, NET** | 26,277,175 | 20,745,617 |
| **OTHER ASSETS** | | |
| Cash restricted by bond covenants | 1,433,460 | 1,535,961 |
| Building deposit | 17,000 | 17,000 |
| Total other assets | 1,450,460 | 1,552,961 |
| **TOTAL ASSETS** | $ 37,919,803 | $ 31,736,219 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 347,610 | $ 261,066 |
| Accounts payable, related party | - | 660,251 |
| Due to Parents in Action | 18,658 | 18,532 |
| Other accrued liabilities | 2,209,356 | 1,583,277 |
| Current portion of long-term debt, bonds and notes payable | 1,180,576 | 1,330,169 |
| Total current liabilities | 3,756,200 | 3,853,295 |
| **LONG-TERM DEBT** | | |
| Deferred rent, long-term portion | 167,553 | 192,133 |
| Notes payable | 9,063,470 | 3,101,494 |
| Bonds payable | 16,145,015 | 16,601,812 |
| Total liabilities | 29,132,238 | 23,748,734 |
| **NET ASSETS** | | |
| With donor restrictions | 434,844 | 143,186 |
| Without donor restrictions | 8,352,721 | 7,844,299 |
| Total net assets | 8,787,565 | 7,987,485 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 37,919,803 | $ 31,736,219 |

The Notes to the Financial Statements are an integral part of these statements.

**TLC Academy**
Statements of Activities
For the Fiscal Years Ended August 31, 2021 and 2020

| Control Codes | | 2021 Without Donor Restrictions | 2021 With Donor Restrictions | 2021 Total |
|---|---|---|---|---|
| | **REVENUES** | | | |
| | Local Support: | | | |
| 5740 | Other revenues from local sources | $ 870,330 | $ - | $ 870,330 |
| 5750 | Revenues from cocurricular, enterprising services or activities | 587,127 | - | 587,127 |
| 5760 | Revenues from intermediate sources | 448,660 | - | 448,660 |
| | Total local support | 1,906,117 | - | 1,906,117 |
| | State Program Revenues: | | | |
| 5810 | Foundation school program | - | 27,135,987 | 27,135,987 |
| 5820 | State program revenues distributed by Texas Education Agency | - | 84,905 | 84,905 |
| | Total state program revenues | - | 27,220,892 | 27,220,892 |
| | Federal Program Revenues: | | | |
| 5920 | Federal revenues distributed by Texas Education Agency | - | 2,470,597 | 2,470,597 |
| 5930 | Federal revenues distributed by other State of Texas government agencies | - | 117,962 | 117,962 |
| 5940 | Federal revenues distributed directly from the Federal Government | - | 224,711 | 224,711 |
| | Total federal program revenues | - | 2,813,270 | 2,813,270 |
| | Net assets released from restrictions: | | | |
| | Restrictions satisfied by payments | 29,742,504 | (29,742,504) | - |
| | Total revenues | 31,648,621 | 291,658 | 31,940,279 |
| | **EXPENSES** | | | |
| | Program Services: | | | |
| 11 | Instruction | 14,360,036 | - | 14,360,036 |
| 12 | Instructional resources and media services | 89,305 | - | 89,305 |
| 13 | Curriculum development and instructional staff development | 244,898 | - | 244,898 |
| 21 | Instructional leadership | 254,673 | - | 254,673 |
| 23 | School leadership | 2,102,671 | - | 2,102,671 |
| | Supporting Services: | | | |
| 31 | Guidance counseling and evaluation services | 764,653 | - | 764,653 |
| 33 | Health services | 323,331 | - | 323,331 |
| 34 | Student (pupil) transportation | 574,440 | - | 574,440 |
| 35 | Food services | 809,782 | - | 809,782 |
| 36 | Cocurricular/extracurricular activities | 1,307,199 | - | 1,307,199 |
| 41 | General administration | 1,327,119 | - | 1,327,119 |
| 51 | Plant maintenance and operations | 6,848,991 | - | 6,848,991 |
| 52 | Security and monitoring services | 123,649 | - | 123,649 |
| 53 | Data processing services | 481,470 | - | 481,470 |
| 61 | Community services | 54,707 | - | 54,707 |
| 71 | Debt service | 1,474,160 | - | 1,474,160 |
| | Total expenses | 31,141,084 | - | 31,141,084 |
| | **OTHER** | | | |
| 7959 | Gain on involuntary conversion | 885 | - | 885 |
| | Total other | 885 | - | 885 |
| | Change in net assets | 508,422 | 291,658 | 800,080 |
| **NET ASSETS, beginning of year** | | 7,844,299 | 143,186 | 7,987,485 |
| **NET ASSETS, end of year** | | $ 8,352,721 | $ 434,844 | $ 8,787,565 |

The Notes to the Financial Statements are an integral part of these statements.

| 2020 | | |
|---|---|---|
| Without Donor Restrictions | With Donor Restrictions | Total |
| $ 789,714 | $ 3,685,128 | $ 4,474,842 |
| 614,807 | - | 614,807 |
| 215,832 | - | 215,832 |
| 1,620,353 | 3,685,128 | 5,305,481 |
| - | 27,653,627 | 27,653,627 |
| - | 488,591 | 488,591 |
| - | 28,142,218 | 28,142,218 |
| - | 1,546,991 | 1,546,991 |
| - | 62,125 | 62,125 |
| - | 126,407 | 126,407 |
| - | 1,735,523 | 1,735,523 |
| 33,653,285 | (33,653,285) | - |
| 35,273,638 | (90,416) | 35,183,222 |
| 13,922,380 | - | 13,922,380 |
| 81,603 | - | 81,603 |
| 157,357 | - | 157,357 |
| 309,373 | - | 309,373 |
| 1,993,462 | - | 1,993,462 |
| 679,218 | - | 679,218 |
| 325,830 | - | 325,830 |
| 500,444 | - | 500,444 |
| 714,331 | - | 714,331 |
| 1,182,823 | - | 1,182,823 |
| 1,241,038 | - | 1,241,038 |
| 6,234,331 | - | 6,234,331 |
| 52,905 | - | 52,905 |
| 593,953 | - | 593,953 |
| 19,302 | - | 19,302 |
| 1,585,603 | - | 1,585,603 |
| 29,593,953 | - | 29,593,953 |
| 11,264 | - | 11,264 |
| 11,264 | - | 11,264 |
| 5,690,949 | (90,416) | 5,600,533 |
| 2,153,350 | 233,602 | 2,386,952 |
| $ 7,844,299 | $ 143,186 | $ 7,987,485 |

**TLC Academy** **Exhibit A-3**

Statements of Cash Flows 

For the Fiscal Years Ended August 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Foundation school program payments | $ 26,498,503 | $ 27,667,655 |
| Gain on extinguishment of debt | - | (3,685,128) |
| Grant payments | 2,382,073 | 1,812,246 |
| Local revenues | 1,906,117 | 5,305,481 |
| Miscellaneous sources | 84,905 | 488,591 |
| Payments to vendors for goods and services rendered | (8,008,145) | (7,744,264) |
| Payments to school personnel for services rendered | (20,630,617) | (19,333,265) |
| Interest payments | (1,436,567) | (1,458,748) |
| Net cash provided by operating activities | 796,269 | 3,052,568 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Net sale (purchase) of investments | 653,007 | (3,572,886) |
| Proceeds from sale of property and equipment | - | 45,791 |
| Purchases of property and equipment | (6,445,368) | (1,486,990) |
| Net cash used in investing activities | (5,792,361) | (5,014,085) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of long-term debt | 6,473,210 | 4,398,433 |
| Principal payments of long-term debt | (1,156,369) | (816,323) |
| Net cash provided by financing activities | 5,316,841 | 3,582,110 |
| Net increase in cash | 320,749 | 1,620,593 |
| **CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year** | 4,137,340 | 2,516,747 |
| **CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, end of year** | $ 4,458,089 | $ 4,137,340 |

The Notes to the Financial Statements are an integral part of these statements.

**TLC Academy** **Exhibit A-3**

Statements of Cash Flows – Continued 

For the Fiscal Years Ended August 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| **RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| Change in net assets | $ 800,080 | $ 5,600,533 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 952,555 | 878,261 |
| Gain on extinguishment of debt | - | (3,685,128) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (1,068,681) | 90,751 |
| Prepaid expenses | 114,055 | 5,340 |
| Inventory | (29,658) | (7,799) |
| Accounts payable | 86,544 | (38,832) |
| Accounts payable, related party | (660,251) | - |
| Due to Parents in Action | 126 | 2,141 |
| Accrued liabilities | 626,079 | 220,475 |
| Deferred rent, long-term portion | (24,580) | (13,174) |
| Net cash provided by operating activities | $ 796,269 | $ 3,052,568 |
| **NONCASH INVESTING AND FINANCING ACTIVITIES** | | |
| Capital assets additions acquired with debt | | $ 871,601 |
| Gain on extinguishment of debt | - | (3,685,128) |
| Total noncash investing and financing activities | $ - | $ (2,813,527) |

The Notes to the Financial Statements are an integral part of these statements.

**TLC Academy** **Exhibit A-4**

Statements of Functional Expenses

For the Fiscal Years Ended August 31, 2021 and 2020

| | 6100 - Payroll costs | 6200 - Professional and contracted services | 6300 - Supplies and materials | 6400 - Other operating costs | 6500 - Debt | 2021 Total |
|---|---|---|---|---|---|---|
| **Program services** | | | | | | |
| 10 - Instruction and instructional-related | $ 13,539,509 | $ 317,818 | $ 609,736 | $ 227,176 | $ - | $ 14,694,239 |
| 20 - Instructional and school leadership | 2,243,235 | 70,281 | 26,263 | 17,565 | - | 2,357,344 |
| **Supporting services** | | | | | | |
| 30 - Support services - student | 1,790,558 | 882,680 | 849,650 | 256,517 | - | 3,779,405 |
| 40 - Administrative support services | 968,427 | 177,754 | 13,351 | 167,587 | - | 1,327,119 |
| 50 - Support services - non-student based | 2,132,150 | 3,620,900 | 402,752 | 1,298,308 | - | 7,454,110 |
| 60 - Ancillary services | - | - | 54,707 | - | - | 54,707 |
| 70 - Debt service | - | - | - | - | 1,474,160 | 1,474,160 |
| **TOTAL EXPENSES** | $ 20,673,879 | $ 5,069,433 | $ 1,956,459 | $ 1,967,153 | $ 1,474,160 | $ 31,141,084 |

| | 6100 - Payroll costs | 6200 - Professional and contracted services | 6300 - Supplies and materials | 6400 - Other operating costs | 6500 - Debt | 2020 Total |
|---|---|---|---|---|---|---|
| **Program services** | | | | | | |
| 10 - Instruction and instructional-related | $ 12,914,330 | $ 277,688 | $ 786,806 | $ 182,516 | $ - | $ 14,161,340 |
| 20 - Instructional and school leadership | 2,189,053 | 72,119 | 27,365 | 14,298 | - | 2,302,835 |
| **Supporting services** | | | | | | |
| 30 - Support services - student | 1,586,215 | 776,809 | 858,035 | 181,587 | - | 3,402,646 |
| 40 - Administrative support services | 936,271 | 133,725 | 5,866 | 165,176 | - | 1,241,038 |
| 50 - Support services - non-student based | 1,911,735 | 3,330,031 | 670,099 | 969,324 | - | 6,881,189 |
| 60 - Ancillary services | - | - | 3,257 | 16,045 | - | 19,302 |
| 70 - Debt service | - | - | - | - | 1,585,603 | 1,585,603 |
| **TOTAL EXPENSES** | $ 19,537,604 | $ 4,590,372 | $ 2,351,428 | $ 1,528,946 | $ 1,585,603 | $ 29,593,953 |

The Notes to the Financial Statements are an integral part of these statements.

## Note 1. Summary of Significant Accounting Policies

The financial statements of TLC Academy were prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

### A. Reporting Entity

TLC Academy, (the School) is a Texas nonprofit corporation located in San Angelo, Texas. The School is a charter school for kindergarten through grade twelve which operates under an open enrollment Charter granted by the State of Texas Board of Education. The School is operated as a single charter school and does not conduct any other charter or non-charter activities. The School was granted this Charter on February 11, 2009, for a period of five years which expired on July 31, 2014, and renewed on June 30, 2014, for a period of ten years, expiring on July 31, 2024. The charter contract includes the option of renewal. The School became fully functional with student enrollment for the 2009-2010 school year which began in August 2009. In May 2013, the School was granted approval to amend the original charter to open two additional campuses in Midland and Arlington, Texas. The Midland, Arlington and Abilene campuses began classes in August 2013, 2014 and 2015, respectively. Beginning in 2016, the School made significant building improvements to its Abilene and Midland campuses that were completed and put into service during 2019.

The School is governed by a Board of Directors comprised of six members. The Board of Directors is selected pursuant to the bylaws of the School and has the authority to make decisions, appoint the chief executive officer of the School, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the School. Since the School receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

### B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accounting system is organized under the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*, a module of the Texas Education Agency Financial Accountability System Resource Guide.

Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Financial Statements. Under those provisions, net assets and revenues, gains and losses are classified as without donor restriction and with donor restriction based upon the following criteria:

- Net Assets without donor restriction represent expendable funds available for operations which are not otherwise limited by donor restrictions; and
- Net assets with donor restriction consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the School may spend the funds.

### C. Contributions

Contributions received are recorded as with donor restrictions and without donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions. Conditional contributions, which include donor-imposed conditions, are recognized as revenue in the period during which conditions or barriers have been met.

### D. Recognition of Donor Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

### E. Revenue Recognition

Capitation received, including base capitation, entitlements and special services are recognized in the period services are provided. Revenues from the state of Texas are earned based on reported school attendance. Public and private grants received are recognized in the period received and when the terms of the grants are met.

### F. Cash and Cash Equivalents

The School considers all highly liquid investments purchased with original maturity dates of three months or less to be cash equivalents.

### G. Concentration of Credit Risk

In the normal course of operations, the School maintains cash balances on deposit at a financial institution, which, at times, may exceed federally insured limits. The School's exposure to loss should the financial institution fail, is the excess on deposit over the insured amount covered by the Federal Deposit Insurance Corporation. The School has not experienced any losses on such accounts and management believes the School is not exposed to any significant risks on cash.

### H. Investments

The School invests in a TexStar Investment Pool. Investments are reported at carrying value, which is cost plus accrued interest. The carrying value approximates fair value.

### I. Accounts Receivable

The School's accounts receivable represent amounts primarily due from the state of Texas for state and federal funding related to grants.

### J. Inventory

The School purchased uniform inventory for sale during the year. The inventory is comprised of uniform items to sell to students, as required by school dress code. Inventory is valued using the average cost method.

### K. Capital Assets

Capital assets, which include buildings and improvements, vehicles and furniture and equipment, are reported in the statements of financial position. Capital assets are defined by the School as assets with a cost of more than $5,000. Such assets are recorded at historical cost at the date of acquisition and are depreciated over the estimated useful lives of the assets, which range from three 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. The School follows the policy of capitalizing interest as a component of the cost of property, plant and equipment constructed for its own use. No interest was capitalized for the years ended August 31, 2021 and 2020.

| | |
|---|---|
| Buildings and improvements | 10-50 Years |
| Vehicles | 3-5 Years |
| Furniture and equipment | 3-20 Years |
| Infrastructure | 30 Years |

### L. Other Assets

Other assets consist of cash restricted by bond covenants and miscellaneous deposits related to leased premises. The School, under the terms of its loan agreement with a bank, has agreed to maintain a compensating balance equal to 100% of the outstanding loan balance. At August 31, 2021, $1,433,460 of the School's cash is restricted. Of that amount, $81,557 is restricted to maintain a compensating balance equal to 100% of the outstanding loan balance per a loan agreement with a bank. The remaining $1,351,903 is restricted by bond agreements for debt service. At August 31, 2020, $1,535,961 of the School's cash is restricted. Of that amount, $81,557 was restricted to maintain a compensating balance equal to 100% of the outstanding loan balance per a loan agreement with a bank. The remaining $1,454,404 is restricted by bond agreements for debt service.

### M. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

### N. Income Taxes

The School is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

### O. Uncertain Tax Positions

The Financial Accounting Standards Board requires the School recognize in its financial statements the financial effects of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained upon examination, including resolution of any appeals or ligation processes, based upon the technical merits of the position. The standard provides guidance on measurement, classification, interest and penalties and disclosure. Tax positions taken related to the School's tax exempt status, unrelated business income and deductibility of expenses has been reviewed and management is of the opinion that material positions taken by the School would more likely than not be sustained upon examination. Accordingly, the School has not recorded an income tax liability for uncertain tax benefits.

### P. Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximates fair value due to the short maturity of these instruments.

### Q. Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled $145,667 and $147,620 for the years ended August 31, 2021 and 2020, respectively.

### R. Functional Expenses

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

### S. Subsequent Events

The School has evaluated all events and transactions that occurred after August 31, 2021 through January 26, 2022, the date these financial statements were available to be issued. See Note 14. Subsequent Event.

### T. Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842) (ASU 2016-02) in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the Codification and creating Topic 842, Leases. ASU 2016-02, along with IFRS 16, Leases, are the results of the FASB's and the International Accounting Standards Board's (IASB's) efforts to meet that objective and improve financial reporting.

Under this standard, leases are classified as finance leases and operating leases. For finance leases, a lessee is required to do the following:

1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position;
2. Recognize interest on the lease liability separately from amortization of the right-of-use asset in the statement of comprehensive income; and
3. Classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statement of cash flows.

For operating leases, a lessee is required to do the following:

1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position;
2. Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and
3. Classify all cash payments within operating activities in the statement of cash flows.

For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term.

For all non-public for profit entities, the amendments in this ASU 2016-02 are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The School is in the process of determining the effects of this ASU on financial reporting. The School is in the process of evaluating the changes and determining the effects of ASU 2016-12 on financial reporting.

In September 2020, FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958) – *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires that not-for-profit entities present nonfinancial assets, such as cash and other financial assets, in a separate line item in the statement of activities. Not-for-profits will also be required to disclose: disaggregated contributed nonfinancial assets by amount and category that describes the type of contributed nonfinancial assets, qualitative information about amounts used by category during the reporting period, the entity's policy regarding monetizing any contributions instead of utilizing them, any donor-imposed restrictions tied to contributions received, a description of valuation techniques utilized to fair value any contributions, and the principal market used to fair value any contributions. The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.

The School is in the process of evaluating the changes and determining the effects of ASU 2020-07 on financial reporting.

## Note 2. Investments

The School has invested in a TexStar external investment pool. The fair value of the School's position in the pool is substantially the same as the value of the pool's shares. These investments are not exposed to credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Investments in external pools are excluded from disclosure requirements of concentration of credit risk and from disclosure of interest rate risk.

Investments owned by the School at August 31, 2021 and 2020 are shown below:

| | Fair Value 2021 | Fair Value 2020 | Credit Risk |
|---|---|---|---|
| TexStar (external pool) | $ 5,867,522 | $ 6,520,529 | AAAm - S & P |

The TexStar investment is an investment pool and is measured at amortized cost or net asset value, i.e., fair value, and is not required to be reported using fair value level inputs.

As of August 31, 2021, the $5,867,522 invested in TexStar is $5,867,522 of unrestricted and $0 of restricted by contract. As of August 31, 2020, of the $6,520,529 invested in TexStar is $5,860,278 of unrestricted and $660,251 of restricted by contract. The restricted portion relates to certain insurance proceeds from hail damage that occurred in May and June of 2017 involving properties leased from a related party. The lease arrangement requires that the School maintain property insurance on the leased properties, and in the event of a loss, the School is required to repair property. In the event the leased premises is not repaired, the School would be required to remit the insurance proceeds to the owner. In addition the restriction of the investments, management has accrued a related party payable in the amount of $0 and $660,251 as of August 31, 2021 and 2020, respectively.

## Note 3. Liquidity

As a not-for-profit organization, the School receives significant funding in the form of contributions that are restricted for a certain amount of time and/or for a particular manner, respectively. The School must maintain sufficient resources to meet those responsibilities to the contributors. Thus financial assets may not be available for general expenditures within one year. As part of managing the financial assets, the School ensures these become available when obligations are due.

The following reflects the School's financial assets as of August 31, 2021 and 2020, including amounts not available within one year of the balance sheet date. Amounts not available include contractual and donor-imposed restricted amounts.

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | $ 3,024,629 | $ 2,601,379 |
| Investments at fair value | 5,867,522 | 6,520,529 |
| Accounts receivable | 1,235,859 | 167,178 |
| Other assets | 1,450,460 | 1,552,961 |
| Total financial assets, year end | 11,578,470 | 10,842,047 |
| Less restrictions | | |
| Cash restricted by bond covenants | (1,433,460) | (1,535,961) |
| Cash restricted by donor | (434,844) | (143,186) |
| Investments restricted by insurance contract | - | (660,251) |
| Total financial assets not available to be used within one year | (1,868,304) | (2,339,398) |
| **Total financial assets available to meet general expenditures within one year** | $ 9,710,166 | $ 8,502,649 |

## Note 4. Capital Assets

Capital assets at August 31, 2021 and 2020 were as follows:

| | 2021 | 2020 |
|---|---|---|
| Land | $ 2,535,880 | $ 2,535,880 |
| Buildings and improvements | 24,321,332 | 19,501,661 |
| Vehicles | 1,099,735 | 659,135 |
| Furniture and equipment | 3,189,842 | 2,004,745 |
| Infrastructure | 507,616 | 507,616 |
| Construction in progress | 6,400 | 6,400 |
| | 31,660,805 | 25,215,437 |
| Less accumulated depreciation | 5,383,630 | 4,469,820 |
| **Property and equipment, net** | $ 26,277,175 | $ 20,745,617 |

Capital assets acquired with public funds received by the School for the operation of the School constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the schedule of capital assets for each individual charter school.

Depreciation expense was $913,809 ($119,136; $83,504; $1,964; $5,214; $668,517; $ 2,043; and $33,431 classified in functions 11, 34, 35, 41, 51, 52, and 53 respectively in the statement of activities on pages 8 and 9) for the year ended August 31, 2021. Depreciation expense was $750,339 ($103,770; $70,142; $2,084; $5,214; $559,823; and $9,306 classified in functions 11, 34, 35, 41, 51, and 53, respectively in the statement of activities on pages 8 and 9) for the year ended August 31, 2020.

## Note 5. Long-Term Debt

Long-term debt at August 31, 2021 and 2020 consists of the following:

**Revenue Bonds Payable**

| | 2021 | 2020 |
|---|---|---|
| Education Revenue Bonds, Series 2013A, in the amount of $10,670,000, at a rate of 7.0% - 7.15%, issued June 27, 2013, final maturity August 15, 2043. | $ 10,016,545 | $ 10,385,000 |
| Taxable Education Revenue Bonds, Series 2013Q, in the amount of $5,115,000, at a rate of 7.5% - 7.75%, issued June 27, 2013, final maturity August 15, 2037. | 5,115,000 | 5,115,000 |
| Education Revenue Bonds, Series 2016, in the amount of $2,600,000, at a rate of 4.05%, issued April 27, 2016, final maturity March 15, 2026. | 2,136,737 | 2,234,491 |
| Total long-term debt, bonds payable | 17,268,282 | 17,734,491 |
| Less unamortized bond discount | 365,274 | 383,601 |
| Less unamortized bond issuance costs | 258,620 | 279,039 |
| Less current portion of long-term debt, bonds payable | 499,373 | 470,039 |
| **Total long-term debt, bonds payable, net of current portion** | $ 16,145,015 | $ 16,601,812 |

In 2013, the School issued revenue bonds payable to provide funds for the purchase of land and buildings and for the construction necessary to prepare those buildings to operate as school campuses. These bonds constitute special obligations of the School and are secured by income from the school. The debt issuance costs for these bonds totaled $1,016,264. These costs were capitalized and are being amortized over the term of the bonds. As of August 31, 2021 and 2020, the unamortized amounts of $258,620 and $279,039, respectively are recorded as a direction reduction to the bond liability. Amortization of bond issuance costs was $20,418 and $109,595 for the years ended August 31, 2021 and 2020, respectively. The bond discount is amortized over the life of the bonds as interest expense. Bond discount amortization for the years ended August 31, 2021 and 2020 was $18,327 and $18,327, respectively.

On June 27, 2013, the School issued $10,670,000 of Tom Green County Cultural Education Facilities Finance Corporation Education Revenue Bonds, Series 2013A, with interest rates of 7.0% to 7.15%.

On June 27, 2013, the School issued $5,115,000 of Tom Green County Cultural Education Facilities Finance Corporation Taxable Education Revenue Bonds, Series 2013Q, with interest rates of 7.5% to 7.75%. These bonds are subject to an irrevocable election to be treated as "specified tax credit bonds" pursuant to Section 6431(f) of the IRS Code and therefore eligible for federal subsidy payments from the US Treasury equal to the lesser of (i) 100% of the interest payable on an interest payment date or (ii) the amount of interest which would have been payable under such bonds on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) with respect to the bonds. The federal subsidy that was used to pay for bond interest during fiscal years 2021 and 2020, was $224,711 and $111,907, respectively.

Debt covenants related to these bonds include maintaining a debt service ratio of 1.1 to 1.2, as well as maintaining an operating reserve of 45 days of expenses. As of August 31, 2021, the School is in compliance with the debt service coverage and the operating reserve requirement.

In April 27, 2016, the School issued $2,600,000 of Education Revenue Bonds, Series 2016, with and interest rates of 4.05%.

The debt issuance costs for these bonds totaled $93,308. These costs were capitalized and are being amortized over the term of the bonds. As of August 31, 2021 and 2020, the unamortized amounts of $43,126 and $52,535, respectively are recorded as a direct reduction to the bond liability. Amortization of bond issuance costs was $9,409 and $9,409 for the years ended August 31, 2021 and 2020, respectively.

Future bonds payable maturities as of August 31, 2021, are as follows:

| Year Ending August 31, | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 499,373 | $ 1,179,213 | $ 1,678,586 |
| 2023 | 533,886 | 1,147,401 | 1,681,287 |
| 2024 | 563,585 | 1,113,301 | 1,676,886 |
| 2025 | 603,478 | 1,077,259 | 1,680,737 |
| Thereafter | 15,067,960 | 11,764,677 | 26,832,637 |
| **Total** | $ 17,268,282 | $ 16,281,851 | $ 33,550,133 |

## Notes Payable

| | 2021 | 2020 |
|---|---|---|
| Note payable due to a not-for-profit with an interest rate of 4.00%, payable in monthly installments of $14,733. The note is secured by property and matures on September 1, 2024. | $ - | $ 665,033 |
| Note payable to a financial instution with an interest rate of 4.25%, payable with varying monthly payments. The note is secured by property and matures on May 13, 2022. This note was subsequently refinanced with the Newark Higher Education Finance Corporation Education Revenue Bonds, Series 2021A. See Note 14. | 6,437,700 | - |
| Paycheck Protection Plan note payable due to a bank with an interest rate of 1%. All loan payments are deferred until October 13, 2020. On November 13, 2020 equal monthly installments, including principal and interest, in an amount sufficient to fully amortize the note amount plus accrued interest by maturity on April 13, 2022. | - | 47,972 |
| Construction note payable to a bank with a variable interest starting at a rate of 4.75%, payable in monthly installments of $16,161 and increasing as draws are made to fund construction. The note is secured by certain real property in Abilene, Texas and matures on May 1, 2034. Currently the amount owed is $1,977,295 with a maximum draw of $2,000,000. | 1,791,500 | 1,886,831 |
| Note payable to a bank with an interest rate of 3.0%, payable in monthly installments of $2,927. The note is secured by five vans and matures on September 13, 2022. | 37,376 | 70,809 |
| Note payable to a bank with an interest rate of 3.75%, payable in monthly installments of $6,800. The note is secured by the School's savings held by the institution and matures on April 18, 2020. | 139,797 | 216,021 |

| | | |
|---|---|---|
| Mortgage payable on real property to a bank with an interest rate of 6.0%, payable in monthly installments of $9,231. The mortgage is secured by the real property and matures on March 27, 2034. This mortgage payable refinanced the old mortgage payable to the seller of the real property. | 966,269 | 1,025,307 |
| Note payable to a bank with an interest rate of 5.75%, payable in monthly installments of $8,759. The note is secure by all equipment and matures on August 16, 2021. | 1,763 | 102,918 |
| Note payable to a bank with an interest rate of 3.75%, payable in monthly installments of $6,768. The note is secured by four buses and matures on June 30, 2027. | 423,535 | - |
| Total long-term debt, notes payable | 9,797,940 | 4,014,891 |
| Less unamortized debt issuance costs | 53,267 | 53,267 |
| Less current portion of long-term debt, notes payable | 681,203 | 860,130 |
| **Total long-term debt, notes payable, net of current portion** | $ 9,063,470 | $ 3,101,494 |

Future notes payable maturities as of August 31, 2021, are as follows:

| Year Ending August 31, | | |
|---|---|---|
| 2022 | $ | 681,203 |
| 2023 | | 623,176 |
| 2024 | | 562,721 |
| 2025 | | 562,721 |
| Thereafter | | 7,368,119 |
| **Total** | $ | 9,797,940 |

Notes payable include debt issuance cost of $68,243, related to a construction note payable issued in August 2017. As of August 31, 2021 and 2020, the unamortized amounts of $48,717 and $53,267, respectively are recorded as a direct reduction the note payable and included in the above table. Amortization expense was $4,550 and $4,550 for the years ended August 31, 2021 and 2020, respectively.

Total interest incurred on the bonds and notes payable for the years ended August 31, 2021 and 2020, was $1,435,415 and $1,457,681, respectively. Of the interest incurred, none was capitalized as part of a construction project financed with the bond proceeds for the years ended August 31, 2021 and 2020, respectively. The remaining interest expense is recorded in function 71 in the statement of activities.

In accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, a not-for-profit entity who expects to meet the eligibility requirements of the Paycheck Protection Plan and chooses not to follow ASC 470, *Debt*, should account for funds received under the Paycheck Protection Plan as a conditional contribution to the extent that they are expended during the fiscal year. As a result, the School recorded a contribution from the extinguishment of debt in the amount of $3,685,128 for the year ended August 31, 2020, which is included in the Statements of Activities and Changes in Net assets. The remaining amount of funds received under the plan that were not spent during fiscal year 2020 were paid back by the School during the year ended August 31, 2021.

## Note 6. Related Party Transactions

The School has two leases with an affiliate. The affiliate charges the School for facility repairs and maintenance, utilities, and liability insurance allocated based on the School's usage of those facilities and property at an allocated percentage of 100%. The amount the School paid the affiliate for those allocated costs in 2021 and 2020 was $71,885 and $78,547, respectively.

The leases mentioned above are classified as operating leases and provide for total minimum rentals of $9,420,427 through August 31, 2029. Facilities rent expense paid to the affiliate for the years ended August 31, 2021 and 2020, was $1,539,392 and $1,430,507, respectively.

Accounts payable to the affiliate as of August 31, 2021 and 2020 was $0 and $660,251, respectively.

The School also purchases materials and services from the locally owned businesses of certain board members. Transactions from three board members amounted to $74,992 and $30,428 for the years ended August 31, 2021 and 2020, respectively.

## Note 7. Operating Leases

The School leases modular buildings, other facilities and musical instruments under operating lease agreements expiring in various years through 2029.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of August 31, 2021, for each of the next five years are as follows:

| Year Ending August 31, | Related Party | Other | Total |
|---|---|---|---|
| 2022 | $ 1,467,507 | $ 502,731 | $ 1,970,238 |
| 2023 | 1,467,507 | 502,731 | 1,970,238 |
| 2024 | 1,467,507 | 502,731 | 1,970,238 |
| 2025 | 1,467,507 | 502,731 | 1,970,238 |
| Thereafter | 5,326,399 | 501,446 | 5,827,845 |
| **Total** | $ 11,196,427 | $ 2,512,370 | $ 13,708,797 |

Rental expense related to operating leases for the years ended August 31, 2021 and 2020, was $2,122,324 and $2,107,274, respectively.

## Note 8. Other Operating Leasing Arrangements

In July 2014, the School entered into a leasing arrangement with a church, whereby the School leased certain portions of the Arlington campus to the church during periods in which the campus was not in use for school operations. The lease included an initial term of one year, with the option to renew on a month to month basis thereafter. Rental revenue related to this lease for the years ended August 31, 2021 and 2020, was $0 and $27,000, respectively, and is included in local support on the accompanying statements of activities.

In April 2016, the School entered into a leasing agreement with a third church, whereby the School leased certain portions of the Midland Campus to the church during periods in which the campus was not in use for school operations. The lease included an initial term of three years, with the option to renew on a month to month basis thereafter. Rental revenue related to this lease for the years ended August 31, 2021 and 2020, was $59,750 and $84,000, respectively.

## Note 9. Net Assets

Net asset classifications and balances at August 31, 2021 and 2020 are shown on the statements of financial position. The below schedule provides additional classification detail. See Note 1 for individual fund descriptions and imposed restrictions.

| | Balances August 31, 2019 | Increase (Decrease) in Net Assets | Balances August 31, 2020 | Increase (Decrease) in Net Assets | Balances August 31, 2021 |
|---|---|---|---|---|---|
| With donor restrictions | | | | | |
| National School Lunch Program | $ 43,066 | $ (27,598) | $ 15,468 | $ 76,022 | $ 91,490 |
| National School Breakfast Program | 9,337 | (5,982) | 3,355 | 21,130 | 24,485 |
| Title I, Part A | 46,331 | (8,151) | 38,180 | 64,079 | 102,259 |
| IDEA B Formula | 40,029 | (39,831) | 198 | 146,691 | 146,889 |
| Carl D. Perkins | - | 6,020 | 6,020 | (1,389) | 4,631 |
| PCS Start Up Grant | 94,839 | (14,874) | 79,965 | (14,875) | 65,090 |
| Total with donor restriction | 233,602 | (90,416) | 143,186 | 291,658 | 434,844 |
| Without donor restrictions | 2,153,350 | 5,690,949 | 7,844,299 | 508,422 | 8,352,721 |
| Total net assets | $ 2,386,952 | $ 5,600,533 | $ 7,987,485 | $ 800,080 | $ 8,787,565 |

## Note 10. Defined Pension Plan Obligation

### Plan Description

The School participates in the Teacher Retirement System of Texas (TRS or the Plan), a public employee retirement system. TRS is a cost-sharing, multiple-employer defined benefit pension plan, with one exception; all risks and costs are not shared by the School, but are the liability of the state of Texas.

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, 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 plan. That report may be obtained by writing the TRS Communications Department, 1000 Red River, Austin, Texas 78701-2698 or by calling the TRS Communications Department at (800) 223-8778 or by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publications Heading.

The Plan is analogous with a multiemployer plan as defined by the Financial FASB ASC Subtopic 715 Compensation – Retirement Benefits – Multiemployer Plans with the defining characteristic being the pooling of assets which may be used to satisfy the pension obligation of any employee of any employer that participates in the Plan.

Risks associated with participation in a multiemployer plans may be substantially less than sponsorship of a single-employer plan or participation in a multiple-employer plan. One of the benefits of multiemployer plans is that the unfunded benefit obligation of one participating employer is shared by all employers in the plan. Conversely, in a single- employer plan any unfunded liability is the liability of the sponsor.

In the case of TRS, risks are reduced further due to the Plan's special funding situation. As described above, the risks and costs, including substantially all of the individual schools contributions, associated with TRS are assumed by the state of Texas. Additionally, charter schools are legally separate entities from the state and TRS and there is no withdrawal penalty for leaving the TRS system.

Total Plan assets, accumulated benefit obligations and percent funded are reported by TRS in its consolidated annual financial report. For the Plan years ended August 31, 2021 and 2020, TRS reported the following:

| | | |
|---|---|---|
| Plan Name: | Teacher Retirement System of Texas | |
| Plan Employee Identification Number | N/A | |
| | 2021 | 2020 |
| Total plan assets | $ 223,172,755,137 | $ 184,361,870,581 |
| Accumulated benefit obligations | $ 227,273,463,630 | $ 218,974,205,084 |
| Percent funded | 88.79% | 75.24% |

**Funding Policy**

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

For the Plan years ended August 31, 2021 and 2020, state law provided for the following contribution rates:

| | 2021 | 2020 |
|---|---|---|
| Member | 8.0% | 7.7% |
| Non-employer entity (State) | 7.8% | 7.5% |
| Employers | 7.8% | 7.5% |

Charter schools are not required to make an employer contribution, however, beginning on September 1, 2014, charter schools are required to contribute 1.5% of the member's annual contribution to TRS which represents a Non-Old Age, Survivor and Disability Income surcharge. Employees were required to contribute at the rate above. Total required contributions to the Plan, by TLCA employees as well as the required surcharge were as follows for the years ended August 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| TLCA employee contributions | $ 1,883,750 | $ 1,274,272 |
| Employer surcharge | 223,132 | 241,138 |
| Total contributions* | $ 2,106,882 | $ 1,515,410 |

*TLCA's contributions were less than 5% of total plan contributions of from all entitles for the Plan years ended August 31, 2021 and 2020, respectively.

## Note 11. Health Care Coverage

During the years ended August 31, 2021 and 2020, employees of the School were covered by a Health Insurance Plan (the Plan). The School contributed $428 for HDHP plan and $438 for the PPO plan per full-time employee per month to the Plan in 2021 and 2020. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Beginning September 1, 2016, TLC elected to become self-insured. As part of the process, TLC obtained excess loss insurance, which limited annual claims paid by the School for the year ended August 31, 2021, to $70,000 for any individual participant and an aggregate limit equal to 125% of the expected claims.

Estimates of claims payable and of claims incurred but not reported at August 31, 2021 and 2020, totaling $206,142 and $38,401 respectively, and are included in accounts payable. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities are as follows for the years ended August 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Unpaid claims, beginning of year | $ 169,057 | $ 21,198 |
| Incurred claims, (including IBNR) | 1,671,471 | 3,164,833 |
| Claim payments | (1,634,386) | (3,016,974) |
| Unpaid claims, end of year | $ 206,142 | $ 169,057 |

Claim liability is reported in other accrued liabilities.

## Note 12. Shared Services Arrangements

The School participates in shared service arrangements for several Federal grant programs with other school districts. Education Service Center Region XV (Region XV) acts as the coordinator and fiscal agent for these arrangements. The fiscal agent manager is responsible for all financial actives of the individual shared service arrangements. Participation in these arrangements does not entitle the School to joint ownership in any capital assets acquired by the fiscal agent. Charter schools are required to account for, and disclose revenues and expenditures related to these programs. For the years ended August 31, 2021 and 2020, the School participated in a shared service arrangement for the following Federal grant programs: English Language Acquisition Grants (LEP or Title III, Part A). Revenues related to these programs are included under the caption Federal revenues distributed by Texas Education Agency and the offsetting expenditures are classified in function 11 in the accompanying statement of activities.

## Note 13. Commitment and Contingencies

### Grants

The School received 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 TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, the School's funds may be subject to refund if so determined by the TEA or the grantor agency.

## Note 14. Subsequent Event

On September 2, 2021, the School issued $21,870,000 of Newark Higher Education Finance Corporation Education Revenue Bonds, Series 2021A, with interest rates of 2.19% to 3.00% and $335,000 of Newark Higher Education Finance Corporation Education Revenue Bonds, Series 2021B, with and interest rate of 3.25%.

# Supplemental Information

# TLC Academy

Schedule of Expenses

For the Fiscal Year Ended August 31, 2021

**Exhibit C-1**



| Data Control Codes | | General School Operations | ESEA Title I | IDEA - B | IDEA Part B Preschool | IDEA Part B Discretionary | Food Service Fund | Carl D. Perkins | ESEA Title II | PCS Start-Up | Title III LEP | and Secondary Emergency Relief | to Local Education Agencies | Title IV Part A | Total All Funds |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **EXPENSES** | | | | | | | | | | | | | | |
| 6100 | Payroll costs | 19,270,173 | $ 531,653 | $ 473,136 | $ - | $ - | $ 50,724 | $ - | $ 105,002 | $ - | $ - | $ 243,191 | $ - | $ - | $ 20,673,879 |
| 6200 | Professional and contracted services | 4,300,558 | 39,313 | 4,863 | - | - | 624,631 | 18,719 | 13,300 | - | - | 68,049 | - | - | 5,069,433 |
| 6300 | Supplies and materials | 1,487,040 | 192,916 | 9,600 | 2,400 | - | 128,660 | 17,420 | 5,332 | - | - | 80,498 | 3,110 | 29,483 | 1,956,459 |
| 6400 | Other operating expenses | 1,888,194 | 36,115 | 4,814 | - | - | 5,611 | 1,389 | 11,725 | 14,875 | - | - | 4,430.00 | - | 1,967,153 |
| 6500 | Debt service | 1,474,160 | - | - | - | - | - | - | - | - | - | - | - | - | 1,474,160 |
| | **TOTAL EXPENSES** | $ 28,420,125 | $ 799,997 | $ 492,413 | $ 2,400 | $ - | $ 809,626 | $ 37,528 | $ 135,359 | $ 14,875 | $ - | $ 391,738 | $ 7,540 | $ 29,483 | $ 31,141,084 |

# TLC Academy

Schedule of Expenses – Continued

For the Fiscal Year Ended August 31, 2020



| Data Control Codes | | General School Operations | ESEA Title I | IDEA - B | IDEA Part B Discretionary | IDEA Part B Preschool | Food Service Fund | Carl D. Perkins | ESEA Title II | PCS Start-Up | Title IV Part A | Total All Funds |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **EXPENSES** | | | | | | | | | | | |
| 6100 | Payroll costs | $ 18,697,885 | $ 479,165 | $ 259,952 | $ - | $ - | $ 41,140 | $ - | $ 59,462 | $ - | $ - | $ 19,537,604 |
| 6200 | Professional and contracted services | 3,981,872 | 32,598 | 6,432 | - | - | 568,675 | 525 | 270 | - | - | 4,590,372 |
| 6300 | Supplies and materials | 2,135,050 | 53,654 | 5,629 | - | 4,435 | 88,632 | 25,889 | 171 | - | 37,968 | 2,351,428 |
| 6400 | Other operating expenses | 1,454,080 | 40,690 | 2,561 | - | - | 7,751 | 926 | 8,063 | 14,875 | - | 1,528,946 |
| 6500 | Debt service | 1,585,603 | - | - | - | - | - | - | - | - | - | 1,585,603 |
| | **TOTAL EXPENSES** | $ 27,854,490 | $ 606,107 | $ 274,574 | $ - | $ 4,435 | $ 706,198 | $ 27,340 | $ 67,966 | $ 14,875 | $ 37,968 | $ 29,593,953 |

**TLC Academy** **Exhibit D-1**

Schedule of Capital Assets

For the Fiscal Years Ended August 31, 2021 and 2020

| Data Control Codes | | 2021 Ownership Interest Local | State | Federal |
|---|---|---|---|---|
| 1510 | Land and improvements | $ - | $ 2,535,880 | $ - |
| 1520 | Buildings and improvements | - | 24,098,214 | 223,118 |
| 1531 | Vehicles | - | 1,099,735 | - |
| 1540 | Furniture and equipment | 93,421 | 1,816,168 | 1,280,253 |
| 1590 | Infrastructure | - | 507,616 | - |
| 1580 | Construction in progress | - | 6,400 | - |
| | **TOTAL PROPERTY AND EQUIPMENT** | $ 93,421 | $ 30,064,013 | $ 1,503,371 |

| Data Control Codes | | 2020 Ownership Interest Local | State | Federal |
|---|---|---|---|---|
| 1510 | Land and improvements | $ - | $ 2,535,880 | $ - |
| 1520 | Buildings and improvements | - | 19,278,543 | 223,118 |
| 1531 | Vehicles | - | 659,135 | - |
| 1540 | Furniture and equipment | 93,421 | 1,773,180 | 138,144 |
| 1590 | Infrastructure | - | 507,616 | - |
| 1580 | Construction in progress | - | 6,400 | - |
| | **TOTAL PROPERTY AND EQUIPMENT** | $ 93,421 | $ 24,760,754 | $ 361,262 |

# TLC Academy

**Exhibit E-1**

Budgetary Comparison Schedule
For the Fiscal Year Ended August 31, 2021

| Data Control Codes | | Original Budget | Final Budget | Variance from Original Budget | Actual Amounts | Variance from Final Budget |
|---|---|---|---|---|---|---|
| | **REVENUES** | | | | | |
| | Local Support: | | | | | |
| 5740 | Other revenues from local sources | $ 395,010 | $ 234,420 | $ (160,590) | $ 870,330 | $ 635,910 |
| 5750 | Revenues from cocurricular, enterprising services or activities | 222,400 | 573,500 | 351,100 | 587,127 | 13,627 |
| 5760 | Revenues from intermediate sources | 89,500 | 449,000 | 359,500 | 448,660 | (340) |
| | Total local support revenues | 706,910 | 1,256,920 | 550,010 | 1,906,117 | 649,197 |
| | State Program Revenues: | | | | | |
| 5810 | Foundation School Program | 28,622,988 | 26,931,236 | (1,691,752) | 27,135,987 | 204,751 |
| 5820 | State program revenues distributed by Texas Education Agency | 5,293 | 160,654 | 155,361 | 84,905 | (75,749) |
| | Total state program revenues | 28,628,281 | 27,091,890 | (1,536,391) | 27,220,892 | 129,002 |
| | Federal Program Revenues: | | | | | |
| 5920 | Federal revenues distributed by Texas Education Agency | 2,885,664 | 2,816,921 | (68,743) | 2,470,597 | (346,324) |
| 5930 | Federal revenues distributed by other State of Texas government agencies | 150,000 | 138,500 | (11,500) | 117,962 | (20,538) |
| 5940 | Federal revenues distributed directly from the Federal Government | 240,935 | 230,935 | (10,000) | 224,711 | (6,224) |
| | Total federal program revenues | 3,276,599 | 3,186,356 | (90,243) | 2,813,270 | (373,086) |
| | Total revenues | 32,611,790 | 31,535,166 | (1,076,624) | 31,940,279 | 405,113 |
| | **EXPENSES** | | | | | |
| 11 | Instruction | 14,717,484 | 14,279,066 | 438,418 | 14,360,036 | (80,970) |
| 12 | Instructional resources and media services | 86,269 | 91,252 | (4,983) | 89,305 | 1,947 |
| 13 | Curriculum development and instructional staff development | 301,979 | 266,982 | 34,997 | 244,898 | 22,084 |
| 21 | Instructional leadership | 286,495 | 276,534 | 9,961 | 254,673 | 21,861 |
| 23 | School leadership | 2,044,111 | 2,062,633 | (18,522) | 2,102,671 | (40,038) |
| 31 | Guidance, counseling and evaluation services | 842,414 | 809,586 | 32,827 | 764,653 | 44,933 |
| 33 | Health services | 314,173 | 319,385 | (5,212) | 323,331 | (3,946) |
| 34 | Student (pupil) transportation | 787,799 | 571,843 | 215,956 | 574,440 | (2,597) |
| 35 | Food services | 907,993 | 707,993 | 200,000 | 809,782 | (101,789) |
| 36 | Cocurricular/extracurricular activities | 1,051,837 | 1,338,120 | (286,283) | 1,307,199 | 30,921 |
| 41 | General administration | 1,255,139 | 1,414,644 | (159,505) | 1,327,119 | 87,525 |
| 51 | Plant maintenance and operations | 6,673,666 | 6,982,122 | (308,456) | 6,848,991 | 133,131 |
| 52 | Security and monitoring services | 178,730 | 149,130 | 29,600 | 123,649 | 25,481 |
| 53 | Data processing services | 700,315 | 414,371 | 285,944 | 481,470 | (67,099) |
| 61 | Community services | 112,898 | 81,479 | 31,419 | 54,707 | 26,772 |
| 71 | Debt service | 2,487,121 | 1,777,121 | 710,000 | 1,474,160 | 302,961 |
| | Total expenses | 32,748,423 | 31,542,261 | 1,206,162 | 31,141,084 | 401,177 |
| | Change in net assets | (136,633) | (7,095) | 129,538 | 800,080 | 807,175 |
| **NET ASSETS, beginning of year** | | 7,987,485 | 7,987,485 | - | 7,987,485 | - |
| **NET ASSETS, end of year** | | $ 7,850,852 | $ 7,980,390 | $ 129,538 | $ 8,787,565 | $ 807,175 |

**Variances between Original and Final Budgets**

The School amended its budget for the following:

- Object 5740 – The budget was amended for decreases in interest income and uniform sales.
- Object 5750 – The budget was amended to reflect activity fund revenue as collected.
- Object 5760 – The budget was amended for increases in insurance claim proceeds.
- Object 5820 – The budget was amended as activity occurred in IMA fund as well as State revenue distributed by TEA.
- Function 13 - The budget was decreased as a result of limited access to in person professional development.
- Function 34 - The budget was decreased to reflect actual activity.
- Function 35 - The budget was decreased to reflect activity from Professional Services, Preferred Meals.
- Function 36 - The budget was increased as campus activity fund expenditures were incurred during the year.
- Function 41 - The budget was increased as General Administration expenditures were incurred during the year.
- Function 52 - The budget was decreased as salary expenses were expected to decrease as well.
- Function 53 - The budget was decreased as technology purchases were expected to decrease as well.
- Function 61 - The budget was decreased as part of the final board revision.
- Function 71 – The budget was decreased as part of new debt issuance.

**Variances between Budgeted and Actual Amounts**

- Object 5740 – Variance is due to Food Service and a Donation.
- Object 5930 – Variance is due to a receipt from Food Service payment from USDE TX-Ag & adjusting reimbursement in accordance with Errata #2 from TEA.
- Function 35 - Variance is due to expenditures such as General Supplies, USDA Commodities, & Preferred Meals being higher than anticipated.
- Function 52 – Variance is due to journal entry to reclass fixed assets.
- Function 53 - Variance is due to an expense from ESC 15, Harris School Solution rate increase, and contracted tech was more than anticipated.
- Function 61 - Variance is relating to planned expenses not taking place due to COVID-19.
- Function 71 – Variance is due to expensing less than anticipated because of the new debt issuance.

# Overall Compliance and Internal Control Section

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**Independent Auditor's 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 of
TLC Academy

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 TLC Academy (the School), a nonprofit organization, which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School's 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.*

Weaver and Tidwell, L.L.P.
400 West Illinois Avenue, Suite 1550 | Midland, Texas 79701
Main: 432.683.5226



CPAs AND ADVISORS | WEAVER.COM

The Board of Directors of
TLC Academy

**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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
January 26, 2022

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance**

To the Board of Directors of
TLC Academy

**Report on Compliance for the Major Federal Program**

We have audited TLC Academy's (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended August 31, 2021. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School's compliance.

***Opinion on the Major Federal Program***

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2021.

The Board of Directors of
TLC Academy

**Report on Internal Control over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
January 26, 2022

# TLC Academy

## Schedule of Expenditures of Federal Awards
## For the Fiscal Year Ended August 31, 2021

| Fund Number | Federal Grantor/ Pass Through Grantor Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|---|
| | **U.S. DEPARTMENT OF AGRICULTURE** | | | |
| 240 | Child Nutrition Cluster: | | | |
| | National School Breakfast Program (5921) | 10.553 | 71401101 | $ 85,886 |
| | Passed through Texas Department of Education | | | |
| | Child Nutrition Cluster: | | | |
| 240 | National School Breakfast Program (5921) | 10.553 | 71401101 | 99,957 |
| 240 | National School Lunch Program - Cash Assistance (5922) | 10.555 | 71301101 | 385,349 |
| 240 | National School Lunch Program - Noncash Assistance (5923) | 10.555 | 71301101 | 88,011 |
| | Total Child Nutrition Cluster | | | 659,203 |
| | Total U.S. Department of Agriculture | | | 659,203 |
| | **U.S. DEPARTMENT OF EDUCATION** | | | |
| | Passed through Texas Education Agency | | | |
| 211 | Title I, Part A - Improving Basic Programs (211) | 84.010A | 21610101226801 | 800,002 |
| 276 | Title I, Grants to Local Education Agencies (276) | 84.010A | 17610740226801 | 7,540 |
| | Total Title I, Part A | | | 807,542 |
| 224 | Special Education Grants to States (224) | 84.027A | 216610012268016000 | 492,048 |
| | Total Special Education Cluster (IDEA) | | | 492,048 |
| 255 | Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (255) | 84.367A | 21694501226801 | 135,358 |
| 244 | Career and Technical Education -- Basic Grants to States (244) | 84.048A | 21240006226801 | 36,139 |
| 266 | COVID-19 Elementary and Secondary School Emergency Relief Fund (266) | 84.425D | 20521001226801 | 391,736 |
| 281 | COVID-19 Elementary and Secondary School Emergency Relief Fund II (281) | 84.425D | 21521001226801 | 4,974 |
| | Total Elementary and Secondary School Emergency Relief Fund | | | 396,710 |
| 289 | Title IV, Part A - Student Support and Academic Enrichment Grant (289) | 84.424 | 21680101226801 | 34,659 |
| | Total U.S. Department of Education | | | 1,902,456 |
| | **U.S. DEPARTMENT OF TREASURY** | | | |
| | Passed through Texas Division of Emergency Management | | | |
| 277 | COVID-19 Coronavirus Relief Fund - CARES Act (277) | 21.019 | 2020-CF-21019 | 26,900 |
| | Total U.S. Department of Treasury | | | 26,900 |
| | **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | $ 2,588,559 |

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of TLC Academy (the School) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The School has elected not to use the 10% de minimis indirect cost rates as allowed under *Uniform Guidance*.

Total federal program revenues per the statement of activities include School Health and Related Services (SHARS) revenue (Object 5930) of $117,962 and a federal interest subsidy of $224,711 (Object 5940), which are not included in the schedule of expenditures of federal awards (SEFA). Per the Texas Education Agency, Financial Accountability System Resource Guide, Financial Accounting and Reporting Module (Module 1), SHARS revenue is not considered "federal financial assistance" for inclusion in the SEFA. The federal subsidy is pursuant to section 6431 of the Internal Revenue Code applicable to certain qualified bonds, and as such is also excluded.

**NOTE 2: STANDARD FINANCIAL ACCOUNTING SYSTEM**

For all federal programs, the School 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*. Net asset codes with donor restrictions 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 restricted net asset codes.

**NOTE 3: PRIOR YEAR FEDERAL EXPENDITURES**

The expenditures reported for Coronavirus Relief Fund - CARES Act (Federal CFDA Number 21.019) totaling $26,900 wre incurred in a prior fiscal year.

**TLC Academy**
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended August 31, 2021

## Section 1. Summary of Independent Auditor's Results

**Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

| | | | | |
|---|---|---|---|---|
| Material weakness(es) identified? | | Yes | X | No |
| Significant deficiencies(s) identified that are not considered to be material weakness(es)? | | Yes | X | None Reported |
| Noncompliance material to financial statements noted? | | Yes | X | No |

**Federal Awards**

Internal control over major programs:

| | | | | |
|---|---|---|---|---|
| Material weakness(es) identified? | | Yes | X | No |
| Significant deficiencies(s) identified that are not considered to be material weaknesses? | | Yes | X | None Reported |

An unmodified opinion was issued on compliance for major programs.

| | | | | |
|---|---|---|---|---|
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | | Yes | X | No |

Identification of major program(s):

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.010A | Title I, Part A |

Dollar threshold used to distinguish between type A and type B programs: $750,000

| | | | | |
|---|---|---|---|---|
| Auditee qualified as low-risk auditee? | X | Yes | | No |

## Section 2. Financial Statement Findings

None

## Section 3. Federal Award Findings

None.

## Section 4. Schedule of Prior Audit Findings and Questioned Costs

None.

## Section 5. Status of Prior Year Findings

None.

# Real Property Ownership
# and
# Related Party Transactions
# (Unaudited)

**TLC Academy** **Exhibit B-19**

Unaudited Schedule of Real Property Ownership Interest
For the Fiscal Year Ended August 31, 2021

| Description | Property Address | Total Assessed Value | Ownership Interest - Local | Ownership Interest - State | Ownership Interest - Federal |
|---|---|---|---|---|---|
| Elementary School | 3301 TLC Way, San Angelo, TX 76901 | 8,290,000 | - | 8,290,000 | - |
| High School | 5687 Melrose Ave, San Angelo, TX 76901 | 6,100,000 | - | 6,100,000 | - |
| Elementary School | 3300 Thomas Ave., Midland, TX 79703 | 3,650,000 | - | 3,650,000 | - |
| Elementary School | 1840 N. 8th St., Abilene, TX 79603 | 2,500,000 | - | 2,500,000 | - |
| Junior High / High School | 3250 State St., Abilene, TX 79603 | 7,520,000 | - | 7,520,000 | - |
| Total | | 28,060,000 | - | 28,060,000 | - |

**TLC Academy** **Exhibit B-20**

Unaudited Schedule of Related Party Transactions
For the Fiscal Year Ended August 31, 2021

| Related Party Name | Name or 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 |
|---|---|---|---|---|---|---|---|---|
| Olives Nursery | Tommy Olive | Board Member/ Owner of Company | Financial | | State | Quarterly | $ 614.00 | $ - |
| Twin Mountain Fence | Raymond Meza | Board Member/ Owner of Company | Financial | | State | One Time | 51,334 | - |
| Twin Mountain Fence | Raymond Meza | Board Member/ Owner of Company | Financial | | Federal | One Time | 23,044 | - |
| Angelo Christian Ministry | Walt Landers | Voting member of both Boards | Financial | Leases | State | Monthly | 1,539,392 | - |
| Total Related Party Transactions | | | | | | | $ 1,614,384 | |