TLC Academy

Financial Statements with
Supplemental Information and Compliance Reports
August 31, 2023

SFC
Certified Public Accountants

TLC Academy
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TLC Academy

Federal Employer Identification No. 75-2890597

County District No. 226-801

Certificate of Board

We, the undersigned, certify that the attached Financial Compliance Report of TLC Academy was reviewed and (check one) _X_ approved ____ disapproved for the year ended August 31, 2023, at a meeting of the governing body of the charter school on the 18th day of January 2024.

Signature of Board President

DocuSigned by:
Charity Vasquez, Board Secretary
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Signature of Board Secretary

SFC
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
TLC Academy

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of TLC Academy (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements are presented fairly, in all material respects, the financial position of TLC Academy as of August 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TLC Academy 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 TLC Academy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives 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 auditors' 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 GAAS 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, misrepresentations 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 TLC Academy'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 TLC Academy'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, significant audit findings and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the accompanying table of contents is presented for purposes of additional analysis as required by the Texas Education Agency and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose of additional analysis and is 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplemental 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 18, 2024 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, 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 the effectiveness of TLC Academy's 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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
January 18, 2024

TLC Academy
Statement of Financial Position
August 31, 2023

Assets

Current assets:	
Cash and cash equivalents	$ 1,299,642
Restricted cash	755,000
Investments	5,863,627
Due from government agencies	1,301,959
Other receivables	9,026
Inventory	100,308
Prepaid expenses	465,863
Total current assets	9,795,425
Noncurrent assets:	
Property and equipment, net	34,336,871
Restricted cash	5,624,902
Right-of-use assets - operating leases, net	19,525,801
Building deposit	17,000
Total noncurrent assets	59,504,574
Total assets	$ 69,299,999

Liabilities and Net Assets

Current liabilities:	
Accounts payable	$ 11,384
Due to others	14,356
Accrued expenses	2,227,503
Other liabilities	351,560
Right-of-use liabilities - operating leases, current portion	1,891,179
Note payable, current portion	358,369
Bonds payable, current portion	755,000
Total current liabilities	5,609,351
Noncurrent liabilities:	
Right-of-use liabilities - operating leases, net	14,925,397
Bonds payable, net	35,763,984
Notes payable, net	207,561
Total noncurrent liabilities	50,896,942
Total liabilities	56,506,293
Net assets:	
Without donor restrictions	11,786,321
With donor restrictions	1,007,385
Total net assets	12,793,706
Total liabilities and net assets	$ 69,299,999

See notes to financial statements.

TLC Academy
Statement of Activities
Year Ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Local support:			
5740 Other revenue from local sources	$ 819,381	$ -	$ 819,381
5750 Revenue from co-curricular or enterprising	1,240,158	-	1,240,158
5760 Revenues from intermediate sources	10,006	-	10,006
Total local support	2,069,545	-	2,069,545
State program revenue:			
5810 Per capita and foundation school program	-	35,892,546	35,892,546
5820 State program revenues distributed by TEA	-	291,599	291,599
Total state program revenue	-	36,184,145	36,184,145
Federal program revenue:			
5920 Federal revenues distributed by TEA	-	6,677,876	6,677,876
5923 Federal program revenue - noncash commodities	-	89,191	89,191
5930 Federal revenues distributed by other than TEA	-	125,320	125,320
5940 Federal revenues distributed directly from the federal government	-	226,795	226,795
Total federal program revenue	-	7,119,182	7,119,182
Net assets released from restrictions- Satisfaction of program restrictions	42,396,813	(42,396,813)	-
Total revenues and other support	44,466,358	906,514	45,372,872
Expenses:			
11 Instruction	19,120,133	-	19,120,133
12 Instructional resources and media services	63,770	-	63,770
13 Curriculum development and instructional staff development	233,652	-	233,652
21 Instructional leadership	572,498	-	572,498
23 School leadership	2,847,795	-	2,847,795
31 Guidance, counseling and evaluation services	1,254,314	-	1,254,314
33 Health services	544,595	-	544,595
34 Student transportation	999,100	-	999,100
35 Food services	1,252,431	-	1,252,431
36 Extracurricular activities	2,217,433	-	2,217,433
41 General administration	1,664,506	-	1,664,506
51 Facilities maintenance and operations	7,754,445	-	7,754,445
52 Security and monitoring services	149,531	-	149,531
53 Data processing services	1,736,062	-	1,736,062
61 Community services	6,266	-	6,266
71 Debt service	1,991,288	-	1,991,288
Total expenses	42,407,819	-	42,407,819
Excess of revenues over expenses (expenses over revenues) from operations	2,058,539	906,514	2,965,053
Non-operating activities:			
Loss on sale of property and equipment	(214,410)	-	(214,410)
Other gains	741	-	741
Total non-operating activities	(213,669)	-	(213,669)
Change in net assets	1,844,870	906,514	2,751,384
Net assets at beginning of year	9,941,451	100,871	10,042,322
Net assets at end of year	$ 11,786,321	$ 1,007,385	$ 12,793,706

See notes to financial statements.

TLC Academy
Statement of Cash Flows
Year Ended August 31, 2023

Cash flows from operating activities:	
Change in net assets	$ 2,751,384
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	1,361,099
Loss on sale of property and equipment	214,410
Amortization of debt issuance costs	24,552
Amortization of bond premium and discounts	(29,794)
Amortization of right-of-use assets - operating lease	168,142
Changes in operating assets and liabilities:	
Due from government agencies	281,286
Other receivables	(9,112)
Inventory	(32,517)
Prepaid expenses	(242,607)
Accounts payable	(121,930)
Due to others	(451)
Accrued expenses	406,769
Other liabilities	124,316
Right of use obligation - operating leases liability	(1,935,403)
Net cash provided by operating activities	2,960,144
Cash flows from investing activities:	
Purchases of property and equipment	(2,353,473)
Proceeds from sale of property and equipment	124,329
Purchase of investments	(3,706,462)
Sale of investments	2,731,696
Net cash used by investing activities	(3,203,910)
Cash flows from financing activities:	
Issuance of note payable	284,711
Principal payments on bonds payable	(715,000)
Principal payments on notes payable	(141,112)
Net cash used by financing activities	(571,401)
Net change in cash	(815,167)
Cash, cash equivalents and restricted cash at beginning of year	8,494,711
Cash, cash equivalents and restricted cash at end of year	$ 7,679,544
Reconciliation of cash reported within the statement of financial position to the statement of cash flows:	
Cash and cash equivalents	$ 1,299,642
Restricted cash	6,379,902
Total cash shown in the statement of cash flows	$ 7,679,544
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	$ 1,996,530
Right of use assets obtained in exchange for new or modified lease obligations	$ 7,356,653

See notes to financial statements.

1. Organization and Nature of Activities

TLC Academy (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.

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.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The School prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). 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 (TEA) Financial Accountability Resource Guide.

Net assets and revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> *Net assets without donor restrictions* - Net assets not subject to donor or grantor-imposed restrictions even though their use may be limited in other respects, such as by contract or board designation.

Net assets with donor restrictions - Net assets subject to donor or grantor stipulations that will be met by actions of the School and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Financial Instruments and Concentrations of Risk

Financial instruments which are potentially subject to concentrations of credit risk consist of cash and cash equivalents due from government agencies and other receivables. The School places cash and cash equivalents, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. At August 31, 2023, the School's cash was partially covered by federal depository insurance and the remaining balance was fully collateralized by securities held by the School's agent in the School's name. The School has not experienced any losses in such accounts. Receivable are unsecured and are primarily due from TEA. The School continually evaluates the collectability of receivables and maintains allowances as necessary. No provision has been made for uncollectible receivables as of the statement of financial position date, given that none have been identified.

For the year ended August 31, 2023, the School received 95% of its total revenue and support from one governmental agency.

Cash and Cash Equivalents

The School considers all highly liquid investments, with original maturities of three months or less from date of purchase, to be cash equivalents. Restricted cash is limited as to use under the terms of the bond indenture. Restricted cash represents amounts restricted for debt service requirements for bonds.

Investments

Public fund investment pools are stated at net asset value, that approximates fair value. Investment return is included in other revenue from local sources in the accompanying statement of activities and is reported as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Net investment return consists of interest and dividends net of external and direct internal investment expenses.

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 value using the average cost method.

Property and Equipment

Property and equipment purchased by the School are recorded at cost. Donated assets are reported at the fair market value. Capital assets are defined by the School as assets with an individual cost of more than $5,000 and a useful life longer than one year. Depreciation is calculated on the straight-line method based upon the estimated useful lives of 3 to 50 years. Expenditures for maintenance and repairs are expensed when incurred; significant renewals and betterments are capitalized. Property and equipment acquired with public funds received for the operation of the School constitute public property pursuant to Chapter 12 of the Texas Education Code.

For depreciable property and equipment, or resources to be used to acquire depreciable property and equipment, the donor or grantor restriction expires over the assets' useful life, as required by the TEA.

An impairment loss is recognized when the estimated undiscounted cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount, or fair value, less costs to sell. No impairment loss was recorded during 2023.

Due to Others

Due to others represent amounts held by the School related to the Parents in Action program that is administered on behalf of the School.

Debt Issuance Costs and Original Issue Premiums

Debt issuance costs and original issue premium and discount represent costs incurred related to the issuance of bonds payable and are deferred as a direct deduction from or addition to the carrying amount of bonds payable and amortized using the interest method over the related bond period. Amortization expense is included in debt service in the accompanying statements of activities.

Revenues and Other Support

Revenues from the State's available school fund are earned based on reported attendance. A portion of the School's revenue is derived from cost-reimbursement contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The School was awarded cost-reimbursable grants of $1,774,388 that have not been received or recognized at August 31, 2023 because qualifying expenditures have not been incurred.

Government grant contracts that are entered into by the School are recognized as revenue when services are rendered or when expenses in connection with those services are incurred.

All contributions are considered to be available for purposes without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions.

Contributed Nonfinancial Assets and Services

Contributed services are recognized in the accompanying financial statements at fair value if the services received create or enhance non-financial assets or require specialized skills thar are provided by individuals possessing those skills and would typically need to be purchased it not provided by donation. Numerous individuals donate significant amounts of time to the School.

No donated services were utilized that met the criteria to be recorded as revenue in the School's financial statements. Contributions of donated noncash assets are recorded at the estimated fair value in the period the unconditional commitment is received. The related expense is recognized as the time is used. The School received $89,191 of donated commodities valued at fair market value for the year ended August 31, 2023.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled $22,367 for the year ended August 31, 2023.

Federal Income Taxes

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and has not been classified as a private foundation as defined in the Code. Income generated from activities unrelated to the School's exempt purposes is subject to tax under Code Section 511. The School had no unrelated business income for the years ended August 31, 2023. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the School's tax returns and recognition of a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the School, and has concluded that as of August 31, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP 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. Significant estimates included in the School's financial statements are related to the School's estimate of revenue and receivable for the Foundation School Program, depreciation expense and the functional allocation of expenses.

3. Restricted Cash Held by Bond Trustee

As a result of the issued bonds, the School is required to maintain separate bank accounts that are restricted as follows as of August 31, 2023:

Debt service fund	$ 2,693,203
Subsidy fund	629
Project fund	3,686,070
Total	$ 6,379,902

4. Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1: Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2: Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;

Level 3: Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Public Fund Investment Pools

All of the School's investments are held in public fund investment pools. These investments are reported at the net asset value per unit, which approximates fair value, using the amortized cost method. These investments use net asset value as a practical expedient and are not categorized in the fair value hierarchy. At August 31, 2023, the public investment pool accounted for 100% of total investments held by the school.

5. Property and Equipment

Property and equipment consist of the following as of August 31, 2023:

Land	$ 4,815,880
Buildings and improvements	29,614,094
Construction in progress	376,449
Infrastructure	604,677
Furniture and equipment	4,572,434
Vehicles	2,261,338
Total property and equipment	42,244,872
Less accumulated depreciation	(7,908,001)
Property and equipment, net	$ 34,336,871

Depreciation expense for the year ended August 31, 2023 totaled $1,361,099.

6. Long-Term Debt

The following is a summary of changes in the School's long-term debt for the year ended August 31, 2023:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Bonds payable:					
Series 2013A	$ 9,630,000	$ -	$ (420,000)	$ 9,210,000	$ 445,000
Series 2013Q	5,115,000	-	-	5,115,000	-
Series 2021A	21,870,000	-	(295,000)	21,575,000	310,000
Total bonds payable	36,615,000	-	(715,000)	35,900,000	755,000
Bond premium	1,636,128	-	(48,121)	1,588,007	-
Bond discount	(346,947)	-	18,327	(328,620)	-
Bond issuance costs	(664,955)	-	24,552	(640,403)	-
Total bonds payable, net	37,239,226	-	(720,242)	36,518,984	755,000
Notes payable:					
Charter bus loan	357,378	-	(68,725)	288,653	81,092
Van loan	2,676	-	(2,676)	-	-
Midland loan	62,277	-	(62,277)	-	-
Furniture loan	-	284,711	(7,434)	277,277	277,277
Total	$ 37,661,557	$ 284,711	$ (861,354)	$ 37,084,914	$ 1,113,369

Bonds Payable

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.

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% 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 year 2023 totaled $629.

In April 27, 2016, the School issued $2,600,000 of Education Revenue Bonds, Series 2016, with an interest rates of 4.05%. The bond was refinanced with the Newark Higher Education Finance Corporation Education Revenue Bonds, Series 2021A.

On September 2, 2021, the School issued $21,870,000 of Newark Higher Education Finance Corporation Education Revenue Bonds, Series 2021A, with an interest rate of 4.0%.

The debt issuance costs for these bonds totaled $779,414. These costs were capitalized and are being amortized over the term of the bonds. As of August 31, 2023, the unamortized amount of $640,403 is recorded as a direct reduction to the bond liability. Amortization of bond issuance costs totaled $24,552 for the year ended August 31, 2023. The bond discount is amortized over the life of the bonds as interest expense. Bond discount and premium amortization for the year ended August 31, 2023 totaled $18,327 and $48,121, 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, 2023, the School is in compliance with the debt service coverage and the operating reserve requirement.

The required debt service payments to satisfy the requirements of the bonds are as follows for the years ending August 31:

	Principal	Interest	Total
2024	$ 755,000	$ 1,901,286	$ 2,656,286
2025	800,000	1,857,736	2,657,736
2026	845,000	1,811,336	2,656,336
2027	895,000	1,762,236	2,657,236
2028	945,000	1,709,936	2,654,936
2029-2033	2,380,000	8,070,456	10,450,456
2034-2038	8,780,000	7,104,030	15,884,030
2039-2043	8,100,000	3,993,130	12,093,130
2044-2048	3,655,000	2,199,200	5,854,200
2049-2053	4,450,000	1,407,000	5,857,000
2054-2057	4,295,000	393,800	4,688,800
Total	$35,900,000	$32,210,146	$68,110,146

Notes Payable

In June 2021, the School entered into a loan agreement with a bank bearing interest at 3.75%. Payments totaling $6,768 are due monthly until maturity on June 30, 2027. The note is secured by four buses. The outstanding balance of the loan at August 31, 2023 is $288,653.

In September 2017, the School entered into a loan agreement with a financial institution bearing interest at 3.0% with payments totaling $2,927 due monthly until maturity on September 13, 2022. The note is secured by five vans. The note was paid in full during the year ended August 31, 2023.

In April 2022, the School entered into a loan agreement with a financial institution bearing interest at 2.50%. Payments totaling $6,800 are due monthly until maturity on June 15, 2023. The note is secured by the School's savings held by the institution. The note was paid in full during the year ended August 31, 2023.

In June 2023, the School entered into a loan agreement with a bank bearing interest at 2.5%. Payments totaling $2,831 are due monthly until maturity on June 15, 2024. The note is secured by a certificate of deposit. The outstanding balance of the loan at August 31, 2023 is $277,277.

The School has obligations under the loan agreements with the various financial institutions with maturities through 2027. Future minimum monthly payments due under the agreements for the years ending August 31:

2024	$ 358,369
2025	81,092
2026	81,092
2027	45,377

7. Multi-employer Defined Benefit Pension Plan

Plan Description

The School contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State. 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 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 to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Funding Policy

Plan members contributed 8% of their annual covered salary in 2023. The School contributes 8% for new members of the first 90 days of employment, and the State contributes 8%. Additionally, the School makes a 1.8% non-OASDI payment for all TRS eligible employees. The School contributions do not represent more than 5% of the TRS' total contributions. For the year ended August 31, 2023, the School contributed $1,107,605, to the TRS.

The risks of participating in a multi-employer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is no withdrawal penalty for leaving TRS.

Total TRS plan assets as of the most recent fiscal year ended for TRS of August 31, 2022 were $208 billion. Accumulated benefit obligation as of August 31, 2022 was $244 billion. The plan was 75.62% funded as of August 31, 2022.

8. Health Care Coverage

During the year ended August 31, 2023, eligible employees of the School were covered by a health insurance plan (Plan). The School contributed approximately $570 per month per employee for the period from September 1, 2022 to August 31, 2023 to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Estimates of claims payable and of claims incurred but not reported at August 31, 2023, totaled $112,092 and are included in accrued expenses. The Plan is funded to discharge liabilities as they become due.

9. Leases

In evaluating its contracts, the School separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its educational spaces. The School has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The School determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The School uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the School uses the risk-free rate based on the information available at the commencement date to determine the present value of lease payments. Risk-free rates used to determine the present value of lease payments were derived by reference to the interest paid on short-term government debt.

The lease term may include options to extend or to terminate the lease that the School is reasonably certain to exercise. Lease expense is generally recognized on a straight line basis over the lease term. The School has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight line basis over the lease term.

Nature of Leases

The School has entered into operating lease arrangements. The School has leases for buildings used for education that expire at various dates through fiscal year 2033. These leases generally contain renewal options and require the School to pay all executory costs (property taxes, maintenance and insurance). Termination of the leases is generally prohibited unless there is a violation under the lease agreement. Future minimum lease payments and reconciliations to the statement of financial position at August 31, 2023 are as follows for the years ending August 31:

2024	$ 2,278,022
2025	2,295,727
2026	2,332,507
2027	1,930,900
2028	1,981,327
Thereafter	8,033,000
Total future undiscovered lease payments	18,851,483
Less present value discount	(2,034,907)
Right-of-use liabilites - operating leases	$ 16,816,576

The following lease cost and other required information for the year ended August 31, 2023:

Total operating lease cost	$ 2,241,143
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ (1,935,403)
Right-of-use assets obtained in exchange for new or modified lease liabilities	$ 7,356,653
Weighted-average remaining lease term:	8.49 years
Weighted-average discount rate:	2.50%

10. Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or support services. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the School exists. Fundraising activities include the solicitation of contributions of money, securities, material, facilities, other assets and time. Management and general activities are not directly identifiable with specific program or fundraising activities.

Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefited. Salaries and related costs are charged directly either to program services or support services based on actual time worked in each area. Information technology costs, depreciation, interest expense and occupancy costs are allocated based on whether the costs are associated with instructional (program services) or administrative (support services) purposes.

The School's expenses by natural classification and function are as follows for the year ended August 31, 2023:

	Payroll Costs	Professional & Contracted Services	Supplies & Materials	Other Operating Costs	Debt	Total
Program Services:						
Instructional and instructional related services	$ 17,736,076	$ 455,232	$ 987,831	$ 773,280	$ 956,963	$ 20,909,382
Instructional leadership	550,957	-	-	40,826	28,214	619,997
Support services - Direct student based	2,884,027	1,575,012	1,385,312	441,950	308,828	6,595,129
Support services - Nondirect student based	2,590,191	2,846,170	785,680	1,004,577	389,039	7,615,657
Ancillary services	-	-	2,752	3,725	309	6,786
Total program services	23,761,251	4,876,414	3,161,575	2,264,359	1,683,353	35,746,952
Support Services:						
School leadership	2,699,550	119,889	18,600	105,687	140,347	3,084,073
Administrative support services	1,255,914	205,903	14,734	238,811	82,031	1,797,393
Support services - Nondirect student based	206,527	459,052	969,784	58,481	85,557	1,779,401
Total support services	4,161,991	784,844	1,003,118	402,979	307,935	6,660,867
Total expenses	$ 27,923,242	$ 5,661,258	$ 4,164,693	$ 2,667,338	$ 1,991,288	$ 42,407,819

11. Contingencies

The 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 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, charter school funds may be subject to refund if so determined by the TEA or the grantor agency.

12. Liquidity and Availability of Resources

Financial assets available within one year of the financial position date for general expenditures are as follows:

Cash and cash equivalents	$ 1,299,642
Investments	5,863,627
Due from government agencies	1,301,959
Other receivables	9,026
Total financial assets	8,474,254
Less financial assets not available for general expenditure	
Cash contractually restricted for debt service	(755,000)
Total financial assets available for general expenditure	$ 7,719,254

The School relies on state aid and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing activities of education, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of the School's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in cash.

13. Subsequent Events

The School has evaluated subsequent events through January 18, 2024, the date the financial statements were available to be issued, and concluded that no additional disclosures are required.

Supplemental Information and Compliance Reports

TLC Academy
Schedule of Assets
August 31, 2023

	Description	Ownership Interest		
		Local	State	Federal
1110	Cash and cash equivalents	$ -	$ 1,299,642	$ -
1112	Investments	-	5,863,627	-
1510	Land	-	4,815,880	-
1520	Buildings and improvements	-	29,030,010	584,084
1531	Vehicles	-	1,806,370	454,968
1539	Furniture and equipment	-	2,932,577	132,486
1549	Furniture and equipment	-	1,438,960	68,411
1550	Right-of-use assets - operating leases, net	-	19,525,801	-
1580	Construction in progress	-	376,449	-
1591	Infrastructure-roads	-	364,741	-
1594	Infrastructure-sewer system	-	83,410	-
1596	Infrastructure-other	-	156,526	-
1810	Cash restricted by bond covenants	-	6,379,902	-
		$ -	$ 74,073,895	$ 1,239,949

TLC Academy
Schedule of Expenses
Year Ended August 31, 2023

Object Code	Description	Amount
6100	Payroll costs	$ 27,923,242
6200	Professional and contracted services	5,661,258
6300	Supplies and materials	4,164,693
6400	Other operating expenses	2,667,338
6500	Debt	1,991,288
		$ 42,407,819

TLC Academy
Budgetary Comparison Schedule
Year Ended August 31, 2023

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance from Final Budget
Revenue and other support:				
Local support:				
5740 Other revenue from local sources	$ 901,472	$ 732,522	$ 819,381	$ 86,859
5750 Revenue from co-curricular or enterprising	608,050	884,050	1,240,158	356,108
5760 Revenues from intermediate sources	1,050	1,050	10,006	8,956
Total local support	1,510,572	1,617,622	2,069,545	451,923
State program revenue:				
5810 Per capita and foundation school program	36,962,086	36,358,740	35,892,546	(466,194)
5820 State program revenues distributed by TEA	562,916	447,213	291,599	(155,614)
Total state program revenue	37,525,002	36,805,953	36,184,145	(621,808)
Federal program revenue:				
5920 Federal revenues distributed by TEA	8,088,056	8,592,242	6,677,876	(1,914,366)
5923 Federal program revenue - noncash commodities	-	-	89,191	89,191
5930 Federal revenues distributed by other than TEA	156,589	55,000	125,320	70,320
5940 Federal revenues distributed directly from the federal government	240,000	240,000	226,795	(13,205)
Total federal program revenue	8,484,645	8,887,242	7,119,182	(1,768,060)
Total revenue and other support	47,520,219	47,310,817	45,372,872	(1,937,945)
Expenses:				
11 Instruction	19,636,900	19,661,892	19,120,133	541,759
12 Instructional resources and media services	75,035	70,035	63,770	6,265
13 Curriculum development and instructional staff development	226,858	274,171	233,652	40,519
21 Instructional leadership	388,264	373,264	572,498	(199,234)
23 School leadership	2,797,601	2,847,601	2,847,795	(194)
31 Guidance, counseling and evaluation services	1,190,504	1,271,341	1,254,314	17,027
33 Health services	615,859	570,859	544,595	26,264
34 Student transportation	1,678,174	1,658,174	999,100	659,074
35 Food services	1,583,470	1,566,881	1,252,431	314,450
36 Extracurricular activities	1,737,748	2,163,748	2,217,433	(53,685)
41 General administration	1,606,035	1,640,135	1,664,506	(24,371)
51 Facilities maintenance and operations	11,343,066	10,979,786	7,754,445	3,225,341
52 Security and monitoring services	121,299	151,299	149,531	1,768
53 Data processing services	2,099,734	1,745,868	1,736,062	9,806
61 Community services	16,010	6,710	6,266	444
71 Debt service	2,579,752	2,479,752	1,991,288	488,464
Total expenses	47,696,309	47,461,516	42,407,819	5,053,697
Excess of revenues over expenses (expenses over revenues) from operations	(176,090)	(150,699)	2,965,053	3,115,752
Non-operating activities:				
Loss on sale of property and equipment	-	-	(214,410)	214,410
Other gains	-	-	741	(741)
Total non-operating activities	-	-	(213,669)	213,669
Change in net assets	(176,090)	(150,699)	2,751,384	3,329,421
Net assets at beginning of year	10,042,322	10,042,322	10,042,322	-
Net assets at end of year	$ 9,866,232	$ 9,891,623	$ 12,793,706	$ (2,902,083)

TLC Academy
Education Programs Schedule
Year Ended August 31, 2023

Data Codes	Section A: Compensatory Education Programs		Responses
AP1	Did your 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.		$3,112,661
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PIC's 24, 26, 28, 29, 30, 34)		$1,889,352
	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		$59,233
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC's 25, 35)		$114,192

TLC Academy
Schedule of Real Property Ownership Interest
Year Ended August 31, 2023

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	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	7,130,000	-	7,130,000	-
Elementary School/ Junior High School	3300 Thomas Ave., Midland, TX 79703	4,350,000	-	4,350,000	-
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	-
Elementary/Junior High School	2001 Brown Blvd., Arlington, TX 76006	4,400,000	-	4,400,000	-

TLC Academy
Schedule of Related Party Transactions
Year Ended August 31, 2023

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid During Fiscal Year	Principal Balance Due
Twin Mountain Fence	Raymond Meza	Board member/Company owner	Financial	-	State	As needed (2)	$ 40,735	$ -
Angelo Christian Ministries	Walt Landers	Voting member of both boards	Financial	Leases	State	Monthly	1,252,617	-
Olives Nursery	Tommy Olive	Board Member/Company Owner	Financial	-	State	As needed (2)	17	-
Trinity Church of the Assemblies of God	Bruce Binkley	Voting Member of Both Boards	Financial	Leases	State	Monthly	860,241	-

TLC Academy
Schedule of Related Party Compensation and Benefits
Year Ended August 31, 2023

Related Party Name	Name of Relation to the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total Paid During Fiscal Year
None							

SFC
Certified Public Accountants

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 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 (School) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 18, 2024.

Report on 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 School'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.

SFC LLP
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Phone 817.649.8083

Report on 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.*

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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
January 18, 2024

SFC
Certified Public Accountants

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
TLC Academy

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited TLC Academy (School) (a nonprofit organization) compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended August 31, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 effects on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our 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 the School's compliance with the compliance requirements referred to above.

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Phone 817.649.8083

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 requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's 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 the School's 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 GAAS, *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 judgment made by a reasonable user of the report on compliance about the School's 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 the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the School's 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's 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 or significant deficiencies in internal control over compliance may exist that were not 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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
January 18, 2024

TLC Academy
Schedule of Findings and Questioned Costs
Year Ended August 31, 2023

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal program or cluster:	
Education Stabilization Fund	ALN 84.425U, 84.425D
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

Section IV – Summary of Prior Year Audit Findings

None.

TLC Academy
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2023

Federal Grantor/ Pass through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through entity identifying number	Federal Expenditures
United States Department of Agriculture:			
Child Nutrition Cluster:			
Passed through Texas Education Agency:			
School Breakfast Program	10.553	202323N109946	$ 233,556
School Breakfast Program	10.553	202222N109946	36,684
National School Lunch Program	10.555	202222N109946	107,856
National School Lunch Program	10.555	202323N109946	802,261
Passed through Department of Agriculture:			
National School Lunch Program - USDA Commodities	10.555	202222N109946	89,191
Total Child Nutrition Cluster			1,269,548
Total Child Nutrition Cluster and U.S. Department of Agriculture			1,269,548
United States Department of Education:			
Special Education Cluster:			
Passed through Texas Education Agency:			
Special Education-Grants to States (IDEA, Part B)	84.027A	H027X210008	2,025
Special Education-Grants to States (IDEA, Part B)	84.027A	H027A220008	435,002
Special Education-Grants to States (IDEA, Part B)	84.027A	H027A210008	83,141
Special Education-Preschool Grants (IDEA Preschool)	84.173A	H173A210004	2,832
COVID-19 Special Education-Preschool Grants (IDEA Preschool)	84.173X	H173X210004	5,377
Total Special Education Cluster			528,377
Title I Grants to Local Educational Agencies	84.010A	S010A210043	217,241
Title I Grants to Local Educational Agencies	84.010A	S010A220043	820,493
Total ALN 84.010			1,037,734
Career and Technical Education (Perkins V)	84.048A	V048A220043	44,505
Career and Technical Education (Perkins V)	84.048A	V048A210043	3,165
Total ALN 84.048			47,670
Supporting Effective Instruction State Grant	84.367A	S367A220041	100,242
Supporting Effective Instruction State Grant	84.367A	S367A210041	33,603
Total ALN 84.367			133,845
Student Support and Academic Enrichment Program	84.424A	S424A210045	58,593
Total ALN 84.424			58,593
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U	S425U210042	1,933,974
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210042	1,757,326
Total ALN 84.425			3,691,300
Total U.S. Department of Education			5,497,519
Total Expenditures of Federal Awards			$ 6,767,067

See notes to schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of TLC Academy (School). The information in this Schedule is presented in accordance with the requirements of Title U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

2. Non-Cash Federal Awards

Food commodities are recognized as federal expenditures when distributed. Distributed food is reported in the Schedule under the National School Lunch Program and is valued based on amounts reported to the School by the Texas Department of Agriculture. These amounts are considered to be non-cash assistance to the School.

The School received non-cash awards in the form of food commodities totaling $89,191 for the period ended August 31, 2023.