

**RESPONSIVE EDUCATION
SOLUTIONS**

Consolidated Financial Report for the Year Ended

June 30, 2021

RESPONSIVE EDUCATION SOLUTIONS

Annual Financial Report
For the Year Ended June 30, 2021

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CERTIFICATE OF BOARD

TEXAS COLLEGE PREPARATORY ACADEMIES
DISTRICT NUMBER: 221801

AND

PREMIER HIGH SCHOOLS
DISTRICT NUMBER: 072801

FEDERAL EIN: 75-2748762

We, the undersigned, certify that the attached financial reports of Responsive Education Solutions were reviewed and ___ approved ___ disapproved for the year ended June 30, 2021, at a meeting of the Governing Body of such charter school on the ____ day of _____, 2021.

Signature of Board Secretary

Signature of Board President

If the auditor's report was disapproved, the reason(s) therefore is/are (attach list if necessary):



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Responsive Education Solutions
Lewisville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Responsive Education Solutions (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Responsive Education Solutions as of June 30, 2021, 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.

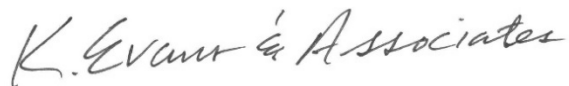
Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020, on our consideration of Responsive Education Solutions' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Responsive Education Solutions' internal control over financial reporting and compliance.



K. Evans & Associates, CPAs
Frisco, TX
November 3, 2021

FINANCIAL STATEMENTS

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RESPONSIVE EDUCATION SOLUTIONS

Statement of Financial Position

June 30, 2021

ASSETS**Current Assets:**

Cash and Cash Equivalents	\$ 168,506,551
Due from State and Federal Agencies	40,651,477
Other Receivables	120,809
Receivables from Other Charters	403,385
Inventory	235,568
Prepaid Expenses	1,134,276
Total Current Assets	<u>211,052,066</u>

Property & Equipment:

Land	56,164,046
Buildings & Improvements	215,382,207
Vehicles	288,919
Furniture & Equipment	10,870,973
Leasehold Improvements	2,775,441
Library Books & Media	288,863
Construction in Progress	22,597,531
Accumulated Depreciation	(29,261,183)
Total Net Property & Equipment	<u>279,106,797</u>

Other Assets:

Other Assets	9,344,974
Total Other Assets	<u>9,344,974</u>

TOTAL ASSETS

\$ 499,503,837**LIABILITIES & NET ASSETS****Current Liabilities:**

Accounts Payable	\$ 10,077,353
Other Payables	18,353,067
Accrued Wages & Other Benefits Payable	9,934,322
Accrued Expenses	5,809,350
Current Portion of Long Term Debt	3,141,203
Deferred Revenues	103,544
Total Current Liabilities	<u>47,418,839</u>

Long-Term Liabilities:

Bonds Payable	285,570,000
Notes Payable	2,952,357
Premium on Bonds Payable	24,869,689
Total Long-Term Liabilities	<u>313,392,046</u>

Net Assets:

Without Donor Restrictions	61,004,005
With Donor Restrictions	77,688,947
Total Net Assets	<u>138,692,952</u>

TOTAL LIABILITIES & NET ASSETS

\$ 499,503,837

The notes to the financial statements are an integral part of this statement.

RESPONSIVE EDUCATION SOLUTIONS

Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE & OTHER SUPPORT			
Local Support:			
Revenue from Local Sources	\$ 12,502,533	\$ -	\$ 12,502,533
Total Local Support	<u>12,502,533</u>	<u>-</u>	<u>12,502,533</u>
State Program Revenues			
State Foundation Program	-	194,462,690	194,462,690
Other State Aid	-	11,460,961	11,460,961
Total State Program Revenues	<u>-</u>	<u>205,923,651</u>	<u>205,923,651</u>
Federal Program Revenues			
Breakfast Program	-	879,015	879,015
National School Lunch	-	1,877,189	1,877,189
Donated Commodities	-	190,366	190,366
Title I, Part A	-	4,117,041	4,117,041
IDEA-Part B Formula	-	1,523,585	1,523,585
Title II, Part A	-	320,635	320,635
Public Charter Schools	-	-	-
Title III, Part A, ELA	-	252,015	252,015
Title IV Part A, CSP Grant #1	-	2,976,046	2,976,046
Title IV Part A, CSP Grant #2	-	2,371,691	2,371,691
LEP Summer School	-	219,748	219,748
Academic Enrichment	-	85,315	85,315
5929 COVID-19 ESSER I	-	1,926,720	1,926,720
5929 COVID-19 CRF PPRP	-	1,183,810	1,183,810
Other Federal Programs	-	279,605	279,605
Total Federal Program Revenues	<u>-</u>	<u>18,202,781</u>	<u>18,202,781</u>
Net Assets Released from Restrictions	<u>226,518,000</u>	<u>(226,518,000)</u>	<u>-</u>
Total Revenue & Other Support	<u>239,020,533</u>	<u>(2,391,568)</u>	<u>236,628,965</u>

The notes to the financial statements are an integral part of this statement.

RESPONSIVE EDUCATION SOLUTIONSStatement of Activities (*Continued*)

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
Program Services:			
11 Instruction	121,890,274	-	121,890,274
12 Instructional Resources & Media Svcs	7,158	-	7,158
13 Curriculum Dev. & Instr Staff Dev.	4,272,139	-	4,272,139
21 Instructional Leadership	6,129,434	-	6,129,434
23 School Leadership	20,516,087	-	20,516,087
31 Guidance, Counseling & Eval Svcs	1,973,101	-	1,973,101
32 Social Work Services	15	-	15
33 Health Services	1,784,505	-	1,784,505
34 Student (Pupil) Transportation	7,327	-	7,327
35 Food Services	4,198,794	-	4,198,794
36 Cocurricular/Extracurricular Activities	686,401	-	686,401
41 General Administration	19,311,427	-	19,311,427
51 Plant Maintenance & Operations	17,909,229	-	17,909,229
52 Security & Monitoring Services	822,828	-	822,828
53 Data Processing Services	5,059,752	-	5,059,752
71 Debt Service	7,260,679	-	7,260,679
81 Fundraising	3,486,539	-	3,486,539
Total Expenses	<u>215,315,689</u>	<u>-</u>	<u>215,315,689</u>
Change in Net Assets from Operations	23,704,844	(2,391,568)	21,313,276
61 Community Services	10,601,004	-	10,601,004
Increase/(decrease) in Net Assets	<u>13,103,840</u>	<u>(2,391,568)</u>	<u>10,712,272</u>
Gain (Loss) on Disposal of Fixed Asset	736,481	-	736,481
Net Assets, Beginning of Year	<u>47,163,684</u>	<u>80,080,515</u>	<u>127,244,199</u>
Net Assets, End of Year	<u>\$ 61,004,005</u>	<u>\$ 77,688,947</u>	<u>\$ 138,692,952</u>

The notes to the financial statements are an integral part of this statement.

RESPONSIVE EDUCATION SOLUTIONS

Statement of Cash Flows For the Year Ended June 30, 2021

Cash Flows from Operating Activities:	
Cash from Local Sources	\$ 38,993,454
Cash from State Programs	170,146,573
Cash from Federal Programs	13,328,382
Cash Paid to Suppliers	(49,636,534)
Cash Paid to Employees	(121,718,158)
Cash Paid for Interest	(5,042,682)
Net Cash Provided by/(Used in) Operating Activities	<u>46,071,035</u>
Cash Flows from Investing Activities:	
Purchase of Property & Equipment	(80,964,228)
Cash Proceeds on Disposal of Capital Assets	29,491,538
Net Cash Provided by/(Used in) Investing Activities	<u>(51,472,690)</u>
Cash Flows from Financing Activities:	
Proceeds from New Debt	187,714,295
Principal Payments on Debt	(88,662,019)
Net Cash Provided by/(Used in) Financing Activities	<u>99,052,276</u>
Net Increase/(Decrease) in Cash	93,650,621
Cash at Beginning of Year	<u>74,855,930</u>
Cash at End of Year	<u>\$ 168,506,551</u>
Reconciliation of Change in Net Assets to Net Cash Provided by/(Used in) Operating Activities	
Change in Net Assets	\$ 10,712,272
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by/(Used in) Operating Activities:	
Depreciation	7,119,722
Gain on Disposal of Capital Assets	(736,481)
(Increase)/Decrease in Operating Assets	
Due from State and Federal Agencies	(7,972,261)
Other Receivables	1,009,893
Receivables from Other Charters	(403,385)
Inventory	(37,334)
Prepaid Expenses	(2,229,286)
Other Assets	(8,128,715)
Increase/(Decrease) in Operating Liabilities	
Accounts Payable	6,361,779
Other Payables	18,211,543
Accrued Wages and Benefits Payable	(128,623)
Accrued Expenses	2,631,322
Deferred Revenue	100,305
Bond Premium	19,560,284
Net Adjustments	<u>35,358,763</u>
Net Cash Provided by/(Used in) Operating Activities	<u>\$ 46,071,035</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Responsive Education Solutions, Inc. a Texas non-profit corporation (The Organization), is recognized as an organization exempt from federal income taxes under 501(c)(3) of the Internal Revenue Service. The Organization is authorized to operate open enrollment charter schools (The Schools) in the states of Texas and Arkansas through the following agencies: The Texas Education Agency – Office of the Commissioner, and the Arkansas Department of Education Charter Authorizing Panel.

The Organization provides curricula and operates schools for students in grades K-12 doing business as Classical Academies, Quest Collegiate Academies and Founders Classical Academies, high schools for grades 9-12 doing business as Premier High Schools and iSchool High, online schools for grades 3-12 doing business as iSchool Virtual Academies of Texas, and an autism school (Foundation School for Autism), as well as school administrative services.

ResponsiveEd Holdings, LLC (Holdings) is a Texas single member limited liability company formed on September 11, 2020. Holdings is a wholly-owned subsidiary of the Organization. The IRS considers Holdings to be a disregarded entity and therefore is considered exempt from federal income taxation. Holdings was formed for the purpose of owning and maintaining real property to be leased to the Organization for the operation of the Organization's charter schools.

Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accounting system is organized under the *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter Schools Chart of Accounts*, a module of the Texas Education Agency Financial Accountability Resource Guide. The significant accounting policies are as follows:

To ensure observance of limitations and restrictions placed on the use of resources available to the School, the accounts are maintained in accordance with the principles of fund accounting during the year. Resources for various purposes are classified into funds according to their nature and purposes. Separate accounts are maintained for each fund; however, the accompanying statements of financial position and of activities focus on the organization as a whole and reports the amounts of its total assets, liabilities, net assets and changes in net assets in accordance with the Financial Accounting Standards Board.

The statement of financial position reports the amounts of each of three classes of net assets: temporarily restricted, unrestricted net assets and permanently restricted net assets (currently zero).

- Temporarily restricted net assets result from contributions and other inflows of assets that are limited by donor-imposed stipulations that can be fulfilled and removed by actions of the School pursuant to those stipulations.

When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounting Policies *(continued)*

- Unrestricted net assets are the remaining part of the School's net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Property and equipment are included in unrestricted net assets.
- Permanently restricted net assets result from contributions and other inflows of assets that are required to be maintained in perpetuity with only the income to be used for the School's activities due to donor-imposed restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are comprised of cash on hand and in banks including highly liquid investments with original maturities of three months or less.

Fixed Assets and Depreciation

All assets acquired with a value of \$5,000 or greater are recorded as fixed assets and are valued at cost or estimated cost. Donated assets are reported at the fair market value at the time of acquisition. Depreciation of building improvements and equipment is provided over the estimated useful lives of the assets on a straight-line basis.

Revenues

Each school's revenues from the State of Texas available school fund are earned based on reported attendance.

Contributions received are recognized as revenue in the period received and are reported as either restricted or unrestricted support.

- Contributions with donor-imposed restrictions are reported as restricted support. Restricted support increases temporarily restricted net assets.
- Contributions without donor-imposed restrictions are reported as unrestricted support. Unrestricted support increases unrestricted net assets.

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

Donated Goods and Services

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statements as in-kind contributions and expenses of a like amount.

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Sick Leave, Personal Leave and Vacation

All employees earn five days of paid sick leave annually. However, unused balances are not paid at termination. Therefore, there is no liability accrued on the financial statements. All employees earn two days of paid personal leave per year that is paid no later than the last paycheck of the school year. Therefore, there is no liability accrued on the financial statements. Accrued wages payable includes an accrual for accumulated liability for employee vacation time.

Estimates

In preparation of the financial statements and in conformity with generally accepted accounting principles, management's estimated useful lives of asset classes were used in the calculation of depreciation.

Functional Allocation of Expenses

The expense of the various programs and other activities has been presented on a functional basis in the statement of activities. Accordingly, certain expenses and supporting service costs have been allocated among the various programs.

Basis of Consolidation

The General-Purpose financial statements are presented on an entity-wide consolidated basis including operations of the Organization not affiliated with any certain charter operation. Certain intercompany transactions are eliminated in the consolidation process because including them would make the overall financial statement presentation misleading.

INVENTORY

On June 30, 2021, the Organization had on hand curriculum inventory of original costs totaling \$235,568.

<u>Entity</u>	<u>Curriculum</u>
501(c)(3)	<u>\$ 235,568</u>
Totals	<u><u>\$ 235,568</u></u>

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

CAPITAL ASSETS

The Charters and 501(c)(3) had the following capital asset activity in 2021:

TCPA	Balance at 6/30/20	Additions	Retirements	Balance at 6/30/21
Land	\$ 33,360,801	\$ 9,152,527	\$ -	\$ 42,513,328
Buildings & Improvements	151,936,233	22,195,728	-	174,131,961
Vehicles	17,471	-	-	17,471
Furniture & Equipment	7,552,526	84,332	-	7,636,858
Leasehold Improvements	782,780	30,302	-	813,082
Licenses & Media	210,177	-	-	210,177
Construction in Progress	11,549,132	17,669,943	(8,886,236)	20,332,839
Total Historical Cost	<u>205,409,120</u>	<u>49,132,832</u>	<u>(8,886,236)</u>	<u>245,655,716</u>
Less:				
Accumulated Depreciation	<u>(16,074,858)</u>	<u>(5,417,146)</u>	<u>-</u>	<u>(21,492,004)</u>
Total T CPA Capital Assets	<u>\$ 189,334,262</u>	<u>\$ 43,715,686</u>	<u>\$ (8,886,236)</u>	<u>\$ 224,163,712</u>
Premier				
Land	\$ 3,078,328	\$ 2,220,127	\$ -	\$ 5,298,455
Buildings & Improvements	11,306,516	8,746,971	-	20,053,487
Vehicles	-	15,000	-	15,000
Furniture & Equipment	2,134,957	151,902	(20,150)	2,266,709
Leasehold Improvements	1,047,555	874,940	-	1,922,495
Construction in Progress	3,535,841	3,793,029	(6,336,107)	992,763
Total Historical Cost	<u>21,103,197</u>	<u>15,801,969</u>	<u>(6,356,257)</u>	<u>30,548,909</u>
Less:				
Accumulated Depreciation	<u>(3,597,795)</u>	<u>(1,070,369)</u>	<u>-</u>	<u>(4,668,164)</u>
Total Premier Capital Assets	<u>\$ 17,505,402</u>	<u>\$ 14,731,600</u>	<u>\$ (6,356,257)</u>	<u>\$ 25,880,745</u>
501(c)(3)				
Land	\$ 6,045,100	\$ 6,225,103	\$ (3,917,940)	\$ 8,352,263
Buildings & Improvements	20,588,808	10,445,262	(9,837,311)	21,196,759
Vehicles	211,148	45,300	-	256,448
Furniture & Equipment	842,464	141,856	(16,914)	967,406
Leasehold Improvements	39,864.00	-	-	39,864
Licenses & Media	78,686	-	-	78,686
Construction in Progress	401,366.00	1,347,443	(476,880)	1,271,929
Total Historical Cost	<u>28,207,436</u>	<u>18,204,964</u>	<u>(14,249,045)</u>	<u>32,163,355</u>
Less:				
Accumulated Depreciation	<u>(3,169,106)</u>	<u>(632,207)</u>	<u>700,298</u>	<u>(3,101,015)</u>
Total 501(c)(3) Capital Assets	<u>\$ 25,038,330</u>	<u>\$ 17,572,757</u>	<u>\$ (13,548,747)</u>	<u>\$ 29,062,340</u>
Grand Total Historical Cost	254,719,753	83,139,765	(29,491,538)	308,367,980
Grand Total Accum Depreciation	<u>(22,841,759)</u>	<u>(7,119,722)</u>	<u>700,298</u>	<u>(29,261,183)</u>
Grand Total Net Capital Assets	<u>\$ 231,877,994</u>	<u>\$ 76,020,043</u>	<u>\$ (28,791,240)</u>	<u>\$ 279,106,797</u>

Depreciation expense for the year ended June 30, 2021 was \$7,119,722.

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

DEFINED BENEFIT PENSION PLAN

Employee Retirement Plan

Plan Description – The School participates in a cost-sharing multiple employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position - Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Benefits Provided – TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity, except for members who are grandfathered, when the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

DEFINED BENEFIT PENSION PLAN *(continued)*

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity of \$2,000, whichever was less.

Contributions – Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

	<u>2020</u>	<u>2021</u>
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	7.50%	7.50%
Employers	7.50%	7.75%
Employer Contributions	\$ 4,158,328	4,696,999

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. The School is required to pay the employer contribution rate in the following instances:

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing School is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- All public schools, charter schools and regional education service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

DEFINED BENEFIT PENSION PLAN *(continued)*

Actuarial Assumptions - The total pension liability in the August 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Investment Rate of Return	7.25%
Municipal Bond Rate	2.33%
Inflation Rate	2.30%
Last year ending August 31 in projection period (100 years)	2119
Salary Increases	3.05% to 9.05% including inflation
Benefit Changes during the year	None
Ad hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

Discount Rate – A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

DEFINED BENEFIT PENSION PLAN *(continued)*

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation (a) %</u>	<u>Long-Term Expected Geometric Real Rate of Return (b)</u>	<u>Expected Contribution to Long-Term Portfolio Return</u>
Global Equity			
U.S.	18.0%	3.9%	0.99%
Non-U.S. Developed	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Private Equity	14.0%	6.7%	1.41%
Stable Value			
Government Bonds	16.0%	-0.7%	-0.05%
Absolute Return	0.0%	1.8%	0.00%
Stable Value Hedge Funds	5.0%	1.9%	0.11%
Real Return			
Real Assets	15.0%	4.6%	1.02%
Energy & Natural Resources	6.0%	6.0%	0.42%
Commodities	0.0%	0.8%	0.00%
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Leverage			
Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.0%	-1.3%	0.08%
Inflation Expectation			2.00%
Volatility Drag(c)			0.67%
Total	<u>100.0%</u>		<u>7.33%</u>

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

HEALTH CARE COVERAGE

Employees of the Organization are covered by a group insurance plan with TRS Active Care. The Organization pays the employee’s premium (contribution varies based on years of service) and the employee pays the premiums for dependent coverage through payroll deductions through a Cafeteria Plan. See Note 6 for a summary of Section 125 Cafeteria Plan coverage.

SECTION 125 CAFETERIA PLAN

The Organization has adopted a “cafeteria plan” within the meaning of Section 125(a) of the Internal Revenue Code which allows employees to choose among certain “tax free” benefits in lieu of taxable compensation. The choices include medical insurance premium, dental and vision insurance premium, cancer insurance premium, disability insurance premium, voluntary term life insurance premium and accidental death & dismemberment (AD&D) insurance premium among others. The company pays \$21.38 towards the dental premium and a percentage for dependent coverage, and \$1.90 toward the life premium and the AD&D premium. The employees’ portion of the costs to provide any of these benefits are paid by the employees from payroll deductions.

DUE FROM STATE

At June 30, 2021, the Organization was to receive \$40,651,477 in entitlements as follows:

Federal Grant Revenue	\$ 4,874,399
State Revenue	<u>35,777,078</u>
Total Due From State	<u>\$ 40,651,477</u>

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

OPERATING LEASES

The following is a summary of operating lease obligations and terms for the year ended June 30, 2021:

Campus	Original Lease Commence Date	Lease Expires	Base Rent	NNN (OpExp) per Lease	T.I. (Reimb)	Gross Rent	Portable: Rent to Vendor not LL	Total Gross Rent w Portable
Austin - Mueller	7/1/2012	12/31/2021	\$15,000.00			\$15,000.00		\$15,000.00
Austin - Wells Branch	8/1/2017	6/30/2023	\$21,486.46	\$8,594.58	-\$2,083.33	\$27,997.71		\$27,997.71
Austin - South	7/23/2002	7/31/2022	\$16,136.00	\$5,622.84		\$21,758.84		\$21,758.84
Austin - TASA Office	12/1/2015	12/31/2021	\$1,127.50	\$325.00		\$1,452.50		\$1,452.50
Bastrop	6/14/2021	7/31/2022	\$7,000.00			\$7,000.00		\$7,000.00
Beaumont	8/15/2011	6/30/2024	Greater of: \$65 ADA for 1-200 \$70 ADA for 201+ OR \$2,000.00			\$11,500.00		\$11,500.00
Beaumont Portables (3)	6/17/2021	7/17/2024					\$2,680.50	\$2,680.50
Bentonville (NWACA)	7/15/2019	6/30/2023	\$13,998.55			\$13,998.55		\$13,998.55
Brenham Miracle Farm	9/1/2009	Ongoing	\$0.00			\$0.00		\$0.00
Canyon	estimated 7/1/2021	6/30/2026	\$6,820.00			\$6,820.00		\$6,820.00
Conroe (Temp)	7/1/2021	6/30/2022	\$7,500.00			\$7,500.00		\$7,500.00
Corpus Christi	1/11/2021	6/30/2026	\$19,800.00			\$19,800.00		\$19,800.00
Clay Academy	7/1/2010	6/30/2025	\$24,480.00			\$24,480.00		\$24,480.00
Dallas Southeast	6/18/2021	6/30/2027	\$5,000.00			\$5,000.00		\$5,000.00
Dayton	7/1/2013	6/30/2022	1-70 ADA \$40 71-80 ADA \$50 81-100 ADA \$60 100+ ADA \$65 or \$2,000/mo min.			\$6,204.00		\$6,204.00
Del Rio Portable		6/13/2022					\$1,100.00	\$1,100.00
Denton	8/1/2014	6/30/2023	\$9,180.00	\$930.00		\$10,110.00		\$10,110.00
Denton Portables (3)		7/13/2022					\$2,850.00	\$2,850.00
Edinburg	7/1/2012	7/31/2021	\$11,500.00			\$11,500.00		\$11,500.00
El Paso - Eastpointe	7/31/2020	6/30/2025	\$8,500.00	\$3,250.00		\$11,750.00		\$11,750.00
El Paso	7/1/2020	6/30/2023	ADA Greater of \$65.00/per ADA or \$7,500.00			\$20,501.00		\$20,501.00
El Paso - Mesa	7/1/2008	6/30/2023	\$9,095.83	\$2,822.08		\$11,917.91		\$11,917.91
Fort Worth	6/16/2008	6/30/2023	\$9,427.00	\$3,665.52		\$13,092.52		\$13,092.52
Ignite Comm. School Fort Worth	8/1/2020	6/30/2026	\$5,000.00			\$5,000.00		\$5,000.00
Garland	7/1/2014	6/30/2024	\$23,275.00	\$1,275.00		\$24,550.00		\$24,550.00
Corinth	7/26/2018	7/31/2022	\$1,000.00			\$1,000.00		\$1,000.00
Eastex-Jensen	7/1/2019	3/30/2024	Greater of \$16000.00 or \$75.00 per ADA			\$16,000.00		\$16,000.00
Houston - Hobby	1/8/2021	6/30/2026	\$25,000.00	\$3,341.50		\$28,341.50		\$28,341.50
Houston - North (at Fallbrook)	6/1/2019	6/30/2022	\$7,750.00			\$7,750.00		\$7,750.00
Houston - Champions	4/1/2021	6/30/2026	\$8,040.83	\$2,460.50	\$(1,754.36)	\$8,746.97		\$8,746.97
Fallbrook	7/1/2016	6/30/2021	Greater of: \$75 ADA or \$15,000.00 min.			\$21,155.40		\$21,155.40

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements For the Year Ended June 30, 2021

OPERATING LEASES (continued)

Houston - North Gallery Furniture	7/15/2020	6/30/2023	Greater of: \$75 ADA or \$6,500.00 min.			\$6,500.00		\$6,500.00
LSC - Atascocita	7/1/2021	6/30/2031	(see notes)	\$8,645.00	(credit to Rent)	\$8,645.00		\$8,645.00
LSC - University Park	8/22/2011	6/30/2024	\$27,245.62		\$8,184.69	\$35,430.31		\$35,430.31
LSC - University Park Visitors Center	7/1/2021	6/30/2031	(see notes)	\$7,055.37	(credit to Rent)	\$7,055.37		\$7,055.37
Westchase	9/18/2019	7/31/2024	greater of \$20,000 or ≤ 300 ADA @ \$80. per >300 but ≤ 600 ADA @ \$65.00 per >600 ADA @ \$60.00 per			\$20,000.00		\$20,000.00
Humble	7/1/2013	6/30/2023	Greater of: \$73.00 ADA or \$2,000.00			\$19,578.60		\$19,578.60
Huntsville	2/10/2020	6/30/2023	\$8,983.33	\$1,182.50		\$10,165.83		\$10,165.83
QCA - Jasper	7/1/2009	6/30/2024	Greater of: \$70.00 ADA or \$4,000.00 Min.			\$6,993.00		\$6,993.00
Lubbock	8/1/2009	6/30/2023	\$14,830.75			\$14,830.75		\$14,830.75
Permian Basin	7/2/2013	6/30/2023	\$16,061.11	\$7,281.89	\$4,798.49	\$28,141.49		\$28,141.49
Midland	8/18/2020	6/30/2026	\$6,765.00	\$2,032.50		\$8,797.50		\$8,797.50
New Braunfels	11/1/2009	6/30/2022	\$8,492.56	\$3,442.20		\$11,934.76		\$11,934.76
Palmview	7/1/2009	6/30/2022	\$11,500.00	\$500.00		\$12,000.00		\$12,000.00
Palmview Portable	7/17/2020	7/6/2022					\$908.40	\$908.40
Pasadena	7/15/2013	6/30/2024	Greater of: \$75 ADA or \$16,000 min			\$16,000.00		\$16,000.00
Pflugerville	7/15/2015	6/30/2023	\$11,505.00	\$1,805.14		\$13,310.14		\$13,310.14
Pharr	7/1/2009	7/31/2021	\$8,640.13			\$8,640.13		\$8,640.13
San Angelo	3/5/2018	6/30/2023	\$5,625.00	\$1,275.00	\$4,589.39	\$10,713.53		\$10,713.53
San Antonio - Windcrest	7/1/2015	6/30/2023	\$14,522.08	\$3,275.46		\$17,797.54		\$17,797.54
San Antonio RD Office	8/24/2018	8/31/2021	\$888.00	\$30.00		\$918.00		\$918.00
San Antonio - Ingram	4/19/2017	6/30/2024	\$13,596.56	\$1,646.17		\$15,242.73		\$15,242.73
Foundation School of Autism - San Antonio	2/1/2011	6/30/2025	\$6,677.91	\$5,651.25		\$12,329.16		\$12,329.16
San Juan	8/1/2008	6/30/2024	\$17,066.67			\$17,066.67		\$17,066.67
Springdale	9/23/2020	6/30/2026	\$10,500.00			\$10,500.00		\$10,500.00
Texarkana	7/1/2016	6/30/2024	\$10,000.00		\$1,870.69	\$11,870.69		\$11,870.69
LSC - University Center The Woodlands	8/1/2013	7/31/2024	\$29,953.51		\$1,398.88	\$31,352.39	\$120.00	\$31,472.39
The Woodlands	8/15/2010	6/30/2022	\$30,030.00			\$30,030.00		\$30,030.00
QCA - Whitewright	estimated 7/1/2021	6/30/2026	Greater of: \$65 ADA or \$1,000 min			\$0.00		\$0.00
Whitewright Portables (2)	6/1/2021	5/31/2022				\$0.00	\$1,760.00	\$1,760.00

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

OPERATING LEASES *(continued)*

Future Minimum Lease Payments

Future minimum lease payments under the leases above are as follows:

06/30/22	9,195,488
06/30/23	7,818,946
06/30/24	5,094,561
06/30/25	2,862,515
Thereafter	5,144,945
Total	<u>\$ 30,116,455</u>

OTHER PAYABLES

The detail of Other Payable are for various items and are miscellaneous in nature.

Description	TCPA	Premier	501(c)(3)	ISD Ptrshp Beaumont	ISD Ptrshp Snyder	Total
Other Misc. Payables	\$ 90,074	\$ -	\$ 18,102,456	\$ 159,297	\$ 1,240	\$ 18,353,067
Totals	<u>\$ 90,074</u>	<u>\$ -</u>	<u>\$ 18,102,456</u>	<u>\$ 159,297</u>	<u>\$ 1,240</u>	<u>\$ 18,353,067</u>

COMMITMENTS AND CONTINGENCIES

The Organization receives funds through federal programs which are governed by various rules and regulations of the grantor. Expenses charged to the grant program are subject to audit and adjustment by the grantor agency. In the opinion of management, there are no contingent liabilities relating to compliance with rules and regulations governing the grants; therefore, no provision has been made in the accompanying financial statements for such contingencies.

ECONOMIC DEPENDENCY

During the year, the Schools received the majority of its revenues from the Texas Education Agency and the Federal Government through a Charter Agreement. The loss of this Charter Agreement would have a material effect on the ability of the Schools to continue to provide the current level of services to its students.

FUNCTION 61 EXPENSES

Function 61 (Community Services) expenses includes a donation of Net Assets Without Donor Restrictions totaling \$10,000,000 to ResponsiveEd USA as a part of a restructure of the ResponsiveEd business. The remaining \$601,004 relates to after school care and other activities outside of regular education services.

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

NOTES PAYABLE

On June 1, 2015, the School issued Series 2015A and 2015B Education Revenue Bonds with a par amount of \$52,150,000 and \$11,815,000 respectively. A portion of the proceeds were used to pay off all existing bank debt of TCPA and Premier at North Star Bank and Bank of America. The remaining proceeds are being used for the construction and updating of educational facilities. The bonds were issued at a premium of \$2,032,953 with an initial interest rate of 5% and 2% respectively, and a term of 30 years.

On August 1, 2016, the School issued Series 2016 Education Revenue Bonds with a par amount of \$63,820,000. The proceeds are being used for the construction and updating of educational facilities. The bonds were issued at a premium of \$4,209,649 with an initial interest rate of 5% and a term of 30 years.

The Organization purchased a building in Lewisville, TX with an original mortgage amount of \$3,504,124. The monthly payment of \$28,306 includes interest at the rate of 5.25% with a term of fifteen years.

The Organization purchased land and a building at 700 Parker Square in Flower Mound, Texas with a mortgage of \$2,295,000 payable in monthly payments of \$18,541 including interest at 5.25% with a term of fifteen years.

On October 26, 2018, a line of credit was obtained, it has an aggregate amount not to exceed \$81,500,000, and will mature December 1, 2021. Advances are limited to once per month and must be a minimum of \$100,000. Funds are NOT to be used for working capital, but only for the construction, renovation, or acquisition of new educational facilities. Interest payments (at a rate equal to the index rate (LIBOR + 1.25%)) are due monthly, commencing June 1, 2019. At June 30, 2021, the line of credit balance was zero.

During the fiscal year ending June 30, 2021, Responsive Education Holdings, LLC, the wholly owned subsidiary of Responsive Education Solutions, issued Series 2020A and 2020B Revenue bonds with a par amount of \$17,395,000 and \$2,460,000 respectively. A portion of the bonds were used to payoff three real estate loans in Arkansas.

During the fiscal year ending June 30, 2021, the school issued Series 2021A and 2021B Revenue bonds with a par amount of \$134,805,000 and \$14,830,000 respectively. A portion of the bonds were used to payoff the outstanding line of credit in the amount of \$73,130,095.

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

NOTES PAYABLE (continued)

Long Term Debt activity for the year ended June 30, 2021 was as follows:

	Balance at 6/30/20	Additions	Retirements	Balance 06/30/21	Current Portion
TCPA					
Series 2015A Education Rev Bonds	\$ 50,070,000	\$ -	\$ (1,115,000)	\$ 48,955,000	\$ 1,170,000
Series 2015B Education Rev Bonds	11,290,000	-	(275,000)	11,015,000	285,000
Series 2016 Education Rev Bonds	60,120,000	-	(1,265,000)	58,855,000	1,290,000
Series 2021A Education Rev Bonds	-	134,805,000	-	134,805,000	-
Series 2021B Bonds	-	14,830,000	-	14,830,000	-
Line of Credit	54,905,800	18,224,295	(73,130,095)	-	-
Sub-Total	<u>176,385,800</u>	<u>167,859,295</u>	<u>(75,785,095)</u>	<u>268,460,000</u>	<u>2,745,000</u>
Premium on Bonds Payable	5,309,405	19,823,427	(263,142)	24,869,690	-
Total T CPA	<u>\$ 181,695,205</u>	<u>\$ 187,682,722</u>	<u>\$ (76,048,237)</u>	<u>\$ 293,329,690</u>	<u>\$ 2,745,000</u>
501(c)(3)					
Independent Bank (Lakeway)	\$ 2,221,398	\$ -	\$ (236,463)	\$ 1,984,935	\$ 241,461
Independent Bank (700 Parker Sq)	1,514,703	-	(151,079)	1,363,624	154,742
Independent Bank (Little Rock, Rahling Road)	4,011,535	-	(4,011,535)	-	-
Independent Bank (Little Rock, Land)	2,425,000	-	(2,425,000)	-	-
Bank of Arkansas (Bentonville)	6,052,847	-	(6,052,847)	-	-
Series 2020A Bonds*	-	17,395,000	-	17,395,000	-
Series 2020B Bonds*	-	2,460,000	-	2,460,000	-
Total 501c3	<u>\$ 16,225,483</u>	<u>\$ 19,855,000</u>	<u>\$ (12,876,924)</u>	<u>\$ 23,203,559</u>	<u>\$ 396,203</u>
Long Term Debt Totals	<u>\$ 197,920,688</u>	<u>\$ 207,537,722</u>	<u>\$ (88,925,161)</u>	<u>\$ 316,533,249</u>	<u>\$ 3,141,203</u>

*Bond obligation resides in Responsive Education Holdings, wholly owned subsidiary of Responsive Education Solutions.

Future debt requirements are as follows:

June 30,	Principal	Interest	Total
2022	3,141,203	9,464,841	\$ 12,606,044
2023	6,216,344	10,213,513	16,429,856
2024	6,763,735	10,026,501	16,790,236
2025	6,987,331	9,814,380	16,801,711
2026	7,207,196	9,583,970	16,791,166
2027-2031	39,728,858	43,230,772	82,959,630
2032-2036	47,175,000	34,176,200	81,351,200
2037-2041	57,443,892	24,244,813	81,688,705
2042-2046	64,545,000	13,847,251	78,392,251
2047-2051	43,560,000	5,130,400	48,690,400
2052	8,895,000	163,025	9,058,025
	<u>\$ 291,663,559</u>	<u>\$ 169,895,665</u>	<u>\$ 461,559,224</u>

NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021, the Organization had net assets with donor restrictions of \$77,688,947. These funds represent funds that are restricted as to their expendability in certain Federal, State and Local programs. The funds are not free to be expended in any way the Organization desires. The restricted funds at year end are as follows:

State and Federal Programs	<u>\$ 77,688,947</u>
Total	<u>\$ 77,688,947</u>

RESPONSIVE EDUCATION SOLUTIONS

Notes to Financial Statements
For the Year Ended June 30, 2021

NET ASSETS WITHOUT DONOR RESTRICTIONS

As part of a restructure of the ResponsiveEd business, Responsive Education Solutions will donate the Net Assets Without Donor Restrictions designated below, under the schedule of Net Assets Without Donor Restrictions, to ResponsiveEd USA over the next 3-5 years. During the fiscal year ended June 30, 2021, Responsive Education Solutions donated \$10,000,000 of these Net Assets Without Donor Restriction, as designated in this same schedule. The purpose of this donation is to enable ResponsiveEd to strengthen and expand the educational programs of the entire organization.

501(c)(3) Net Assets Without Donor Restrictions, June 30 2021

501c3 Net Assets Without Donor Restriction at June 30, 2020	\$	20,245,764
Net Increase(decrease) for the Year ended June 30, 2021	\$	<u>(1,475,644)</u>
501c3 Net Assets Without Donor Restriction at June 30, 2021	\$	18,770,120
Donation of Net Assets Without Donor Restriction	\$	<u>(10,000,000)</u>
501c3 Net Assets Without Donor Restriction at June 30, 2021	\$	<u><u>8,770,120</u></u>

CASH DEPOSIT RISK

The Organization's bank holds collateral to insure bank deposit balances of all state and federal funds that exceed Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2021, local fund deposit balances were fully covered by FDIC insurance and collateralization held by the bank.

ADMINISTRATIVE FEES

For the year ended June 30, 2021, TCPA paid \$19,864,642 and Premier paid \$7,886,855 in administrative fees to Responsive Education Solutions, Inc., the 501(c)(3) charter holder. The fees are unrestricted in nature to the 501(c)(3). These numbers have been eliminated from the combined Statement of Activities on pages 6 & 7.

CHARTER MANAGEMENT FEES

A charter management agreement between Responsive Education Solutions and Blue Learning, a related 501(c)(3) organization, and approved by Texas Education Agency, became effective November 1, 2020. Under the terms of the agreement a percentage of the administrative fees received by Responsive Education Solutions are paid to Blue Learning for administrative services and other supporting services provided by Blue Learning. The charter management fees paid by Responsive Education Solutions to Blue Learning for the year ended June 30, 2021 amounted to \$9,130,211.

SUBSEQUENT EVENTS

The School has evaluated subsequent events through November 3, 2021, the date which the financial statements were available to be issued.

COMBINING SCHEDULES

RESPONSIVE EDUCATION SOLUTIONSStatement of Financial Position by Entity
June 30, 2021

	Texas College Preparatory Academies	Premier High Schools	501(c)(3)
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$123,744,428	\$ 19,393,963	\$ 23,778,122
Due from State and Federal Agencies	30,357,826	9,794,945	498,706
Other Receivables	10,061	377	136,735
Intercompany Receivables (Payables)	-	-	-
Receivables from Other Charters	-	-	403,385
Inventory	-	-	235,568
Prepaid Expenses	224,228	668,584	241,464
Total Current Assets	<u>154,336,543</u>	<u>29,857,869</u>	<u>25,293,980</u>
Property & Equipment:			
Land	42,513,328	5,298,455	8,352,263
Building & Improvements	174,131,961	20,053,487	21,196,759
Vehicles	17,471	15,000.00	256,448
Furniture & Equipment	7,636,858	2,266,709	967,406
Leasehold Improvements	813,082	1,922,495	39,864
Library Books & Media	210,177	-	78,686
Construction in Progress	20,332,839	992,763	1,271,929
Accumulated Depreciation	<u>(21,492,004)</u>	<u>(4,668,164)</u>	<u>(3,101,015)</u>
Total Property & Equipment	<u>224,163,712</u>	<u>25,880,745</u>	<u>29,062,340</u>
Other Assets:			
Other Assets	<u>8,057,525</u>	<u>240,994</u>	<u>1,046,455</u>
Total Other Assets	<u>8,057,525</u>	<u>240,994</u>	<u>1,046,455</u>
Total Assets	<u>\$386,557,780</u>	<u>\$ 55,979,608</u>	<u>\$ 55,402,775</u>

The notes to the financial statements are an integral part of this statement.

RESPONSIVE EDUCATION SOLUTIONS

Statement of Financial Position by Entity

June 30, 2021

(Continued)

<u>501(c)(3) continued</u>		
<u>ISD Partnership Beaumont</u>	<u>ISD Partnership Snyder</u>	<u>Total</u>
\$ 177,261	\$ 1,412,777	\$168,506,551
-	-	40,651,477
-	(26,364)	120,809
-	-	-
-	-	403,385
-	-	235,568
-	-	1,134,276
<u>177,261</u>	<u>1,386,413</u>	<u>211,052,066</u>
-	-	56,164,046
-	-	215,382,207
-	-	288,919
-	-	10,870,973
-	-	2,775,441
-	-	288,863
-	-	22,597,531
-	-	<u>(29,261,183)</u>
-	-	<u>279,106,797</u>
-	-	9,344,974
-	-	<u>9,344,974</u>
<u>\$ 177,261</u>	<u>\$ 1,386,413</u>	<u>\$499,503,837</u>

The notes to the financial statements are an integral part of this statement.

RESPONSIVE EDUCATION SOLUTIONS

Statement of Financial Position by Entity

June 30, 2021

(continued)

	Texas College Preparatory Academies	Premier High Schools	501(c)(3)
LIABILITIES & NET ASSETS			
Current Liabilities:			
Accounts Payable	\$ 6,016,973	\$ 1,194,879	2,489,673
Other Payables	90,074	-	18,102,456
Accrued Wages Payable	6,400,767	2,067,278	1,377,186
Accrued Benefits Payable	273,495	105,057	(289,461)
Accrued Expenses	4,970,944	801,634	36,772
Current Portion of Long Term Debt	2,745,000	-	396,203
Deferred Revenue	-	-	108,539
Total Current Liabilities	<u>20,497,253</u>	<u>4,168,848</u>	<u>22,221,368</u>
Long-Term Liabilities:			
Line of Credit	-	-	-
Bonds Payable	265,715,000	-	19,855,000
Notes Payable	-	-	2,952,357
Premium on Bonds Payable	24,869,689	-	-
Total Long Term Liabilities	<u>290,584,689</u>	<u>-</u>	<u>22,807,357</u>
Net Assets:			
Without Donor Restrictions	32,680,632	18,520,949	8,770,120
With Donor Restrictions	42,795,206	33,289,811	1,603,930
Total Net Assets	<u>75,475,838</u>	<u>51,810,760</u>	<u>10,374,050</u>
Total Liabilities & Net Assets	<u>\$ 386,557,780</u>	<u>\$ 55,979,608</u>	<u>\$ 55,402,775</u>

The notes to the financial statements are an integral part of this statement.

RESPONSIVE EDUCATION SOLUTIONS

Statement of Financial Position by Entity

June 30, 2021

(continued)

<i>501(c)(3) continued</i>		
<u>ISD Partnership Beaumont</u>	<u>ISD Partnership Snyder</u>	<u>Total</u>
\$ -	\$ 375,828	\$ 10,077,353
159,297	1,240	18,353,067
-	-	9,845,231
-	-	89,091
-	-	5,809,350
-	-	3,141,203
-	(4,995)	103,544
<u>159,297</u>	<u>372,073</u>	<u>47,418,839</u>
-	-	-
-	-	285,570,000
-	-	2,952,357
-	-	24,869,689
<u>-</u>	<u>-</u>	<u>313,392,046</u>
17,964	1,014,340	61,004,005
-	-	77,688,947
<u>17,964</u>	<u>1,014,340</u>	<u>138,692,952</u>
<u>\$ 177,261</u>	<u>\$ 1,386,413</u>	<u>\$ 499,503,837</u>

The notes to the financial statements are an integral part of this statement.

RESPONSIVE EDUCATION SOLUTIONS

Statement of Activities by Entity
For the Year Ended June 30, 2021

	Texas College Preparatory Academies		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE & OTHER SUPPORT			
Local Support:			
5729 Service to Other Districts	\$ -	\$ -	\$ -
5742 Interest Income	338,803	-	338,803
5743 Rent Income	29,863	-	29,863
5744 Gifts & Bequests	341,472	-	341,472
5747 ERate Refund	67,351	-	67,351
5748 Curriculum Sales	-	-	-
5749 Other Revenue	1,868,944	-	1,868,944
5751 Food Service Fees	26,663	-	26,663
5752 Athletics Revenue	-	-	-
5753 Cocurricular Activities	39,251	-	39,251
5755 Enterprising Services Revenue	15,074	-	15,074
5759 Cocurricular Enterprising Services	20,005	-	20,005
5769 Admin Fee Revenues	-	-	-
Total Local Support	<u>2,747,426</u>	<u>-</u>	<u>2,747,426</u>
State Program Revenues:			
5811 Per Capita Apportionment	-	6,081,627	6,081,627
5812 State Foundation Program	-	138,223,702	138,223,702
5819 Other State Foundation	-	85,381	85,381
5829 Instructional Materials Allotment	-	2,116,658	2,116,658
5831 Other State Revenue	-	-	-
Total State Program Revenues	<u>-</u>	<u>146,507,368</u>	<u>146,507,368</u>
Federal Program Revenues:			
5921 Breakfast Program	-	760,247	760,247
5922 National School Lunch	-	1,720,601	1,720,601
5923 Donated Commodities	-	140,998	140,998
5929 Title I, Part A	-	2,050,319	2,050,319
5929 IDEA-Part B Formula	-	834,030	834,030
5929 Title II, Part A	-	245,899	245,899
5929 Title III, Part A, ELA	-	141,829	141,829
5929 Title IV Part A, CSP Grant #1	-	1,159,805	1,159,805
5929 Title IV Part A, CSP Grant #2	-	-	-
5929 LEP Summer/Other Federal Programs	-	219,748	219,748
5929 Academic Enrichment	-	-	-
5929 COVID-19 ESSER I	-	1,144,252	1,144,252
5929 COVID-19 CRF PPRP	-	772,370	772,370
5929 Other Federal Programs	-	205,710	205,710
Total Federal Program Revenues	<u>-</u>	<u>9,395,808</u>	<u>9,395,808</u>
Net Assets Released from Restrictions	<u>156,997,050</u>	<u>(156,997,050)</u>	<u>-</u>
Total Revenue & Other Support	<u>\$ 159,744,476</u>	<u>\$ (1,093,874)</u>	<u>\$ 158,650,602</u>

The notes to the financial statements are an integral part of this statement.

RESPONSIVE EDUCATION SOLUTIONS
Statement of Activities by Entity *(continued)*
For the Year Ended June 30, 2021

Premier High Schools			501(c)(3)	
Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions
\$ -	\$ -	\$ -	\$ 352,070	\$ -
118,968	-	118,968	122,785	-
-	-	-	2,827,569	-
29,307	-	29,307	3,175	-
89,582	-	89,582	14,731	-
-	-	-	681,834	-
123,180	-	123,180	29,300,380	-
67	-	67	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>361,104</u>	<u>-</u>	<u>361,104</u>	<u>33,302,544</u>	<u>-</u>
-	2,291,904	2,291,904	-	-
-	56,238,988	56,238,988	-	-
-	70,875	70,875	-	-
-	814,516	814,516	-	-
-	-	-	-	-
<u>-</u>	<u>59,416,283</u>	<u>59,416,283</u>	<u>-</u>	<u>-</u>
-	118,768	118,768	-	-
-	156,588	156,588	-	-
-	49,368	49,368	-	-
-	2,066,722	2,066,722	-	-
-	689,555	689,555	-	-
-	74,736	74,736	-	-
-	110,186	110,186	-	-
-	356,876	356,876	-	1,459,365
-	1,918,360	1,918,360	-	453,331
-	-	-	-	-
-	85,315	85,315	-	-
-	782,468	782,468	-	-
-	411,440	411,440	-	-
-	73,895	73,895	-	-
<u>-</u>	<u>6,894,277</u>	<u>6,894,277</u>	<u>-</u>	<u>1,912,696</u>
<u>67,608,254</u>	<u>(67,608,254)</u>	<u>-</u>	<u>1,912,696</u>	<u>(1,912,696)</u>
<u>\$ 67,969,358</u>	<u>\$ (1,297,694)</u>	<u>\$ 66,671,664</u>	<u>\$ 35,215,240</u>	<u>\$ -</u>

RESPONSIVE EDUCATION SOLUTIONS
Statement of Activities by Entity *(continued)*
For the Year Ended June 30, 2021

	501(c)(3) continued		
	ISD Partnership Beaumont	ISD Partnership Snyder	501c3 Total
REVENUE & OTHER SUPPORT			
Local Support:			
5729 Service to Other Districts	\$ 2,360,699	\$ 1,482,256	\$ 4,195,025
5742 Interest Income	-	-	122,785
5743 Rent Income	-	-	2,827,569
5744 Gifts & Bequests	-	-	3,175
5747 ERate Refund	-	-	14,731
5748 Curriculum Sales	-	-	681,834
5749 Other Revenue	-	-	29,300,380
5751 Food Service Fees	-	-	-
5752 Athletics Revenue	-	-	-
5753 Cocurricular Activities	-	-	-
5755 Enterprising Services Revenue	-	-	-
5759 Cocurricular Enterprising Services	-	-	-
5769 Admin Fee Revenues	-	-	-
Total Local Support	<u>2,360,699</u>	<u>1,482,256</u>	<u>37,145,499</u>
State Program Revenues:			
5811 Per Capita Apportionment	-	-	-
5812 State Foundation Program	-	-	-
5819 Other State Foundation	-	-	-
5829 Instructional Materials Allotment	-	-	-
5831 Other State Revenue	-	-	-
Total State Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Federal Program Revenues:			
5921 Breakfast Program	-	-	-
5922 National School Lunch	-	-	-
5923 Donated Commodities	-	-	-
5929 Title I, Part A	-	-	-
5929 IDEA-Part B Formula	-	-	-
5929 Title II, Part A	-	-	-
5929 Title III, Part A, ELA	-	-	-
5929 Title IV Part A, CSP Grant #1	-	-	1,459,365
5929 Title IV Part A, CSP Grant #2	-	-	453,331
5929 LEP Summer/Other Federal Programs	-	-	-
5929 Academic Enrichment	-	-	-
5929 COVID-19 ESSER I	-	-	-
5929 COVID-19 CRF PPRP	-	-	-
5929 Other Federal Programs	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>-</u>	<u>1,912,696</u>
Net Assets Released from Restrictions	-	-	-
Total Revenue & Other Support	<u>\$ 2,360,699</u>	<u>\$ 1,482,256</u>	<u>\$ 39,058,195</u>

RESPONSIVE EDUCATION SOLUTIONS
Statement of Activities by Entity *(continued)*
For the Year Ended June 30, 2021

TOTAL		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 4,195,025	\$ -	\$ 4,195,025
580,556	-	580,556
2,857,432	-	2,857,432
373,954	-	373,954
171,664	-	171,664
681,834	-	681,834
31,292,504	-	31,292,504
26,730	-	26,730
-	-	-
39,251	-	39,251
15,074	-	15,074
20,005	-	20,005
-	-	-
40,254,029	-	40,254,029
-	8,373,531	8,373,531
-	194,462,690	194,462,690
-	156,256	156,256
-	2,931,174	2,931,174
-	-	-
-	205,923,651	205,923,651
-	879,015	879,015
-	1,877,189	1,877,189
-	190,366	190,366
-	4,117,041	4,117,041
-	1,523,585	1,523,585
-	320,635	320,635
-	252,015	252,015
-	2,976,046	2,976,046
-	2,371,691	2,371,691
-	219,748	219,748
-	85,315	85,315
-	1,926,720	1,926,720
-	1,183,810	1,183,810
-	279,605	279,605
-	18,202,781	18,202,781
226,518,000	(226,518,000)	-
\$ 266,772,029	\$ (2,391,568)	\$ 264,380,461

RESPONSIVE EDUCATION SOLUTIONS
Statement of Activities by Entity *(continued)*
For the Year Ended June 30, 2021

	Texas College Preparatory Academies		
	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES			
11 Instruction	\$ 89,095,751	\$ -	\$ 89,095,751
12 Instructional Resources & Media Services	7,093	-	7,093
13 Curriculum Dev. & Instructional Staff Dev.	6,326,078	-	6,326,078
21 Instructional Leadership	3,288,002	-	3,288,002
23 School Leadership	13,489,650	-	13,489,650
31 Guidance, Counseling & Evaluation Services	745,738	-	745,738
32 Social Work Services	15	-	15
33 Health Services	1,250,381	-	1,250,381
34 Student (Pupil) Transportation	-	-	-
35 Food Services	3,596,051	-	3,596,051
36 Cocurricular/Extracurricular Activities	757,158	-	757,158
41 General Administration	7,775,809	-	7,775,809
51 Plant Maintenance & Operations	13,038,915	-	13,038,915
52 Security & Monitoring Services	529,815	-	529,815
53 Data Processing Services	2,748,277	-	2,748,277
71 Debt Service	6,263,334	-	6,263,334
81 Fundraising	1,201,969	-	1,201,969
Total Expenses	150,114,036	-	150,114,036
 Change in Net Assets from Operations	 9,630,440	 (1,093,874)	 8,536,566
61 Community Services	475,961	-	475,961
Increase/(decrease) in Net Assets	9,154,479	(1,093,874)	8,060,605
Gain (Loss) on Disposal of Fixed Asset	78,369	-	78,369
Net Assets, Beginning of Year	23,447,784	43,889,080	67,336,864
Net Assets, End of Year	\$ 32,680,632	\$ 42,795,206	\$ 75,475,838

RESPONSIVE EDUCATION SOLUTIONS
Statement of Activities by Entity *(continued)*
For the Year Ended June 30, 2021

Premier High Schools			501(c)(3)	
Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions
\$ 29,048,212	\$ -	\$ 29,048,212	1,406,332	\$ -
65	-	65	-	-
2,643,751	-	2,643,751	1,097,281	-
1,541,941	-	1,541,941	4,897,348	-
6,862,307	-	6,862,307	565,489	-
555,125	-	555,125	662,345	-
-	-	-	-	-
462,026	-	462,026	71,726	-
7,327	-	7,327	-	-
690,590	-	690,590	183,678	-
3,465	-	3,465	-	-
3,023,656	-	3,023,656	18,391,933	-
4,662,702	-	4,662,702	3,755,743	-
243,555	-	243,555	48,107	-
1,232,860	-	1,232,860	4,271,336	-
118,132	-	118,132	879,213	-
1,107,643	-	1,107,643	1,118,465	-
<u>52,203,357</u>	<u>-</u>	<u>52,203,357</u>	<u>37,348,996</u>	<u>-</u>
15,766,001	(1,297,694)	14,468,307	(2,133,756)	-
124,887	-	124,887	10,000,000	-
<u>15,641,114</u>	<u>(1,297,694)</u>	<u>14,343,420</u>	<u>(2,133,756)</u>	<u>-</u>
-	-	-	658,112	-
<u>2,879,835</u>	<u>34,587,505</u>	<u>37,467,340</u>	<u>20,245,764</u>	<u>1,603,930</u>
<u>\$ 18,520,949</u>	<u>\$ 33,289,811</u>	<u>\$ 51,810,760</u>	<u>\$ 8,770,120</u>	<u>\$ 1,603,930</u>

RESPONSIVE EDUCATION SOLUTIONS
Statement of Activities by Entity *(continued)*
For the Year Ended June 30, 2021

	501(c)(3) continued		
	ISD Partnership	ISD Partnership	Total
	Beaumont	Snyder	
EXPENSES			
11 Instruction	\$ 2,146,881	\$ 193,098	\$ 3,746,311
12 Instructional Resources & Media Services	-	-	-
13 Curriculum Dev. & Instructional Staff Dev.	31,245	82,372	1,210,898
21 Instructional Leadership	15,354	28,958	4,941,660
23 School Leadership	306,616	141,590	1,013,695
31 Guidance, Counseling & Evaluation Services	9,893	-	672,238
32 Social Work Services	-	-	-
33 Health Services	372	-	72,098
34 Student (Pupil) Transportation	-	-	-
35 Food Services	-	-	183,678
36 Cocurricular/Extracurricular Activities	420	-	420
41 General Administration	347,601	11,059	18,750,593
51 Plant Maintenance & Operations	21,192	4,332	3,781,267
52 Security & Monitoring Services	1,351	-	49,458
53 Data Processing Services	-	-	4,271,336
71 Debt Service	-	-	879,213
81 Fundraising	58,462	-	1,176,927
Total Expenses	<u>2,939,387</u>	<u>461,409</u>	<u>40,749,792</u>
Change in Net Assets from Operations	(578,688)	1,020,847	(1,691,597)
61 Community Services	156	-	10,000,156
Increase/(decrease) in Net Assets	<u>(578,844)</u>	<u>1,020,847</u>	<u>(11,691,753)</u>
Gain (Loss) on Disposal of Fixed Asset	-	-	658,112
Net Assets, Beginning of Year	<u>596,808</u>	<u>(6,507)</u>	<u>22,439,995</u>
Net Assets, End of Year	<u>\$ 17,964</u>	<u>\$ 1,014,340</u>	<u>\$ 11,406,354</u>

RESPONSIVE EDUCATION SOLUTIONS
Statement of Activities by Entity *(continued)*
For the Year Ended June 30, 2021

TOTAL		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 121,890,274	\$ -	\$121,890,274
7,158	-	7,158
10,180,727	-	10,180,727
9,771,603	-	9,771,603
21,365,652	-	21,365,652
1,973,101	-	1,973,101
15	-	15
1,784,505	-	1,784,505
7,327	-	7,327
4,470,319	-	4,470,319
761,043	-	761,043
29,550,058	-	29,550,058
21,482,884	-	21,482,884
822,828	-	822,828
8,252,473	-	8,252,473
7,260,679	-	7,260,679
3,486,539	-	3,486,539
243,067,185	-	243,067,185
23,704,844	(2,391,568)	21,313,276
10,601,004	-	10,601,004
13,103,840	(2,391,568)	10,712,272
736,481	-	736,481
47,163,684	80,080,515	127,244,199
\$ 61,004,005	\$ 77,688,947	\$138,692,952

RESPONSIVE EDUCATION SOLUTIONS

Statement of Cash Flows by Entity For the Year Ended June 30, 2021

	Texas College Preparatory Academies	Premier High Schools	501(c)(3)	TOTAL
Cash Flows from Operating Activities:				
Cash from Local Sources	\$ 2,658,996	\$ 360,727	\$ 35,973,731	\$ 38,993,454
Cash from State Programs	118,911,000	51,235,573	-	170,146,573
Cash from Federal Programs	6,634,350	5,280,042	1,413,990	13,328,382
Cash Paid to Suppliers	(15,395,573)	(16,436,995)	(17,803,966)	(49,636,534)
Cash Paid to Employees	(79,104,075)	(26,200,177)	(16,413,906)	(121,718,158)
Cash Paid for Interest	(4,706,044)	-	(336,638)	(5,042,682)
Net Cash Provided by/(Used in) Operating Activities	<u>28,998,654</u>	<u>14,239,170</u>	<u>2,833,211</u>	<u>46,071,035</u>
Cash Flows from Investing Activities:				
Purchase of Capital Assets	(48,976,092)	(16,297,907)	(15,690,229)	(80,964,228)
Cash Proceeds from Disposal of Capital Assets	8,886,236	6,356,257	14,249,045	29,491,538
Net Cash Provided by/(Used in) Investing Activities	<u>(40,089,856)</u>	<u>(9,941,650)</u>	<u>(1,441,184)</u>	<u>(51,472,690)</u>
Cash Flows from Financing Activities:				
Proceeds from New Debt	167,859,295	-	19,855,000	187,714,295
Payments on Debt	(75,785,095)	-	(12,876,924)	(88,662,019)
Net Cash Provided by/(Used in) Financing Activities	<u>92,074,200</u>	<u>-</u>	<u>6,978,076</u>	<u>99,052,276</u>
Net Increase/(Decrease) in Cash	80,982,998	4,297,520	8,370,103	93,650,621
Cash at Beginning of Year	<u>42,761,430</u>	<u>15,096,443</u>	<u>16,998,057</u>	<u>74,855,930</u>
Cash at End of Year	<u>\$ 123,744,428</u>	<u>\$ 19,393,963</u>	<u>\$ 25,368,160</u>	<u>\$ 168,506,551</u>
Reconciliation of Change in Net Assets to Net Cash Provided by/(Used in) Operating Activities				
Change in Net Assets	\$ 8,060,605	\$ 14,343,420	\$ (11,691,753)	10,712,272
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by/(Used in) by Operating Activities:				
Depreciation	5,417,146	1,070,369	632,207	7,119,722
Amortization	-	-	-	-
(Gain)/Loss on Disposal of Assets	(78,369)	-	(658,112)	(736,481)
(Increase)/Decrease in Operating Assets				
Due from State and Federal Agencies	(5,817,737)	(1,702,618)	(451,906)	(7,972,261)
Other Receivables	468,896	422,050	118,947	1,009,893
Receivables from Other Charters	708,461	(404,645)	(707,201)	(403,385)
Inventory	-	-	(37,334)	(37,334)
Prepaid Expenses	170,432	(360,513)	(2,039,205)	(2,229,286)
Other Assets	(6,070,828)	(16,985)	(2,040,902)	(8,128,715)
Increase/(Decrease) in Operating Liabilities				
Accounts Payable	3,279,115	476,366	2,606,298	6,361,779
Other Payables	86,574	-	18,124,969	18,211,543
Due to State	-	-	-	-
Accrued Wages and Benefits Payable	908,589	(228,398)	(808,814)	(128,623)
Retainage Payable	-	-	-	-
Accrued Expenses	2,305,486	640,124	(314,288)	2,631,322
Deferred Revenue	-	-	100,305	100,305
Bond Premium	19,560,284	-	-	19,560,284
Net Adjustments	<u>20,938,049</u>	<u>(104,250)</u>	<u>14,524,964</u>	<u>35,358,763</u>
Net Cash Provided by/(Used in) Operating Activities	<u>\$ 28,998,654</u>	<u>\$ 14,239,170</u>	<u>\$ 2,833,211</u>	<u>\$ 46,071,035</u>

REQUIRED TEA SCHEDULES

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RESPONSIVE EDUCATION SOLUTIONS

Statement of Expenses by Entity
For the Year ended June 30, 2021

	Texas College Preparatory Academies	Premier High Schools	Total
EXPENSES & OTHER LOSSES			
6100 Payroll Costs	\$ 85,778,337	\$28,372,512	\$ 114,150,849
6200 Professional & Contracted Services	17,414,824	8,886,861	26,301,685
6300 Supplies & Materials	12,734,039	4,560,190	17,294,229
6400 Other Operating Costs	28,399,463	10,390,549	38,790,012
6500 Debt Expense	6,263,334	118,132	6,381,466
	<u>\$ 150,589,997</u>	<u>\$52,328,244</u>	<u>\$ 202,918,241</u>

The notes to the financial statements are an integral part of this statement.

RESPONSIVE EDUCATION SOLUTIONS

Schedule of Capital Assets by Entity
 For the Year ended June 30, 2021

	Texas College Preparatory Academies			
	Ownership Interest			
	Local	State	Federal	Total
CAPITAL ASSETS				
1100 Cash	\$ -	\$ 123,744,428	\$ -	\$ 123,744,428
1510 Land	-	42,513,328	-	42,513,328
1520 Buildings & Improvements	-	174,131,961	-	174,131,961
1521 Construction in Progress	-	20,332,839	-	20,332,839
1531 Vehicles	-	17,471	-	17,471
1539 Furniture & Equipment	-	7,636,858	-	7,636,858
1550 Leasehold Improvements	-	813,082	-	813,082
1569 Licenses & Media	-	210,177	-	210,177
Total Capital Assets	<u>\$ -</u>	<u>\$ 369,400,144</u>	<u>\$ -</u>	<u>\$ 369,400,144</u>

The notes to the financial statements are an integral part of this statement.

RESPONSIVE EDUCATION SOLUTIONS
Schedule of Capital Assets by Entity (*Continued*)
For the Year ended June 30, 2021

Premier High Schools			
Ownership Interest			
Local	State	Federal	Total
\$ -	\$ 19,393,963	\$ -	\$ 19,393,963
-	5,298,455	-	5,298,455
-	20,053,487	-	20,053,487
-	992,763	-	992,763
-	15,000	-	15,000
-	2,266,709	-	2,266,709
-	1,922,495	-	1,922,495
-	-	-	-
\$ -	\$ 49,942,872	\$ -	\$ 49,942,872

The notes to the financial statements are an integral part of this statement.

RESPONSIVE EDUCATION SOLUTIONS
 Budgetary Comparison Schedule by Charter
 For the Year ended June 30, 2021

	Texas College Preparatory Academies			
	Budgeted Amounts		Actual Amounts	Variance Pos/(Neg) from Final Budget
	Original	Final		
REVENUE & OTHER SUPPORT				
Local Support:				
5700 Revenue from Local Sources	\$ 7,069,189	\$ 2,414,135	\$ 2,747,426	\$ 333,291
Total Local Revenue	<u>7,069,189</u>	<u>2,414,135</u>	<u>2,747,426</u>	<u>333,291</u>
State Program Revenue:				
5800 State Program Revenue	144,270,679	146,088,926	146,507,368	418,442
Total State Revenue	<u>144,270,679</u>	<u>146,088,926</u>	<u>146,507,368</u>	<u>418,442</u>
Federal Program Revenue:				
5900 Federal Program Revenue	15,764,184	17,863,591	9,395,808	(8,467,783)
Total Federal Revenue	<u>15,764,184</u>	<u>17,863,591</u>	<u>9,395,808</u>	<u>(8,467,783)</u>
Total Revenue & Other Support	<u>167,104,052</u>	<u>166,366,652</u>	<u>158,650,602</u>	<u>(7,716,050)</u>
EXPENSES				
11 Instruction	91,405,798	94,280,016	89,095,751	5,184,265
12 Instructional Resources & Media	44,980	58,234	7,093	51,141
13 Curriculum & Instructional Staff Dev.	6,749,857	6,432,513	6,326,078	106,435
21 Instructional Leadership	3,339,398	3,353,869	3,288,002	65,867
23 School Leadership	15,525,785	15,303,965	13,489,650	1,814,315
31 Guidance, Counseling & Evaluation	810,243	749,979	745,738	4,241
32 Social Work	38,850	38,850	15	38,835
33 Health Services	2,192,597	2,263,508	1,250,381	1,013,127
34 Student (Pupil) Transportation	15,715	15,715	-	15,715
35 Food Services	3,793,975	3,851,995	3,596,051	255,944
36 Cocurricular/Extracurricular Activities	247,346	1,257,367	757,158	500,209
41 General Administration	7,308,027	7,775,809	7,775,809	-
51 Plant Maintenance & Operations	13,681,088	13,983,952	13,038,915	945,037
52 Security & Monitoring Services	1,029,030	1,444,997	529,815	915,182
53 Data Processing Services	2,377,120	2,748,277	2,748,277	-
61 Community Services	911,177	1,279,184	475,961	803,223
71 Debt Service	5,971,991	6,390,074	6,263,334	126,740
81 Fundraising	724,391	1,258,959	1,201,969	56,990
Total Expenses	<u>156,167,368</u>	<u>162,487,263</u>	<u>150,589,997</u>	<u>11,897,266</u>
Change in Net Assets	10,936,684	3,879,389	8,060,605	4,181,216
Gain (Loss) on Disposal of Fixed Asset	-	-	78,369	78,369
Net Assets, Beginning of Year	<u>67,336,864</u>	<u>67,336,864</u>	<u>67,336,864</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 78,273,548</u>	<u>\$ 71,216,253</u>	<u>\$ 75,475,838</u>	<u>\$ 4,259,585</u>

The notes to the financial statements are an integral part of this statement.

RESPONSIVE EDUCATION SOLUTIONS

Budgetary Comparison Schedule by Charter *(continued)*
For the Year ended June 30, 2021

Premier High Schools			
Budgeted Amounts		Actual Amounts	Variance Pos/(Neg) from Final Budget
Original	Final		
\$ 2,463,708	\$ 63,476	\$ 361,104	\$ 297,628
<u>2,463,708</u>	<u>63,476</u>	<u>361,104</u>	<u>297,628</u>
59,390,284	60,332,860	59,416,283	(916,577)
<u>59,390,284</u>	<u>60,332,860</u>	<u>59,416,283</u>	<u>(916,577)</u>
17,920,829	21,673,761	6,894,277	(14,779,484)
<u>17,920,829</u>	<u>21,673,761</u>	<u>6,894,277</u>	<u>(14,779,484)</u>
79,774,821	82,070,097	66,671,664	(15,398,433)
39,994,829	42,872,117	29,048,212	13,823,905
39,900	39,900	65	39,835
4,623,775	4,688,831	2,643,751	2,045,080
1,732,683	1,790,050	1,541,941	248,109
8,718,173	9,022,725	6,862,307	2,160,418
575,506	555,125	555,125	-
39,900	39,900	-	39,900
862,972	899,952	462,026	437,926
93,289	93,289	7,327	85,962
1,144,911	1,144,911	690,590	454,321
45,887	96,998	3,465	93,533
3,453,449	3,245,134	3,023,656	221,478
7,428,228	7,873,697	4,662,702	3,210,995
658,725	901,661	243,555	658,106
1,121,570	1,232,860	1,232,860	-
718,031	1,025,849	124,887	900,962
209,457	375,943	118,132	257,811
1,459,190	1,560,027	1,107,643	452,384
<u>72,920,475</u>	<u>77,458,969</u>	<u>52,328,244</u>	<u>25,130,725</u>
6,854,346	4,611,128	14,343,420	(40,529,158)
-	-	-	-
<u>37,467,340</u>	<u>37,467,340</u>	<u>37,467,340</u>	<u>-</u>
<u>\$ 44,321,686</u>	<u>\$ 42,078,468</u>	<u>\$ 51,810,760</u>	<u>\$ (40,529,158)</u>

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COMPLIANCE AND INTERNAL CONTROL

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Responsive Education Solutions
Lewisville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Responsive Education Solutions (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 November 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Responsive Education Solutions' 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 Responsive Education Solutions' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

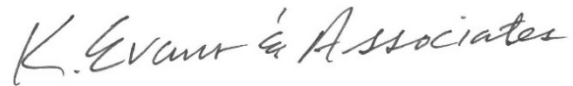
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Responsive Education Solutions' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "K. Evans & Associates".

K. Evans & Associates, CPAs
Frisco, TX
November 3, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors

Responsive Education Solutions

Lewisville, Texas

Report on Compliance for Each Major Federal Program

We have audited Responsive Education Solutions' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Responsive Education Solutions' major federal programs for the year ended June 30, 2021. Responsive Education Solutions' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Responsive Education Solutions' compliance.

Opinion on Each Major Federal Program

In our opinion, Responsive Education Solutions, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

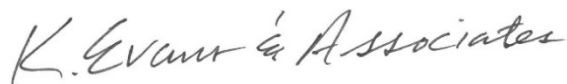
Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.v3

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

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



K. Evans & Associates, CPAs
Frisco, TX
November 3, 2021

RESPONSIVE EDUCATION SOLUTIONS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:	Unmodified
Internal Control Over Financial Reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance Material to Financial Statements Noted?	No

Federal Awards

Internal Control Over Major Programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of Auditor's Report Issued on Compliance for Major Programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	No
Identification of Major Programs:	
Title I, Part A	84.010A
Covid ESSER I	84.425D
Covid ESSER II	84.425D
Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	\$750,000
Auditee Qualified as Low-Risk Auditee?	Yes

RESPONSIVE EDUCATION SOLUTIONS
Schedule of Expenditures of Federal Award
For the Year Ended June 30, 2021

	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT of EDUCATION			
Passed Through State Department of Education			
Title I, Part A Program	84.010A	S010A180043	\$ 4,117,041
IDEA-B Formula	84.027A	H027A180008	1,523,585
Title II, Part A Program	84.367A	S367A180041	320,635
Title III, Part A, LEP	84.365A	S365A180043	252,015
Title IV, Part A, Subpart 1	84.424A	S424A180045	5,627,342
COVID-19 ESSER I	84.425D	S425D200042	1,926,720
COVID-19 CRF PPRP	84.425D	S425D200042	1,183,810
LEP Summer School	84.369A		219,748
Academic Enrichment	84.424A		<u>85,315</u>
Total U.S. Department of Education			<u>15,256,211</u>
U.S. DEPARTMENT of AGRICULTURE			
Passed Through State Department of Agriculture			
School Breakfast/National School Lunch Programs	10.553 & 10.555	2018IN109946	<u>2,946,570</u>
Total U.S. Department of Agriculture			<u>2,946,570</u>
Total Expenditures of Federal Awards			<u>\$ 18,202,781</u>