

# **TLC Academy**

**Financial Statements with  
Supplemental Information and Compliance Reports  
August 31, 2025**



# TLC Academy

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**TLC Academy  
County District No. 226-801  
Certificate of Board**

We, the undersigned, certify that the attached Annual Financial and Compliance Report of TLC Academy was reviewed and (check one)  approved \_\_\_ disapproved for the year ended August 31, 2025, at a meeting of the governing body of the charter school on the 15<sup>th</sup> day of January 2026.

Signed by:

*Charity Vasquez, Board Secretary*

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Signature of Board Secretary

Signed by:

*Walt Lamb*

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Signature of Board President



## **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) (School), which comprise the statement of financial position as of August 31, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the School as of August 31, 2025, 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 the School 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 the School'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 the School'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 the School'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 15, 2026 on our consideration of the School'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 the School'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 the School's internal control over financial reporting and compliance.



A Limited Liability Partnership

Arlington, Texas  
January 15, 2026

**TLC Academy**  
**Statement of Financial Position**  
**August 31, 2025**

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**Assets**

<b>Current assets:</b>	
Cash and cash equivalents	\$ 2,050,516
Restricted cash	845,000
Investments	7,423,779
Due from government agencies	1,312,916
Inventory	54,553
Prepaid expenses	<u>282,917</u>
<b>Total current assets</b>	<b>11,969,681</b>
<b>Noncurrent assets:</b>	
Property and equipment, net	37,486,978
Restricted cash	4,697,023
Right-of-use assets - operating leases, net	12,893,209
Building deposit	<u>17,000</u>
<b>Total noncurrent assets</b>	<b><u>55,094,210</u></b>
<b>Total assets</b>	<b><u>\$ 67,063,891</u></b>

**Liabilities and Net Assets**

<b>Current liabilities:</b>	
Accounts payable	\$ 28,600
Due to others	11,716
Accrued expenses	2,731,533
Other liabilities	617,675
Right-of-use liabilities - operating leases, current portion	2,192,106
Notes payable, current portion	942,510
Bonds payable, current portion	<u>845,000</u>
<b>Total current liabilities</b>	<b>7,369,140</b>
<b>Noncurrent liabilities:</b>	
Right-of-use liabilities - operating leases, net	11,533,718
Notes payable, net	66,184
Bonds payable, net	<u>34,108,500</u>
<b>Total noncurrent liabilities</b>	<b><u>45,708,402</u></b>
<b>Total liabilities</b>	<b>53,077,542</b>
<b>Net assets without donor restrictions</b>	<b><u>13,986,349</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 67,063,891</u></b>

See notes to financial statements.

**TLC Academy**  
**Statement of Activities**  
**Year Ended August 31, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and other support:</b>			
Local support:			
5740 Other revenue from local sources	\$ 823,613	\$ -	\$ 823,613
5750 Revenue from co-curricular or enterprising	1,085,945	-	1,085,945
5760 Revenues from intermediate sources	238,338	-	238,338
<b>Total local support</b>	2,147,896	-	2,147,896
State program revenue:			
5810 Per capita and Foundation School Program	-	42,893,821	42,893,821
5820 State program revenues distributed by TEA	-	598,279	598,279
5830 Teacher Retirement or TRS Care - On-Behalf Payments	-	1,982,781	1,982,781
5839 State revenues from state of Texas government agencies	-	116,453	116,453
<b>Total state program revenue</b>	-	45,591,334	45,591,334
Federal program revenue:			
5920 Federal revenues distributed by TEA	-	3,560,176	3,560,176
5923 Federal program revenue - noncash commodities	-	103,003	103,003
5930 Federal revenues distributed by other than TEA	-	5,055	5,055
5940 Federal revenues distributed directly from the federal government	-	219,424	219,424
<b>Total federal program revenue</b>	-	3,887,658	3,887,658
Net assets released from restrictions - Satisfaction of program restrictions	49,478,992	(49,478,992)	-
<b>Total revenues and other support</b>	51,626,888	-	51,626,888
<b>Expenses:</b>			
11 Instruction	22,672,311	-	22,672,311
12 Instructional resources and media services	29,735	-	29,735
13 Curriculum development and instructional staff development	217,671	-	217,671
21 Instructional leadership	790,457	-	790,457
23 School leadership	3,425,058	-	3,425,058
31 Guidance, counseling and evaluation services	1,357,512	-	1,357,512
33 Health services	619,419	-	619,419
34 Student transportation	1,412,147	-	1,412,147
35 Food services	2,077,933	-	2,077,933
36 Extracurricular activities	2,334,621	-	2,334,621
41 General administration	1,656,458	-	1,656,458
51 Facilities maintenance and operations	10,902,130	-	10,902,130
52 Security and monitoring services	407,559	-	407,559
53 Data processing services	1,039,112	-	1,039,112
61 Community services	14,050	-	14,050
71 Debt service	1,889,643	-	1,889,643
<b>Total expenses</b>	50,845,816	-	50,845,816
<b>Excess of revenues over expenses from operations</b>	781,072	-	781,072
<b>Non-operating activities:</b>			
7951 Gain on sale of property and equipment	600	-	600
<b>Total non-operating activities</b>	600	-	600
<b>Change in net assets</b>	781,672	-	781,672
<b>Net assets at beginning of year</b>	13,204,677	-	13,204,677
<b>Net assets at end of year</b>	<u>\$ 13,986,349</u>	<u>\$ -</u>	<u>\$ 13,986,349</u>

See notes to financial statements.

**TLC Academy**  
**Statement of Cash Flows**  
**Year Ended August 31, 2025**

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<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 781,672
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,713,310
Gain on sale of property and equipment	(600)
Amortization of debt issuance costs	24,552
Amortization of bond premium and discounts	(29,794)
Amortization of right-of-use assets - operating lease	2,891,654
Changes in operating assets and liabilities:	
Due from government agencies	(297,935)
Inventory	18,100
Prepaid expenses	267,517
Accounts payable	(572,116)
Due to others	489
Accrued expenses	705,904
Other liabilities	31,642
Right of use obligation - operating leases liability	<u>(2,801,094)</u>
Net cash provided by operating activities	2,733,301
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	(2,780,848)
Proceeds from sale of property and equipment	600
Purchase of investments	(758,759)
Proceeds from sale of investments	<u>699,999</u>
Net cash used by investing activities	(2,839,008)
<b>Cash flows from financing activities:</b>	
Issuances of notes payable	450,000
Principal payments on notes payable	(126,994)
Principal payments on bonds payable	<u>(800,000)</u>
Net cash used by financing activities	<u>(476,994)</u>
<b>Net change in cash</b>	(582,701)
<b>Cash, cash equivalents and restricted cash at beginning of year</b>	<u>8,175,240</u>
<b>Cash, cash equivalents and restricted cash at end of year</b>	<u>\$ 7,592,539</u>
<b>Reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position to the statement of cash flows:</b>	
Cash and cash equivalents	\$ 2,050,516
Restricted cash, current	845,000
Restricted cash, noncurrent	<u>4,697,023</u>
<b>Total cash, cash equivalents and restricted cash shown in the statement of cash flows</b>	<u>\$ 7,592,539</u>
<b>Supplemental disclosure of cash flow information:</b>	
Cash paid during the year for interest	<u>\$ 1,896,183</u>
Right of use assets obtained in exchange for new or modified lease obligations	<u>\$ 1,269,864</u>

See notes to financial statements.

# TLC Academy

## Notes to Financial Statements

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### 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. The charter contract has been consistently renewed with the most recent renewal contract signed on June 11, 2024 for a period of 10 years, expiring July 31, 2034. 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.

## TLC Academy

### Notes to Financial Statements

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*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, 2025, 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. Accounts receivable are unsecured and are primarily due from the 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, 2025, the School received 96% of its total revenue and support from governmental agencies. Any unforeseen loss of the charter agreement with TEA or changes in legislation funding could have a material effect on the ability of the School to continue to provide the current level of services to its students.

#### ***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. At August 31, 2025, the School had three certificates of deposit with interest rates ranging from 3.44% to 3.96% with maturity dates in March and June 2026.

## **TLC Academy**

### **Notes to Financial Statements**

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#### ***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.

#### ***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 the year ended August 31, 2025.

#### ***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 Premium/Discount***

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.

## **TLC Academy**

### **Notes to Financial Statements**

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#### ***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 \$648,697 that have not been received or recognized at August 31, 2025 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.

#### ***Advertising***

Advertising costs are expensed as incurred. Advertising expense totaled \$16,859 for the year ended August 31, 2025.

#### ***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, 2025. 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, 2025, 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.

# TLC Academy

## Notes to Financial Statements

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### ***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, 2025:

Debt service fund	\$ 2,924,014
Project fund	<u>2,618,009</u>
Total	<u>\$ 5,542,023</u>

### **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.

**TLC Academy**  
**Notes to Financial Statements**

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***Certificate of Deposit***

Certificate of deposit is valued using \$1 for the net asset value which is classified withing level 1 of the 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.

The following table presents the financial instruments at fair value at August 31, 2025.

	Level 1	Total
Certificate of deposit	\$ 1,058,741	\$ 1,058,741
Public fund investment pools	-	6,365,038
	\$ 1,058,741	\$ 7,423,779

**5. Property and Equipment**

Property and equipment consist of the following as of August 31, 2025:

Land	\$ 4,815,880
Buildings and improvements	33,928,929
Construction in progress	1,106,992
Infrastructure	920,684
Furniture and equipment	5,137,985
Vehicles	2,637,339
Total property and equipment	48,547,809
Less accumulated depreciation	(11,060,831)
Property and equipment, net	\$ 37,486,978

Depreciation expense for the year ended August 31, 2025 totaled \$1,713,310.

**TLC Academy**  
**Notes to Financial Statements**

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**6. Long-Term Debt**

The following is a summary of changes in the School's long-term debt for the year ended August 31, 2025:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
<b>Bonds payable:</b>					
Series 2013A	\$ 8,765,000	\$ -	\$ (480,000)	\$ 8,285,000	\$ 510,000
Series 2013Q	5,115,000	-	-	5,115,000	-
Series 2021A	21,265,000	-	(320,000)	20,945,000	335,000
<b>Total bonds payable</b>	<b>35,145,000</b>	<b>-</b>	<b>(800,000)</b>	<b>34,345,000</b>	<b>845,000</b>
Bond premium	1,539,886	-	(48,121)	1,491,765	-
Bond discount	(310,293)	-	18,327	(291,966)	-
Bond issuance costs	(615,851)	-	24,552	(591,299)	-
<b>Total bonds payable, net</b>	<b>35,758,742</b>	<b>-</b>	<b>(805,242)</b>	<b>34,953,500</b>	<b>845,000</b>
<b>Notes payable:</b>					
Charter bus loan	217,299	-	(74,143)	143,156	76,972
Bus loan	252,440	-	(23,966)	228,474	228,474
Midland loan	215,949	-	(18,253)	197,696	197,696
Duplex	-	450,000	(10,632)	439,368	439,368
<b>Total notes payable</b>	<b>685,688</b>	<b>450,000</b>	<b>(126,994)</b>	<b>1,008,694</b>	<b>942,510</b>
<b>Total</b>	<b>\$ 36,444,430</b>	<b>\$ 450,000</b>	<b>\$ (932,236)</b>	<b>\$ 35,962,194</b>	<b>\$ 1,787,510</b>

***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%.

## TLC Academy

### Notes to Financial Statements

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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.

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. At August 31, 2025, the unamortized amount of \$591,299 is recorded as a direct reduction to the bond liability. Amortization of bond issuance costs totaled \$24,552 for the year ended August 31, 2025. The bond premium and discount are amortized over the life of the bonds. Bond discount and premium amortization for the year ended August 31, 2025 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.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	435,000	1,654,586	2,089,586
2030	455,000	1,635,296	2,090,296
Thereafter	<u>30,770,000</u>	<u>19,877,734</u>	<u>50,647,734</u>
Total	<u>\$ 34,345,000</u>	<u>\$ 28,451,124</u>	<u>\$ 62,796,124</u>

**TLC Academy**  
**Notes to Financial Statements**

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**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, 2025 totaled \$143,156.

In June 2024, the School entered into a loan agreement with a bank bearing interest at 4.41%. Payments totaling \$3,048 are due in monthly payments until maturity on June 14, 2025. The note is secured by a certificate of deposit. The note was refinanced in June 2025 bearing interest at 4.91% and matures June 16, 2026. The outstanding balance of the loan at August 31, 2025 totaled \$228,474.

In February 2024, the School entered into a loan agreement with a bank bearing interest at 4.96%. Payments totaling \$2,382 are due monthly until maturity on March 16, 2025. The note is secured by a certificate of deposit. The note was refinanced in March 2025 bearing interest at 4.44% and matures March 20, 2026. The outstanding balance of the loan at August 31, 2025 totaled \$197,696

In February 2025, the School entered into a loan agreement with a bank bearing interest at 4.96%. Payments totaling \$3,549 are due monthly until maturity on March 13, 2026. The note is secured by a certificate of deposit. The outstanding balance of the loan at August 31, 2025 totaled \$439,368.

Future maturities of notes payable are as follows for the years ending August 31:

2026		\$ 942,510
2027		66,184
		\$ 1,008,694

Interest expense for all long-term debt for the year ended Augst 31, 2025 totaled \$1,894,885.

**7. Contributions of Nonfinancial Assets**

The School received the following contributions of nonfinancial assets during the year ended August 31, 2025:

	Program	Administrative	Total
Commodities	\$ 103,003	\$ -	\$ 103,003
TRS On-Behalf	1,682,423	300,358	1,982,781
	\$ 1,785,426	\$ 300,358	\$ 2,085,784

## **TLC Academy**

### **Notes to Financial Statements**

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#### ***Commodities***

Contributed commodities are reported at fair value using value provided by grantor agency.

#### ***TRS On-Behalf***

The School received on-behalf payments in the form of benefits paid to the Teacher Retirement System (TRS).

Commodities and TRS on-behalf contributions received during the year ended August 31, 2025 were restricted by donors for specific uses.

## **8. 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](http://www.trs.state.tx.us), under the TRS Publications Heading.

#### ***Funding Policy***

Plan members contributed 8.25% of their annual covered salary in 2025. The School contributes 8.25% for new members of the first 90 days of employment, and the State contributes 8.25%. Additionally, the School makes a 2% 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, 2025, the School contributed \$1,047,859, to the TRS. The School also recognized additional on-behalf revenue and expense totaling \$1,982,781 for the year ended August 31, 2025.

## **TLC Academy**

### **Notes to Financial Statements**

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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, 2024 were \$243 billion. Accumulated benefit obligation as of August 31, 2024 was \$272 billion. The plan was 77.51% funded as of August 31, 2024.

### **9. Health Care Coverage**

During the year ended August 31, 2025, eligible employees of the School were covered by a health insurance plan. The School contributed approximately 80% of the total plan cost for Employee Only plans and 55% of the total plan cost for Employee plus plans for the period from September 1, 2024 to August 31, 2025. 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, 2025, totaled \$59,214 and are included in accrued expenses. The Plan is funded to discharge liabilities as they become due.

### **10. 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.

## TLC Academy

### Notes to Financial Statements

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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 under the leases are as follows for the years ending August 31:

2026	\$ 2,192,106
2027	1,779,740
2028	1,810,191
2029	1,859,331
2030	1,817,025
Thereafter	<u>6,929,099</u>
Total future undiscounted lease payments	16,387,492
Less present value discount	<u>(2,661,668)</u>
Right-of-use liabilities - operating leases	<u><u>\$ 13,725,824</u></u>

## TLC Academy

### Notes to Financial Statements

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The following lease cost and other required information for the year ended August 31, 2025:

Total operating lease cost	<u>\$ 2,005,442</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$ (2,801,094)</u>
Right-of-use assets obtained in exchange for new or modified lease liabilities	<u>\$ 1,269,864</u>
Weighted-average remaining lease term:	<u>8.20 years</u>
Weighted-average discount rate:	<u>4.18%</u>

### 11. 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, 2025:

	Payroll Costs	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Debt Service	Total
<b>Program Services:</b>						
Instructional and instructional related services	\$ 21,316,629	\$ 453,714	\$ 906,932	\$ 983,375	\$ 884,671	\$ 24,545,321
Instructional leadership	761,020	-	29	57,071	30,510	848,630
Support services -student	3,718,076	2,222,110	1,309,664	554,613	301,133	8,105,596
Support services - Nondirect student based	3,098,973	5,313,396	487,788	1,595,490	436,539	10,932,186
Ancillary services	-	-	14,050	492	542	15,084
<b>Total program services</b>	<b>28,894,698</b>	<b>7,989,220</b>	<b>2,718,463</b>	<b>3,191,041</b>	<b>1,653,395</b>	<b>44,446,817</b>
<b>Support Services:</b>						
Instructional and school leadership	3,249,632	134,058	19,774	141,460	132,203	3,677,127
Administrative support services	1,312,902	139,076	11,970	250,483	63,937	1,778,368
Support services - Nondirect student based	252,416	407,820	204,984	38,176	40,108	943,504
<b>Total support services</b>	<b>4,814,950</b>	<b>680,954</b>	<b>236,728</b>	<b>430,119</b>	<b>236,248</b>	<b>6,398,999</b>
<b>Total expenses</b>	<b>\$ 33,709,648</b>	<b>\$ 8,670,174</b>	<b>\$ 2,955,191</b>	<b>\$ 3,621,160</b>	<b>\$ 1,889,643</b>	<b>\$ 50,845,816</b>

**TLC Academy**  
**Notes to Financial Statements**

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**12. 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.

**13. 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	\$ 2,050,516
Investments	7,423,779
Due from government agencies	<u>1,312,916</u>
Total financial assets available for general expenditure	<u><u>\$ 10,787,211</u></u>

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.

**14. Subsequent Events**

The School has evaluated subsequent events through January 15, 2026, 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, 2025**

Description	Ownership Interest		
	Local	State	Federal
1110 Cash and cash equivalents	\$ -	\$ 2,050,516	\$ -
1112 Investments	-	7,423,779	-
1510 Land	-	4,815,880	-
1520 Buildings and improvements	-	33,338,390	590,539
1580 Construction in progress	-	1,106,992	-
1591 Infrastructure roads	-	662,196	-
1594 Infrastructure sewer system	-	83,410	-
1596 Infrastructure other	-	175,078	-
1539 Furniture and equipment	-	3,498,128	132,486
1549 Furniture and equipment	-	1,438,960	68,411
1531 Vehicles	-	2,182,371	454,968
1550 Right-of-use assets - operating leases	-	12,893,209	-
	<u>\$ -</u>	<u>\$ 69,668,909</u>	<u>\$ 1,246,404</u>

**TLC Academy**  
**Schedule of Expenses**  
**Year Ended August 31, 2025**

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Object Code	Description	Amount
6100	Payroll costs	\$ 33,709,648
6200	Professional and contracted services	8,670,174
6300	Supplies and materials	2,955,191
6400	Other operating costs	3,621,160
6500	Debt service	1,889,643
		<u>\$ 50,845,816</u>

**TLC Academy**  
**Budgetary Comparison Schedule**  
**Year Ended August 31, 2025**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenue and other support:</b>				
5700 Local support	\$ 1,596,500	\$ 2,246,543	\$ 2,147,896	\$ (98,647)
5800 State program revenue	43,431,090	44,123,590	45,591,334	1,467,744
5900 Federal program revenue	3,410,535	3,639,710	3,887,658	247,948
<b>Total Revenue and other support</b>	<b>48,438,125</b>	<b>50,009,843</b>	<b>51,626,888</b>	<b>1,617,045</b>
<b>Expenses:</b>				
11 Instruction	20,779,742	20,975,262	22,672,311	1,697,049
12 Instructional resource and media services	31,800	31,800	29,735	(2,065)
13 Curriculum development and instructional staff development	193,727	214,727	217,671	2,944
21 Instructional leadership	839,981	779,981	790,457	10,476
23 School leadership	3,249,557	3,249,557	3,425,058	175,501
31 Guidance, counseling and evaluation services	1,285,010	1,285,010	1,357,512	72,502
33 Health services	593,067	573,567	619,419	45,852
34 Student transportation	1,537,949	1,412,949	1,412,147	(802)
35 Food services	1,540,530	1,750,530	2,077,933	327,403
36 Extracurricular activities	1,531,517	2,244,129	2,334,621	90,492
41 General administration	1,568,404	1,573,404	1,656,458	83,054
51 Facilities maintenance and operations	11,140,544	11,549,478	10,902,130	(647,348)
52 Security and monitoring services	578,685	603,685	407,559	(196,126)
53 Data processing services	935,661	1,125,661	1,039,112	(86,549)
61 Community services	11,738	19,890	14,050	(5,840)
71 Debt service	2,620,213	2,620,213	1,889,643	(730,570)
<b>Total Expenses</b>	<b>48,438,125</b>	<b>50,009,843</b>	<b>50,845,816</b>	<b>835,973</b>
<b>Excess of revenues over expenses from operations</b>	<b>-</b>	<b>-</b>	<b>781,072</b>	<b>781,072</b>
<b>Non-operating activities:</b>				
7951 Gain on sale of property and equipment	-	-	600	600
<b>Total non-operating activities</b>	<b>-</b>	<b>-</b>	<b>600</b>	<b>600</b>
Change in net assets	-	-	781,672	781,672
Net assets at beginning of year	13,204,677	13,204,677	13,204,677	-
Net assets at end of year	<b>\$ 13,204,677</b>	<b>\$ 13,204,677</b>	<b>\$ 13,986,349</b>	<b>\$ 781,672</b>

**TLC Academy**  
**Education Programs Schedule**  
**Year Ended August 31, 2025**

<b>Data Codes</b>	<b>Section A: Compensatory Education Programs</b>	<b>Responses</b>
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.	\$3,304,917
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)	\$3,456,403
	<b>Section B: Bilingual Education Programs</b>	
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	\$104,555
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC's 25, 35)	\$172,786

**TLC Academy**  
**Schedule of Real Property Ownership Interest**  
**Year Ended August 31, 2025**

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
Elementary School	3301 TLC Way, San Angelo, TX 76901	\$ 8,550,000	-	\$ 8,550,000	-
High School	5687 Melrose Ave., San Angelo, TX 76901	10,300,000	-	10,300,000	-
Elementary School/ Junior High School	3300 Thomas Ave., Midland, TX 79703	5,770,000	-	5,770,000	-
Elementary School	1840 N. 8th St., Abilene, TX 79603	5,620,000	-	5,620,000	-
Junior High/High School	3250 State St., Abilene, TX 79603	8,200,000	-	8,200,000	-
Elementary/Junior High School	2001 Brown Blvd., Arlington, TX 76006	4,700,000	-	4,700,000	-
International Teacher Housing	3606 Roosevelt, Midland, TX 79703	229,610	-	229,610	-
International Teacher Housing	4007 W Illinois Ave., Midland, TX 79703	425,000	-	425,000	-

**TLC Academy**  
**Schedule of Related Party Transactions**  
**Year Ended August 31, 2025**

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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
Angelo Christian Ministries	Walt Landers	Voting member of both boards	Financial	Leases	State	Monthly	1,580,547	-
Olives Nursery	Tommy Olive	Board Member/Company Owner	Financial	-	State	As needed	270	-
Trinity Church of the Assemblies of God	Bruce Binkley	Voting Member of Both Boards	Financial	Leases	State	Monthly	683,025	-

**TLC Academy**  
**Schedule of Related Party Compensation and Benefits**  
**Year Ended August 31, 2025**

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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							



**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, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2026.

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

## 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.



A Limited Liability Partnership

Arlington, Texas  
January 15, 2026



## **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, 2025. 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, 2025.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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.

#### ***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.



A Limited Liability Partnership

Arlington, Texas  
January 15, 2026

**TLC Academy**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended August 31, 2025**

Federal Grantor/ Pass through Grantor /Program or Cluster Title	Assistance Listing Number	Pass-through entity identifying number	Federal Expenditures
<b>United States Department of Agriculture:</b>			
<b>Child Nutrition Cluster:</b>			
<b>Passed through Texas Education Agency:</b>			
School Breakfast Program	10.553	71402401	\$ 48,047
School Breakfast Program	10.553	71402501	349,666
National School Lunch Program	10.555	71302401	128,902
National School Lunch Program	10.555	71302501	1,022,269
<b>Passed through Department of Agriculture:</b>			
National School Lunch Program - USDA Commodities	10.555	-	<u>103,003</u>
<b>Total Child Nutrition Cluster</b>			<u>1,651,887</u>
<b>Total U.S. Department of Agriculture</b>			1,651,887
<b>United States Department of Education:</b>			
<b>Passed through Texas Education Agency:</b>			
<b>Special Education Cluster:</b>			
Special Education-Grants to States	84.027A	256600012268016000	577,201
Special Education-Preschool Grants	84.173A	256610012268016000	<u>3,064</u>
<b>Total Special Education Cluster</b>			580,265
Title I Grants to Local Educational Agencies	84.010A	25610101226801	1,102,483
Title I Grants to Local Educational Agencies	84.010A	25610171226801	<u>7,800</u>
<b>Total ALN 84.010</b>			1,110,283
Career and Technical Education - Basic Grants to States	84.048A	2542000622801	59,875
Supporting Effective Instruction State Grants	84.367A	25694501226801	154,980
Student Support and Academic Enrichment Program	84.424A	25680101226801	81,423
<b>Passed through Region 15:</b>			
Education Stabilization Fund	84.425W	-	4,597
Education for Homeless Children and Youth	84.196A	-	5,117
Title III English Language Acquisition Grants	84.365A	-	<u>14,752</u>
<b>Total U.S. Department of Education</b>			<u>2,011,292</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,663,179</u>

See notes to schedule of expenditures of federal awards.

# TLC Academy

## Notes to Schedule of Expenditures of Federal Awards

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### 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 \$103,003 for the period ended August 31, 2025.

### 3. Shared Services Arrangements

The School is a member school district of various shared services arrangements for the year ended August 31, 2025. The School was allocated the following expenditures through participation in these shared services arrangements during the year ended August 31, 2025:

Assistance Listing Number	Program Name	Federal Expenditures
84.365A	English Language Acquisition Grant - Shared Services Arrangement	\$ 14,752
84.196A	Education for Homeless Children and Youth - Shared Services Agreement	5,117
84.425W	Education Stabilization Fund - Shared Services Arrangement	4,597
		<u>\$ 24,466</u>

### 4. Reconciliation of Schedule to Statement of Activities

The School received federal revenue totaling \$224,479 that was not subject to the audit requirements of the Uniform Guidance and therefore was not included in the schedule.

**TLC Academy**  
**Schedule of Findings and Questioned Costs**  
**Year Ended August 31, 2025**

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**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:***

Child Nutrition Cluster	ALNS 10.553 and 10.555
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