

ANNUAL FINANCIAL REPORT

ResponsiveEd Texas

Fiscal year ended June 30, 2022

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CERTIFICATE OF BOARD

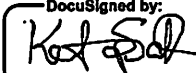
TEXAS COLLEGE PREPARATORY ACADEMIES
DISTRICT NUMBER: 221801

AND

PREMIER HIGH SCHOOLS
DISTRICT NUMBER: 072801

FEDERAL EIN: 75-2748762

We, the undersigned, certify that the attached financial reports of ResponsiveEd Texas were reviewed and ☒ approved ☐ disapproved for the year ended June 30, 2022, at a meeting of the Governing Body of such charter school on the 11th day of November, 2022.

DocuSigned by:

F0CEFC03850484AF...

Signature of Board Secretary

DocuSigned by:

574E6C041E6784E5

Signature of Board President

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
ResponsiveEd Texas
Lewisville, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ResponsiveEd Texas (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2022, 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 Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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.

Report on Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 Organization'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 Organization's internal control over financial reporting and compliance.

Vail + Park, P.C.

Richardson, Texas
November 10, 2022

FINANCIAL STATEMENTS

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ResponsiveEd Texas
Statement of Financial Position
June 30, 2022

ASSETS

Current Assets:

| | |
|-------------------------------------|--------------------|
| Cash and Cash Equivalents | \$ 136,064,679 |
| Due from State and Federal Agencies | 55,677,782 |
| Other Receivables | 4,750,472 |
| Receivables from Other Charters | 680,384 |
| Inventory | 235,568 |
| Prepaid Expenses | <u>2,377,410</u> |
| Total Current Assets | <u>199,786,295</u> |

Property & Equipment:

| | |
|--------------------------------|---------------------|
| Land | 49,919,143 |
| Buildings & Improvements | 244,298,710 |
| Vehicles | 185,621 |
| Furniture & Equipment | 11,946,164 |
| Leasehold Improvements | 7,179,188 |
| Library Books & Media | 288,863 |
| Construction in Progress | 9,873,810 |
| Accumulated Depreciation | <u>(37,192,836)</u> |
| Total Net Property & Equipment | <u>286,498,663</u> |

Other Assets:

| | |
|--------------------|----------------|
| Other Assets | <u>885,898</u> |
| Total Other Assets | <u>885,898</u> |

| | |
|--------------|------------------------------|
| TOTAL ASSETS | <u><u>\$ 487,170,856</u></u> |
|--------------|------------------------------|

LIABILITIES & NET ASSETS

Current Liabilities:

| | |
|--|-------------------|
| Accounts Payable | \$ 9,427,104 |
| Other Payables | 14,246,225 |
| Accrued Wages & Other Benefits Payable | 13,107,930 |
| Accrued Expenses | 7,484,771 |
| Current Portion of Long Term Debt | 6,205,106 |
| Deferred Revenues | <u>589,201</u> |
| Total Current Liabilities | <u>51,060,337</u> |

Long-Term Liabilities:

| | |
|-----------------------------|--------------------|
| Bonds Payable | 256,318,981 |
| Notes Payable | 2,526,562 |
| Premium on Bonds Payable | <u>20,021,326</u> |
| Total Long-Term Liabilities | <u>278,866,869</u> |

Net Assets:

| | |
|----------------------------|--------------------|
| Without Donor Restrictions | 81,158,633 |
| With Donor Restrictions | <u>76,085,017</u> |
| Total Net Assets | <u>157,243,650</u> |

| | |
|--------------------------------|------------------------------|
| TOTAL LIABILITIES & NET ASSETS | <u><u>\$ 487,170,856</u></u> |
|--------------------------------|------------------------------|

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

ResponsiveEd Texas
Statement of Activities
For the Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------|
| REVENUE & OTHER SUPPORT | | | |
| Local Support: | | | |
| Revenue from Local Sources | \$ 16,156,004 | \$ - | \$ 16,156,004 |
| Total Local Support | 16,156,004 | - | 16,156,004 |
| State Program Revenues | | | |
| State Foundation Program | - | 193,571,603 | 193,571,603 |
| Other State Aid | - | 12,088,742 | 12,088,742 |
| Total State Program Revenues | - | 205,660,345 | 205,660,345 |
| Federal Program Revenues | | | |
| Breakfast Program | - | 1,728,619 | 1,728,619 |
| National School Lunch | - | 4,397,783 | 4,397,783 |
| Donated Commodities | - | 229,527 | 229,527 |
| Title I, Part A | - | 4,199,631 | 4,199,631 |
| IDEA-Part B Formula | - | 1,233,831 | 1,233,831 |
| Title II, Part A | - | 459,066 | 459,066 |
| Title III, Part A, ELA | - | 176,716 | 176,716 |
| Title IV Part A, CSP Grant #1 | - | 3,114,158 | 3,114,158 |
| Title IV Part A, CSP Grant #2 | - | 4,713,867 | 4,713,867 |
| LEP Summer School | - | 250,506 | 250,506 |
| Academic Enrichment | - | 101,141 | 101,141 |
| 5929 COVID-19 ESSER I | - | 381,024 | 381,024 |
| 5929 COVID-19 CRF PPRP | - | 8,648,395 | 8,648,395 |
| 5929 COVID-19 ESSER III | - | 9,745,430 | 9,745,430 |
| Other Federal Programs | - | 661,501 | 661,501 |
| Total Federal Program Revenues | - | 40,041,195 | 40,041,195 |
| Net Assets Released from Restrictions | 247,305,470 | (247,305,470) | - |
| Total Revenue & Other Support | 263,461,474 | (1,603,930) | 261,857,544 |

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

ResponsiveEd Texas
Statement of Activities (Continued)
For the Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-----------------------|
| EXPENSES | | | |
| Program Services: | | | |
| 11 Instruction | 128,909,476 | - | 128,909,476 |
| 12 Instructional Resources & Media Svcs | 3,477 | - | 3,477 |
| 13 Curriculum Dev. & Instr Staff Dev. | 8,747,159 | - | 8,747,159 |
| 21 Instructional Leadership | 8,397,830 | - | 8,397,830 |
| 23 School Leadership | 24,246,861 | - | 24,246,861 |
| 31 Guidance, Counseling & Eval Svcs | 2,168,442 | - | 2,168,442 |
| 32 Social Work Services | 37 | - | 37 |
| 33 Health Services | 1,865,636 | - | 1,865,636 |
| 34 Student (Pupil) Transportation | 21,343 | - | 21,343 |
| 35 Food Services | 6,394,367 | - | 6,394,367 |
| 36 Cocurricular/Extracurricular Activities | 1,084,401 | - | 1,084,401 |
| 41 General Administration | 15,892,402 | - | 15,892,402 |
| 51 Plant Maintenance & Operations | 25,504,673 | - | 25,504,673 |
| 52 Security & Monitoring Services | 880,238 | - | 880,238 |
| 53 Data Processing Services | 6,424,930 | - | 6,424,930 |
| 71 Debt Service | 9,000,012 | - | 9,000,012 |
| 81 Fundraising | 3,597,073 | - | 3,597,073 |
| Total Expenses | <u>243,138,357</u> | <u>-</u> | <u>243,138,357</u> |
| Change in Net Assets from Operations | 20,323,117 | (1,603,930) | 18,719,187 |
| 61 Community Services | 736,887 | - | 736,887 |
| Increase/(decrease) in Net Assets | <u>19,586,230</u> | <u>(1,603,930)</u> | <u>17,982,300</u> |
| Gain (Loss) on Disposal of Fixed Asset | 568,398 | - | 568,398 |
| Net Assets, Beginning of Year | <u>61,004,005</u> | <u>77,688,947</u> | <u>138,692,952</u> |
| Net Assets, End of Year | <u>\$ 81,158,633</u> | <u>\$ 76,085,017</u> | <u>\$ 157,243,650</u> |

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

ResponsiveEd Texas
Statement of Cash Flows
For the Year Ended June 30, 2022

| | |
|--|-----------------------|
| Cash Flows from Operating Activities: | |
| Cash from Local Sources | \$ 25,164,793 |
| Cash from State Programs | 170,116,489 |
| Cash from Federal Programs | 19,907,269 |
| Cash Paid to Suppliers | (67,793,281) |
| Cash Paid to Employees | (127,465,732) |
| Cash Paid for Interest | (14,669,317) |
| Net Cash Provided by/(Used in) Operating Activities | <u>5,260,221</u> |
| Cash Flows from Investing Activities: | |
| Net Cash Transfer From Holdings to Responsive Education Solutions | (1,960,563) |
| Purchase of Property & Equipment | (33,220,496) |
| Cash Proceeds on Disposal of Capital Assets | 640,858 |
| Net Cash Provided by/(Used in) Investing Activities | <u>(34,540,201)</u> |
| Cash Flows from Financing Activities: | |
| Principal Payments on Debt | (3,161,892) |
| Net Cash Provided by/(Used in) Financing Activities | <u>(3,161,892)</u> |
| Net Increase/(Decrease) in Cash | (32,441,872) |
| Cash at Beginning of Year | <u>168,506,551</u> |
| Cash at End of Year | <u>\$ 136,064,679</u> |
| Reconciliation of Change in Net Assets to Net Cash Provided by/(Used in) Operating Activities | |
| Change in Net Assets | \$ 17,982,300 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by/(Used in) Operating Activities: | |
| Depreciation | 8,241,981 |
| Amortization of bond premium and discount | (661,412) |
| Transfer of Net Assets from Holdings to Responsive Education Solutions | 29,213 |
| (Increase)/Decrease in Operating Assets | |
| Due from State and Federal Agencies | (15,026,305) |
| Other Receivables | (4,629,663) |
| Receivables from Other Charters | (276,999) |
| Prepaid Expenses | (1,243,134) |
| Other Assets | (351,690) |
| Increase/(Decrease) in Operating Liabilities | |
| Accounts Payable | (31,914) |
| Other Payables | (4,106,842) |
| Accrued Wages and Benefits Payable | 3,173,608 |
| Accrued Expenses | 1,675,421 |
| Deferred Revenue | 485,657 |
| Net Adjustments | <u>(12,722,079)</u> |
| Net Cash Provided by/(Used in) Operating Activities | <u>\$ 5,260,221</u> |

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

NOTES TO THE FINANCIAL STATEMENTS

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

ResponsiveEd Texas (fka Responsive Education Solutions) is a Texas non-profit corporation (The Organization), and 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, Ignite Community Schools, 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 two autism schools (Foundation Schools for Autism), as well as school administrative services.

Name Change and Reorganization

Effective July 1, 2021, Responsive Education Solutions and ResponsiveEd USA were renamed to ResponsiveEd Texas and Responsive Education Solutions, respectively.

ResponsiveEd Holdings, LLC (“Holdings”) is a Texas single member limited liability company formed on September 11, 2020. Effective July 1, 2021, Holdings was no longer a wholly-owned subsidiary of the Organization. Holdings assets and liabilities were transferred to the national organization, Responsive Education Solutions (fka ResponsiveEd USA). The net impact of the net assets transfer resulted in approximately \$29,000 recorded in other miscellaneous expenses.

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).

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounting Policies *(continued)*

- 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.

- 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.

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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, 2022, the Organization had on hand curriculum inventory of original costs totaling \$235,568.

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

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

CAPITAL ASSETS

The Charters and 501(c)(3) had the following capital asset activity in 2022:

| TCPA | Balance at 6/30/21 | Additions | Retirements | Balance at 6/30/22 |
|--------------------------------|-----------------------|---------------|------------------|-----------------------|
| Land | \$ 42,513,328 | \$ - | \$ (94,800) | \$ 42,418,528 |
| Buildings & Improvements | 174,131,961 | 37,090,346 | - | 211,222,307 |
| Vehicles | 17,471 | - | - | 17,471 |
| Furniture & Equipment | 7,636,858 | 908,458 | - | 8,545,316 |
| Leasehold Improvements | 813,082 | 761,262 | - | 1,574,344 |
| Licenses & Media | 210,177 | - | - | 210,177 |
| Construction in Progress | 20,332,839 | 5,137,807 | (18,555,203) | 6,915,443 |
| Total Historical Cost | 245,655,716 | 43,897,873 | (18,650,003) | 270,903,586 |
| Less: | | | | |
| Accumulated Depreciation | (21,492,004) | (6,179,110) | 39,240 | (27,631,874) |
| Total TPCA Capital Assets | \$ 224,163,712 | \$ 37,718,763 | \$ (18,610,763) | \$ 243,271,712 |
| Premier | | | | |
| Land | \$ 5,298,455 | \$ 75,582 | \$ (582) | \$ 5,373,455 |
| Buildings & Improvements | 20,053,487 | 1,990,567 | (6,029) | 22,038,025 |
| Vehicles | 15,000 | - | - | 15,000 |
| Furniture & Equipment | 2,266,709 | 145,586 | - | 2,412,295 |
| Leasehold Improvements | 1,922,495 | 3,320,912 | (5,355) | 5,238,052 |
| Construction in Progress | 992,763 | 2,354,809 | (992,763) | 2,354,809 |
| Total Historical Cost | 30,548,909 | 7,887,456 | (1,004,729) | 37,431,636 |
| Less: | | | | |
| Accumulated Depreciation | (4,668,164) | (1,641,606) | 11,966 | (6,297,804) |
| Total Premier Capital Assets | \$ 25,880,745 | \$ 6,245,850 | \$ (992,763) | \$ 31,133,832 |
| 501(c)(3) | | | | |
| Land | \$ 8,352,263 | \$ - | \$ (6,225,103) * | \$ 2,127,160 |
| Buildings & Improvements | 21,196,759 | 205,077 | (10,363,458) * | 11,038,378 |
| Vehicles | 256,448 | - | (103,298) * | 153,150 |
| Furniture & Equipment | 967,406 | 21,147 | - * | 988,553 |
| Leasehold Improvements | 39,864 | 326,928 | - * | 366,792 |
| Licenses & Media | 78,686 | - | - * | 78,686 |
| Construction in Progress | 1,271,929 | 429,981 | (1,098,352) * | 603,558 |
| Total Historical Cost | 32,163,355 | 983,133 | (17,790,211) | 15,356,277 |
| Less: | | | | |
| Accumulated Depreciation | (3,101,015) | (421,265) | 259,122 * | (3,263,158) |
| Total 501(c)(3) Capital Assets | \$ 29,062,340 | \$ 561,868 | \$ (17,531,089) | \$ 12,093,119 |
| Grand Total Historical Cost | 308,367,980 | 52,768,462 | (37,444,943) | 323,691,499 |
| Grand Total Accum Depreciation | (29,261,183) | (8,241,981) | 310,328 | (37,192,836) |
| Grand Total Net Capital Assets | \$ 279,106,797 | \$ 44,526,481 | \$ (37,134,615) | \$ 286,498,663 |

*As noted in the reorganization footnote, the retirement of fixed assets in 501(c)(3) was due to the transfer of Holdings' assets to Responsive Education Solutions.

Depreciation expense for the year ended June 30, 2022 was \$8,241,981.

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

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.

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.

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

DEFINED BENEFIT PENSION PLAN *(continued)*

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>2021</u> | <u>2022</u> |
|--|--------------|--------------|
| Member | 7.70% | 8.00% |
| Non-Employer Contributing Entity (State) | 7.50% | 7.75% |
| Employers | 7.50% | 7.50% |
| Employer Contributions | \$ 4,696,999 | \$ 4,937,564 |

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.

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

DEFINED BENEFIT PENSION PLAN *(continued)*

Actuarial Assumptions - The total pension liability in the August 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|------------------------------------|
| Valuation Date | August 31, 2020 |
| 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 | 1.95% |
| Inflation Rate | 2.30% |
| Last year ending August 31 in projection period (100 years) | 2120 |
| 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, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

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.

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, 2021, are summarized as follows:

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

DEFINED BENEFIT PENSION PLAN (continued)

| Asset Class | Target Allocation (a) % | Long-Term Expected Geometric Real Rate of Return (b) | Expected Contribution to Long-Term Portfolio Return |
|----------------------------|-------------------------------|--|--|
| Global Equity | | | |
| U.S. | 18.0% | 3.6% | 0.94% |
| Non-U.S. Developed | 13.0% | 4.4% | 0.83% |
| Emerging Markets | 9.0% | 4.6% | 0.74% |
| Private Equity | 14.0% | 6.3% | 1.36% |
| Stable Value | | | |
| Government Bonds | 16.0% | -0.2% | 0.01% |
| Absolute Return | 0.0% | 1.1% | 0.00% |
| Stable Value Hedge Funds | 5.0% | 2.2% | 0.12% |
| Real Return | | | |
| Real Assets | 15.0% | 4.5% | 1.00% |
| Energy & Natural Resources | 6.0% | 4.7% | 0.35% |
| Commodities | 0.0% | 1.7% | 0.00% |
| Risk Parity | | | |
| Risk Parity | 8.0% | 2.8% | 0.28% |
| Leverage | | | |
| Cash | 2.0% | -0.7% | -0.01% |
| Asset Allocation Leverage | -6.0% | -0.5% | 0.03% |
| Inflation Expectation | | | 2.20% |
| Volatility Drag(c) | | | -0.95% |
| Total | <u>100.0%</u> | | <u>6.90%</u> |

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.

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

DUE FROM STATE

At June 30, 2022, the Organization was to receive \$55,677,782 in entitlements as follows:

| | |
|-----------------------|----------------------|
| Federal Grant Revenue | \$ 20,133,926 |
| State Revenue | <u>35,543,856</u> |
| Total Due From State | <u>\$ 55,677,782</u> |

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

OPERATING LEASES

The following is a summary of operating lease obligations and terms for the year ended June 30, 2022:

| 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 - 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 | 7/31/2025 | \$16,136.00 | \$5,622.84 | | \$21,758.84 | | \$21,758.84 |
| Austin - TASA Office | 12/1/2015 | 12/31/2022 | \$1,127.50 | \$425.00 | | \$1,552.50 | | \$1,552.50 |
| Bastrop | 6/14/2021 | 7/31/2023 | \$7,000.00 | | | \$7,000.00 | | \$7,000.00 |
| Beaumont | 8/15/2011 | 6/30/2024 | \$11,500.00 | | | \$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 | 7/23/2021 | 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 | \$8,167.00 | \$1,717.45 | | \$9,884.45 | | \$9,884.45 |
| Clay Academy | 7/1/2010 | 6/30/2025 | \$24,480.00 | | | \$24,480.00 | | \$24,480.00 |
| 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. | \$300.00 | | \$2,512.00 | | \$2,512.00 |
| Del Rio Portable (1) | 4/25/2020 | 3/29/2025 | | | | | \$1,170.00 | \$1,170.00 |
| Denton | 8/1/2014 | 6/30/2024 | \$9,530.00 | \$933.00 | | \$10,463.00 | | \$10,463.00 |
| Denton Portables (3) | 5/20/2021 | 7/2/2024 | | | | | \$2,790.00 | \$2,790.00 |
| DeSoto | 3/1/2022 | 6/30/2027 | \$10,778.75 | \$2,521.42 | | \$13,300.17 | | \$13,300.17 |
| El Paso - Eastpointe | 7/31/2020 | 6/30/2025 | \$8,500.00 | \$3,320.48 | | \$11,820.48 | | \$11,820.48 |
| El Paso | 7/1/2020 | 6/30/2023 | ADA Greater of \$65.00/per ADA or \$7,500.00 | | | \$17,374.30 | | \$17,374.30 |
| El Paso - Mesa | 7/1/2008 | 6/30/2023 | \$9,095.83 | \$2,822.08 | | \$11,917.91 | | \$11,917.91 |
| Fort Smith | 3/2/2022 | 6/30/2027 | \$9,435.83 | \$2,008.88 | | \$11,444.71 | | \$11,444.71 |
| Fort Worth | 6/16/2008 | 6/30/2023 | \$9,427.00 | \$3,915.75 | | \$13,342.75 | | \$13,342.75 |
| Ignite Comm. School Fort Worth | 8/1/2020 | 6/30/2026 | \$18,000.00 | | \$(1,150.00) | \$16,850.00 | | \$16,850.00 |
| Fort Worth II | estimated 5/1/2022 | 6/30/2028 | \$20,000.00 | | | \$20,000.00 | | \$20,000.00 |

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

OPERATING LEASES (continued)

| | | | | | | | | |
|--|-----------|-----------|--|------------|--------------|-------------|--|-------------|
| Fort Worth - Lipscomb | 6/9/2022 | 7/31/2027 | \$22,000.00 | | | \$22,000.00 | | \$22,000.00 |
| Garland | 7/1/2014 | 6/30/2024 | \$23,275.00 | \$1,275.00 | | \$24,550.00 | | \$24,550.00 |
| Corinth | 7/26/2018 | 7/31/2024 | \$1,000.00 | | | \$1,000.00 | | \$1,000.00 |
| Eastex-Jensen | 7/1/2019 | 6/30/2024 | Greater of \$16000.00 or \$75.00 per ADA | | | \$16,000.00 | | \$16,000.00 |
| Houston - Hobby | 1/8/2021 | 6/30/2026 | \$10,000.00 | \$3,341.50 | | \$13,341.50 | | \$13,341.50 |
| Houston - North (Aux at Fallbrook) | 6/1/2019 | 6/30/2024 | \$7,750.00 | | | \$7,750.00 | | \$7,750.00 |
| Houston - Champions | 4/1/2021 | 6/30/2026 | \$8,040.83 | \$3,000.84 | \$(1,754.36) | \$9,287.31 | | \$9,287.31 |
| Fallbrook | 7/1/2016 | 6/30/2024 | Greater of: \$77 ADA or \$19,250.00 min. | | | \$21,586.90 | | \$21,586.90 |
| Houston - North Gallery Furniture | 7/15/2020 | 6/30/2024 | Greater of: \$75 ADA or \$6,500.00 min. | | | \$7,867.50 | | \$7,867.50 |
| Houston - Sharpstown | 7/1/2022 | 6/30/2027 | \$14,310.00 | \$5,374.94 | | \$19,684.94 | | \$19,684.94 |
| LSC - Atascocita | 7/1/2021 | 6/30/2031 | \$22,477.00 | \$8,645.00 | | \$31,122.00 | | \$31,122.00 |
| LSC - University Park | 8/22/2011 | 6/30/2024 | \$27,245.62 | | | \$27,245.62 | | \$27,245.62 |
| LSC - University Park Visitors Center | 7/1/2021 | 6/30/2031 | \$7,751.30 | \$7,055.37 | \$(7,751.30) | \$7,055.37 | | \$7,055.37 |
| Westchase | 9/18/2019 | 7/31/2024 | greater of \$30,000 or ≤ 300 ADA @ \$80. per >300 but ≤ 600 ADA @ \$65.00 per >600 ADA @ \$60.00 per | | | \$30,000.00 | | \$30,000.00 |
| Humble | 7/1/2013 | 6/30/2023 | Greater of: \$73.00 ADA or \$2,000.00 | | | \$17,454.30 | | \$17,454.30 |
| Huntsville | 2/10/2020 | 6/30/2023 | \$8,983.33 | \$1,232.65 | | \$10,215.98 | | \$10,215.98 |
| QCA - Jasper | 7/1/2009 | 6/30/2024 | Greater of: \$70.00 ADA or \$4,000.00 Min. | | | \$6,727.00 | | \$6,727.00 |
| ResponsiveEd Arkansas | 3/2/2020 | 3/1/2026 | \$6,615.00 | | | \$6,615.00 | | \$6,615.00 |
| Little Rock | 7/1/2014 | 6/30/2024 | \$7,340.00 | | | \$7,340.00 | | \$7,340.00 |
| Lubbock | 8/1/2009 | 6/30/2023 | \$14,830.75 | | | \$14,830.75 | | \$14,830.75 |

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

OPERATING LEASES (continued)

| | | | | | | | | |
|--|-----------|-----------|--|------------|------------|-------------|------------|-------------|
| Lubbock II | 10/8/2021 | 6/30/2027 | \$8,462.21 | \$3,061.77 | | \$11,523.98 | | \$11,523.98 |
| Permian Basin | 7/2/2013 | 6/30/2023 | \$17,473.54 | \$6,474.79 | \$4,798.49 | \$28,746.82 | | \$28,746.82 |
| Midland | 8/18/2020 | 6/30/2026 | \$6,765.00 | \$1,998.84 | | \$8,763.84 | | \$8,763.84 |
| New Braunfels | 11/1/2009 | 6/30/2024 | \$8,492.56 | \$3,894.46 | | \$12,387.02 | | \$12,387.02 |
| 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 |
| 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 - 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 | \$16,533.33 | | | \$16,533.33 | | \$16,533.33 |
| 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 | | | \$10,000.00 | | \$10,000.00 |
| Texarkana | 2/4/2022 | 6/30/2027 | \$25,000.00 | \$0.00 | | \$25,000.00 | | \$25,000.00 |
| LSC - University Center The Woodlands | 8/1/2013 | 7/31/2024 | \$29,953.51 | | | \$29,953.51 | \$120.00 | \$30,073.51 |
| The Woodlands | 8/15/2010 | 6/30/2022 | \$30,030.00 | | | \$30,030.00 | | \$30,030.00 |
| QCA - Whitewright | 8/16/2021 | 6/30/2026 | Greater of: \$65 ADA or \$1,000 min | | | \$5,122.00 | | \$5,122.00 |
| Whitewright Portables (2) | 6/1/2021 | 6/10/2026 | | | | \$0.00 | \$1,881.80 | \$1,881.80 |

Future Minimum Lease Payments

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

| | |
|--------------|----------------------|
| 06/30/23 | 9,368,961 |
| 06/30/24 | 7,170,222 |
| 06/30/25 | 3,940,886 |
| 06/30/26 | 3,024,992 |
| Thereafter | 4,716,833 |
| Total | \$ 28,221,894 |

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

OTHER PAYABLES

The details 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 | \$ 3,750 | \$ 1,231 | \$ 14,241,244 | \$ - | \$ - | \$ 14,246,225 |
| Totals | <u>\$ 3,750</u> | <u>\$ 1,231</u> | <u>\$ 14,241,244</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,246,225</u> |

Included in \$14,241,244 of 501(c)(3) other payables were \$10,000,000 donations made in fiscal year 2021 that was paid in August 2022 to Responsive Educations Solutions.

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 of \$736,887 relate to after school care and other activities outside of regular education services.

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

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, Holdings 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 pay off three real estate loans in Arkansas. As noted in the reorganization footnote, these bonds were transferred as part of the reorganization as discussed in reorganization footnote.

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 pay off the outstanding line of credit in the amount of \$73,130,095.

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTES PAYABLE (continued)

Long Term Debt activity for the year ended June 30, 2022 was as follows:

| | Balance at 6/30/21 | Additions | Retirements | Balance 06/30/22 | Current Portion |
|----------------------------------|-----------------------------|--------------------|-------------------------------|-----------------------------|----------------------------|
| TCPA | | | | | |
| Series 2015A Education Rev Bonds | \$ 48,955,000 | \$ - | \$ (1,170,000) | \$ 47,785,000 | \$ 1,230,000 |
| Series 2015B Education Rev Bonds | 11,015,000 | - | (285,000) | 10,730,000 | 295,000 |
| Series 2016 Education Rev Bonds | 58,855,000 | - | (1,290,000) | 57,565,000 | 1,355,000 |
| Series 2021A Education Rev Bonds | 134,805,000 | - | - | 134,805,000 | - |
| Series 2021B Bonds | 14,830,000 | - | - | 14,830,000 | 2,920,000 |
| Sub-Total | 268,460,000 | - | (2,745,000) | 265,715,000 | 5,800,000 |
| Issuance costs | (3,802,424) | - | 206,405 | (3,596,019) | |
| Premium on Bonds Payable | 20,889,143 | - | (867,817) | 20,021,326 | |
| Total TCPA | <u>\$285,546,719</u> | <u>\$ -</u> | <u>\$ (3,406,412)</u> | <u>\$282,140,307</u> | <u>\$ 5,800,000</u> |
| 501(c)(3) | | | | | |
| Independent Bank (Lakeway) | \$ 1,984,935 | \$ - | \$ (258,805) | \$ 1,726,130 | \$ 242,041 |
| Independent Bank (700 Parker Sq) | 1,363,625 | - | (158,087) | 1,205,538 | 163,065 |
| Series 2020A Bonds* | 17,395,000 | - | (17,395,000) | - | - |
| Series 2020B Bonds* | 2,460,000 | - | (2,460,000) | - | - |
| Sub-Total | 23,203,560 | - | (20,271,892) | 2,931,668 | 405,106 |
| Issuance costs* | (1,027,796) | - | 1,027,796 | - | |
| Total 501c3 | <u>\$ 22,175,764</u> | <u>\$ -</u> | <u>\$ (19,244,096)</u> | <u>\$ 2,931,668</u> | <u>\$ 405,106</u> |
| Long Term Debt Totals | <u><u>\$307,722,483</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (22,650,508)</u></u> | <u><u>\$285,071,975</u></u> | <u><u>\$ 6,205,106</u></u> |

Future debt requirements are as follows:

| June 30, | Principal | Interest | Total |
|-----------|-----------------------|-----------------------|-----------------------|
| 2023 | 6,205,106 | 9,438,288 | 15,643,394 |
| 2024 | 6,389,966 | 9,254,914 | 15,644,880 |
| 2025 | 6,593,629 | 9,057,927 | 15,651,555 |
| 2026 | 6,803,563 | 8,843,347 | 15,646,910 |
| 2027 | 7,024,839 | 8,611,837 | 15,636,676 |
| 2028-2032 | 38,709,707 | 38,081,634 | 76,791,342 |
| 2033-2037 | 45,640,000 | 29,444,418 | 75,084,418 |
| 2038-2042 | 55,795,000 | 20,031,575 | 75,826,575 |
| 2043-2047 | 59,040,000 | 10,335,000 | 69,375,000 |
| 2048-2052 | 36,444,858 | 3,113,275 | 39,558,133 |
| | <u>\$ 268,646,668</u> | <u>\$ 146,212,215</u> | <u>\$ 414,858,884</u> |

NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022, the Organization had net assets with donor restrictions of \$76,085,017. 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 | \$ 76,085,017 |
| Total | <u><u>\$ 76,085,017</u></u> |

ResponsiveEd Texas
Notes to Financial Statements
For the Year Ended June 30, 2022

NET ASSETS WITHOUT DONOR RESTRICTIONS

501(c)(3) Net Assets Without Donor Restrictions, June 30 2022

| | |
|---|-----------------------------|
| 501c3 Net Assets Without Donor Restriction at June 30, 2021 | \$ 8,770,120 |
| Net Increase(decrease) for the Year ended June 30, 2022 | <u>\$ 1,578,688</u> |
| 501c3 Net Assets Without Donor Restriction at June 30, 2022 | <u><u>\$ 10,348,808</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, 2022, local fund deposit balances were fully covered by FDIC insurance and collateralization held by the bank.

ADMINISTRATIVE FEES

For the year ended June 30, 2022, TCPA paid \$9,698,091 and Premier paid \$5,309,950 in administrative fees to ResponsiveEd Texas, 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 ResponsiveEd Texas and Blue Learning, a related 501(c)(3) organization, and approved by Texas Education Agency, became effective July 1, 2020. Under the terms of the agreement a percentage of the administrative fees received by ResponsiveEd Texas are paid to Blue Learning for administrative services and other supporting services provided by Blue Learning. The charter management fees paid by ResponsiveEd Texas to Blue Learning for the year ended June 30, 2022 amounted to \$17,351,323.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 10, 2022, the date which the financial statements were available to be issued.

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COMBINING SCHEDULES

ResponsiveEd Texas
Statement of Financial Position by Entity
June 30, 2022

| | Texas College Preparatory Academies | Premier High Schools | 501(c)(3) |
|-------------------------------------|--|-----------------------------|-----------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$102,727,017 | \$ 21,963,910 | \$ 8,791,105 |
| Due from State and Federal Agencies | 37,663,553 | 17,751,281 | 262,948 |
| Other Receivables | 45,947 | 4,000 | 4,330,802 |
| Intercompany Receivables (Payables) | (2,982,914) | (1,993,558) | 4,976,472 |
| Receivables from Other Charters | - | - | 680,384 |
| Inventory | - | - | 235,568 |
| Prepaid Expenses | 1,246,688 | 557,387 | 573,335 |
| Total Current Assets | <u>138,700,291</u> | <u>38,283,020</u> | <u>19,850,614</u> |
| Property & Equipment: | | | |
| Land | 42,418,528 | 5,373,455 | 2,127,160 |
| Building & Improvements | 211,222,307 | 22,038,025 | 11,038,378 |
| Vehicles | 17,471 | 15,000 | 153,150 |
| Furniture & Equipment | 8,545,316 | 2,412,295 | 988,553 |
| Leasehold Improvements | 1,574,344 | 5,238,052 | 366,792 |
| Library Books & Media | 210,177 | - | 78,686 |
| Construction in Progress | 6,915,443 | 2,354,809 | 603,558 |
| Accumulated Depreciation | (27,631,874) | (6,297,804) | (3,263,158) |
| Total Property & Equipment | <u>243,271,712</u> | <u>31,133,832</u> | <u>12,093,119</u> |
| Other Assets: | | | |
| Other Assets | 567,631 | 307,257 | 11,010 |
| Total Other Assets | <u>567,631</u> | <u>307,257</u> | <u>11,010</u> |
| Total Assets | <u><u>\$382,539,634</u></u> | <u><u>\$ 69,724,109</u></u> | <u><u>\$ 31,954,743</u></u> |

ResponsiveEd Texas
Statement of Financial Position by Entity (continued)
June 30, 2022

| <u>501(c)(3) continued</u> | | |
|-------------------------------------|-----------------------------------|-----------------------|
| <u>ISD Partnership Beaumont</u> | <u>ISD Partnership Snyder</u> | <u>Total</u> |
| \$ 492,595 | \$ 2,090,052 | \$ 136,064,679 |
| - | - | 55,677,782 |
| 369,723 | - | 4,750,472 |
| - | - | - |
| - | - | 680,384 |
| - | - | 235,568 |
| - | - | 2,377,410 |
| <u>862,318</u> | <u>2,090,052</u> | <u>199,786,295</u> |
| - | - | 49,919,143 |
| - | - | 244,298,710 |
| - | - | 185,621 |
| - | - | 11,946,164 |
| - | - | 7,179,188 |
| - | - | 288,863 |
| - | - | 9,873,810 |
| - | - | (37,192,836) |
| <u>-</u> | <u>-</u> | <u>286,498,663</u> |
| - | - | 885,898 |
| <u>-</u> | <u>-</u> | <u>885,898</u> |
| <u>\$ 862,318</u> | <u>\$ 2,090,052</u> | <u>\$ 487,170,856</u> |

ResponsiveEd Texas
Statement of Financial Position by Entity (continued)
June 30, 2022

| | Texas College Preparatory Academies | Premier High Schools | 501(c)(3) |
|-------------------------------------|--|-------------------------|----------------------|
| LIABILITIES & NET ASSETS | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$ 5,504,483 | \$ 2,422,420 | 1,121,672 |
| Other Payables | 3,750 | 1,231 | 14,241,244 |
| Accrued Wages Payable | 6,015,506 | 2,357,547 | 1,958,636 |
| Accrued Benefits Payable | 1,128,344 | 420,995 | 1,224,563 |
| Accrued Expenses | 6,730,293 | 746,468 | 8,010 |
| Current Portion of Long Term Debt | 5,800,000 | - | 405,106 |
| Deferred Revenue | 342,866 | 131,188 | 120,142 |
| Total Current Liabilities | <u>25,525,242</u> | <u>6,079,849</u> | <u>19,079,373</u> |
| Long-Term Liabilities: | | | |
| Line of Credit | - | - | - |
| Bonds Payable | 256,318,981 | - | - |
| Notes Payable | - | - | 2,526,562 |
| Premium on Bonds Payable | 20,021,326 | - | - |
| Total Long Term Liabilities | <u>276,340,307</u> | <u>-</u> | <u>2,526,562</u> |
| Net Assets: | | | |
| Without Donor Restrictions | 37,878,879 | 30,354,449 | 10,348,808 |
| With Donor Restrictions | 42,795,206 | 33,289,811 | - |
| Total Net Assets | <u>80,674,085</u> | <u>63,644,260</u> | <u>10,348,808</u> |
| Total Liabilities & Net Assets | <u>\$ 382,539,634</u> | <u>\$ 69,724,109</u> | <u>\$ 31,954,743</u> |

ResponsiveEd Texas
Statement of Financial Position by Entity (continued)
June 30, 2022

| <i>501(c)(3) continued</i> | | |
|-------------------------------------|-----------------------------------|-----------------------|
| <u>ISD Partnership Beaumont</u> | <u>ISD Partnership Snyder</u> | <u>Total</u> |
| 5,810 | 372,719 | \$ 9,427,104 |
| - | - | 14,246,225 |
| - | - | 10,331,689 |
| 2,339 | - | 2,776,241 |
| - | - | 7,484,771 |
| - | - | 6,205,106 |
| - | (4,995) | 589,201 |
| <u>8,149</u> | <u>367,724</u> | <u>51,060,337</u> |
| - | - | - |
| - | - | 256,318,981 |
| - | - | 2,526,562 |
| - | - | 20,021,326 |
| <u>-</u> | <u>-</u> | <u>278,866,869</u> |
| 854,169 | 1,722,328 | 81,158,633 |
| - | - | 76,085,017 |
| <u>854,169</u> | <u>1,722,328</u> | <u>157,243,650</u> |
| <u>\$ 862,318</u> | <u>\$ 2,090,052</u> | <u>\$ 487,170,856</u> |

ResponsiveEd Texas
Statement of Activities by Entity
For the Year Ended June 30, 2022

| | Texas College Preparatory Academies | | |
|---|-------------------------------------|----------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE & OTHER SUPPORT | | | |
| Local Support: | | | |
| 5729 Service to Other Districts | \$ - | \$ - | \$ - |
| 5742 Interest Income | 355,506 | - | 355,506 |
| 5743 Rent Income | 56,101 | - | 56,101 |
| 5744 Gifts & Bequests | 523,394 | - | 523,394 |
| 5747 ERate Refund | 113,816 | - | 113,816 |
| 5748 Curriculum Sales | - | - | - |
| 5749 Other Revenue | 1,085,967 | - | 1,085,967 |
| 5751 Food Service Fees | 8,110 | - | 8,110 |
| 5752 Athletics Revenue | 663 | - | 663 |
| 5753 Cocurricular Activities | 69,111 | - | 69,111 |
| 5755 Enterprising Services Revenue | - | - | - |
| 5759 Cocurricular Enterprising Services | 218,508 | - | 218,508 |
| 5769 Admin Fee Revenues | - | - | - |
| Total Local Support | <u>2,431,176</u> | <u>-</u> | <u>2,431,176</u> |
| State Program Revenues: | | | |
| 5811 Per Capita Apportionment | - | 7,720,054 | 7,720,054 |
| 5812 State Foundation Program | - | 135,969,943 | 135,969,943 |
| 5819 Other State Foundation | - | - | - |
| 5829 Instructional Materials Allotment | - | 1,132,481 | 1,132,481 |
| 5831 Other State Revenue | - | - | - |
| Total State Program Revenues | <u>-</u> | <u>144,822,478</u> | <u>144,822,478</u> |
| Federal Program Revenues: | | | |
| 5921 Breakfast Program | - | 1,471,980 | 1,471,980 |
| 5922 National School Lunch | - | 3,976,471 | 3,976,471 |
| 5923 Donated Commodities | - | 169,931 | 169,931 |
| 5929 Title I, Part A | - | 2,299,080 | 2,299,080 |
| 5929 IDEA-Part B Formula | - | 530,991 | 530,991 |
| 5929 Title II, Part A | - | 340,618 | 340,618 |
| 5929 Title III, Part A, ELA | - | 118,691 | 118,691 |
| 5929 Title IV Part A, CSP Grant #1 | - | 1,372,042 | 1,372,042 |
| 5929 Title IV Part A, CSP Grant #2 | - | - | - |
| 5929 LEP Summer/Other Federal Programs | - | 250,506 | 250,506 |
| 5929 Academic Enrichment | - | - | - |
| 5929 COVID-19 ESSER I | - | 250,841 | 250,841 |
| 5929 COVID-19 CRF PPRP | - | 6,241,871 | 6,241,871 |
| 5929 COVID-19 ESSER III | - | 6,149,378 | 6,149,378 |
| 5929 Other Federal Programs | - | 423,965 | 423,965 |
| Total Federal Program Revenues | <u>-</u> | <u>23,596,365</u> | <u>23,596,365</u> |
| Net Assets Released from Restrictions | <u>168,418,843</u> | <u>(168,418,843)</u> | <u>-</u> |
| Total Revenue & Other Support | <u>\$ 170,850,019</u> | <u>\$ -</u> | <u>\$ 170,850,019</u> |

ResponsiveEd Texas
Statement of Activities by Entity (continued)
For the Year Ended June 30, 2022

| Premier High Schools | | | 501(c)(3) | |
|----------------------------|-------------------------|----------------------|----------------------------|-------------------------|
| Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions |
| \$ - | \$ - | \$ - | \$ 449,208 | \$ - |
| 84,427 | - | 84,427 | 75,972 | - |
| - | - | - | 2,501,247 | - |
| 409,798 | - | 409,798 | 4,306,300 | - |
| 110,598 | - | 110,598 | - | - |
| - | - | - | 275,638 | - |
| 29,468 | - | 29,468 | 16,707,662 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 623 | - | 623 | - | - |
| - | - | - | - | - |
| <u>634,914</u> | <u>-</u> | <u>634,914</u> | <u>24,316,027</u> | <u>-</u> |
| - | 2,841,563 | 2,841,563 | - | - |
| - | 57,601,660 | 57,601,660 | - | - |
| - | - | - | - | - |
| - | 394,644 | 394,644 | - | - |
| - | - | - | - | - |
| <u>-</u> | <u>60,837,867</u> | <u>60,837,867</u> | <u>-</u> | <u>-</u> |
| - | 256,639 | 256,639 | - | - |
| - | 421,312 | 421,312 | - | - |
| - | 59,596 | 59,596 | - | - |
| - | 1,900,551 | 1,900,551 | - | - |
| - | 702,840 | 702,840 | - | - |
| - | 118,448 | 118,448 | - | - |
| - | 58,025 | 58,025 | - | - |
| - | 424,441 | 424,441 | - | 1,102,966 |
| - | 3,954,092 | 3,954,092 | - | 759,775 |
| - | - | - | - | - |
| - | 101,141 | 101,141 | - | - |
| - | 130,183 | 130,183 | - | - |
| - | 2,406,524 | 2,406,524 | - | - |
| - | 3,596,052 | 3,596,052 | - | - |
| - | 237,536 | 237,536 | - | - |
| <u>-</u> | <u>14,367,380</u> | <u>14,367,380</u> | <u>-</u> | <u>1,862,741</u> |
| 75,205,247 | (75,205,247) | - | 3,466,671 | (3,466,671) |
| <u>\$ 75,840,161</u> | <u>\$ -</u> | <u>\$ 75,840,161</u> | <u>\$ 27,782,698</u> | <u>\$ (1,603,930)</u> |

ResponsiveEd Texas
Statement of Activities by Entity (continued)
For the Year Ended June 30, 2022

| | 501(c)(3) continued | | |
|---|-----------------------------|---------------------------|----------------------|
| | ISD Partnership Beaumont | ISD Partnership Snyder | 501c3 Total |
| REVENUE & OTHER SUPPORT | | | |
| Local Support: | | | |
| 5729 Service to Other Districts | \$ 2,994,973 | \$ 786,256 | \$ 4,230,437 |
| 5742 Interest Income | - | - | 75,972 |
| 5743 Rent Income | - | - | 2,501,247 |
| 5744 Gifts & Bequests | 701 | - | 4,307,001 |
| 5747 ERate Refund | - | - | - |
| 5748 Curriculum Sales | - | - | 275,638 |
| 5749 Other Revenue | - | - | 16,707,662 |
| 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>2,995,674</u> | <u>786,256</u> | <u>28,097,957</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 | 214,709 | - | 1,317,675 |
| 5929 Title IV Part A, CSP Grant #2 | - | - | 759,775 |
| 5929 LEP Summer/Other Federal Programs | - | - | - |
| 5929 Academic Enrichment | - | - | - |
| 5929 COVID-19 ESSER I | - | - | - |
| 5929 COVID-19 CRF PPRP | - | - | - |
| 5929 Other Federal Programs | - | - | - |
| 5929 US Dept of Education | - | - | - |
| Total Federal Program Revenues | <u>214,709</u> | <u>-</u> | <u>2,077,450</u> |
| Net Assets Released from Restrictions | - | - | - |
| Total Revenue & Other Support | <u>\$ 3,210,383</u> | <u>\$ 786,256</u> | <u>\$ 30,175,407</u> |

ResponsiveEd Texas
Statement of Activities by Entity (continued)
For the Year Ended June 30, 2022

| TOTAL | | |
|-------------------------------|----------------------------|-----------------------|
| Without Donor Restrictions | With Donor Restrictions | Total |
| \$ 4,230,437 | \$ - | \$ 4,230,437 |
| 515,905 | - | 515,905 |
| 2,557,348 | - | 2,557,348 |
| 5,240,193 | - | 5,240,193 |
| 224,414 | - | 224,414 |
| 275,638 | - | 275,638 |
| 17,823,097 | - | 17,823,097 |
| 8,110 | - | 8,110 |
| 663 | - | 663 |
| 69,111 | - | 69,111 |
| - | - | - |
| 219,131 | - | 219,131 |
| - | - | - |
| <u>31,164,047</u> | <u>-</u> | <u>31,164,047</u> |
| - | 10,561,617 | 10,561,617 |
| - | 193,571,603 | 193,571,603 |
| - | - | - |
| - | 1,527,125 | 1,527,125 |
| - | - | - |
| <u>-</u> | <u>205,660,345</u> | <u>205,660,345</u> |
| - | 1,728,619 | 1,728,619 |
| - | 4,397,783 | 4,397,783 |
| - | 229,527 | 229,527 |
| - | 4,199,631 | 4,199,631 |
| - | 1,233,831 | 1,233,831 |
| - | 459,066 | 459,066 |
| - | 176,716 | 176,716 |
| - | 3,114,158 | 3,114,158 |
| - | 4,713,867 | 4,713,867 |
| - | 250,506 | 250,506 |
| - | 101,141 | 101,141 |
| - | 381,024 | 381,024 |
| - | 8,648,395 | 8,648,395 |
| - | 9,745,430 | 9,745,430 |
| - | 661,501 | 661,501 |
| <u>-</u> | <u>40,041,195</u> | <u>40,041,195</u> |
| 247,305,470 | (247,305,470) | - |
| <u>\$ 278,469,517</u> | <u>\$ (1,603,930)</u> | <u>\$ 276,865,587</u> |

ResponsiveEd Texas
Statement of Activities by Entity (continued)
For the Year Ended June 30, 2022

| | Texas College Preparatory Academies | | |
|---|-------------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| EXPENSES | | | |
| 11 Instruction | \$ 92,696,599 | \$ - | \$ 92,696,599 |
| 12 Instructional Resources & Media Services | 3,477 | - | 3,477 |
| 13 Curriculum Dev. & Instructional Staff Dev. | 6,634,953 | - | 6,634,953 |
| 21 Instructional Leadership | 3,459,267 | - | 3,459,267 |
| 23 School Leadership | 15,571,684 | - | 15,571,684 |
| 31 Guidance, Counseling & Evaluation Services | 786,375 | - | 786,375 |
| 32 Social Work Services | 37 | - | 37 |
| 33 Health Services | 1,549,563 | - | 1,549,563 |
| 34 Student (Pupil) Transportation | 145 | - | 145 |
| 35 Food Services | 5,188,535 | - | 5,188,535 |
| 36 Cocurricular/Extracurricular Activities | 1,072,334 | - | 1,072,334 |
| 41 General Administration | 8,540,279 | - | 8,540,279 |
| 51 Plant Maintenance & Operations | 15,966,661 | - | 15,966,661 |
| 52 Security & Monitoring Services | 651,954 | - | 651,954 |
| 53 Data Processing Services | 2,646,411 | - | 2,646,411 |
| 71 Debt Service | 8,992,112 | - | 8,992,112 |
| 81 Fundraising | 1,851,131 | - | 1,851,131 |
| Total Expenses | <u>165,611,517</u> | <u>-</u> | <u>165,611,517</u> |
| Change in Net Assets from Operations | 5,238,502 | - | 5,238,502 |
| 61 Community Services | 551,553 | - | 551,553 |
| Increase/(decrease) in Net Assets | <u>4,686,949</u> | <u>-</u> | <u>4,686,949</u> |
| Gain (Loss) on Disposal of Fixed Asset | 511,298 | - | 511,298 |
| Net Assets, Beginning of Year | <u>32,680,632</u> | <u>42,795,206</u> | <u>75,475,838</u> |
| Net Assets, End of Year | <u>\$ 37,878,879</u> | <u>\$ 42,795,206</u> | <u>\$ 80,674,085</u> |

ResponsiveEd Texas
Statement of Activities by Entity (continued)
For the Year Ended June 30, 2022

| Premier High Schools | | | 501(c)(3) | |
|-------------------------------|----------------------------|---------------|-------------------------------|----------------------------|
| Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions |
| \$ 33,635,957 | \$ - | \$ 33,635,957 | 447,599 | \$ - |
| - | - | - | - | - |
| 4,139,699 | - | 4,139,699 | 1,195,034 | - |
| 2,125,835 | - | 2,125,835 | 4,806,675 | - |
| 8,578,276 | - | 8,578,276 | 305,814 | - |
| 701,418 | - | 701,418 | 680,649 | - |
| - | - | - | - | - |
| 305,403 | - | 305,403 | 5,707 | - |
| 21,198 | - | 21,198 | - | - |
| 1,087,982 | - | 1,087,982 | 117,850 | - |
| 12,067 | - | 12,067 | - | - |
| 4,051,698 | - | 4,051,698 | 8,907,430 | - |
| 6,228,193 | - | 6,228,193 | 5,253,775 | - |
| 218,656 | - | 218,656 | 8,763 | - |
| 1,417,793 | - | 1,417,793 | 4,109,163 | - |
| - | - | - | 7,900 | - |
| 1,297,152 | - | 1,297,152 | 414,751 | - |
| 63,821,327 | - | 63,821,327 | 26,261,110 | - |
| 12,018,834 | - | 12,018,834 | 1,521,588 | (1,603,930) |
| 185,334 | - | 185,334 | - | - |
| 11,833,500 | - | 11,833,500 | 1,521,588 | (1,603,930) |
| - | - | - | 57,100 | - |
| 18,520,949 | 33,289,811 | 51,810,760 | 8,770,120 | 1,603,930 |
| \$ 30,354,449 | \$ 33,289,811 | \$ 63,644,260 | \$ 10,348,808 | \$ - |

ResponsiveEd Texas
Statement of Activities by Entity (continued)
For the Year Ended June 30, 2022

| | 501(c)(3) continued | | |
|---|-----------------------------|---------------------------|----------------------|
| | ISD Partnership Beaumont | ISD Partnership Snyder | Total |
| EXPENSES | | | |
| 11 Instruction | \$ 2,128,399 | \$ 922 | \$ 2,576,920 |
| 12 Instructional Resources & Media Services | - | - | - |
| 13 Curriculum Dev. & Instructional Staff Dev. | 13,207 | - | 1,208,241 |
| 21 Instructional Leadership | 450 | 172 | 4,807,297 |
| 23 School Leadership | 182,254 | 74,082 | 562,150 |
| 31 Guidance, Counseling & Evaluation Services | - | - | 680,649 |
| 32 Social Work Services | - | - | - |
| 33 Health Services | 4,963 | - | 10,670 |
| 34 Student (Pupil) Transportation | - | - | - |
| 35 Food Services | - | - | 117,850 |
| 36 Cocurricular/Extracurricular Activities | - | - | - |
| 41 General Administration | - | - | 8,907,430 |
| 51 Plant Maintenance & Operations | 10,001 | 3,092 | 5,266,868 |
| 52 Security & Monitoring Services | 865 | - | 9,628 |
| 53 Data Processing Services | - | - | 4,109,163 |
| 71 Debt Service | - | - | 7,900 |
| 81 Fundraising | 34,039 | - | 448,790 |
| Total Expenses | <u>2,374,178</u> | <u>78,268</u> | <u>28,713,556</u> |
| Change in Net Assets from Operations | 836,205 | 707,988 | 1,461,851 |
| 61 Community Services | - | - | - |
| Increase/(decrease) in Net Assets | <u>836,205</u> | <u>707,988</u> | <u>1,461,851</u> |
| Gain (Loss) on Disposal of Fixed Asset | - | - | 57,100 |
| Net Assets, Beginning of Year | <u>17,964</u> | <u>1,014,340</u> | <u>11,406,354</u> |
| Net Assets, End of Year | <u>\$ 854,169</u> | <u>\$ 1,722,328</u> | <u>\$ 12,925,305</u> |

ResponsiveEd Texas
Statement of Activities by Entity (continued)
For the Year Ended June 30, 2022

| TOTAL | | |
|-------------------------------|----------------------------|-----------------------|
| Without Donor Restrictions | With Donor Restrictions | Total |
| \$ 128,909,476 | \$ - | \$ 128,909,476 |
| 3,477 | - | 3,477 |
| 11,982,893 | - | 11,982,893 |
| 10,392,399 | - | 10,392,399 |
| 24,712,110 | - | 24,712,110 |
| 2,168,442 | - | 2,168,442 |
| 37 | - | 37 |
| 1,865,636 | - | 1,865,636 |
| 21,343 | - | 21,343 |
| 6,394,367 | - | 6,394,367 |
| 1,084,401 | - | 1,084,401 |
| 21,499,407 | - | 21,499,407 |
| 27,461,722 | - | 27,461,722 |
| 880,238 | - | 880,238 |
| 8,173,367 | - | 8,173,367 |
| 9,000,012 | - | 9,000,012 |
| 3,597,073 | - | 3,597,073 |
| <u>258,146,400</u> | <u>-</u> | <u>258,146,400</u> |
| 20,323,117 | (1,603,930) | 18,719,187 |
| 736,887 | - | 736,887 |
| <u>19,586,230</u> | <u>(1,603,930)</u> | <u>17,982,300</u> |
| 568,398 | - | 568,398 |
| <u>61,004,005</u> | <u>77,688,947</u> | <u>138,692,952</u> |
| <u>\$ 81,158,633</u> | <u>\$ 76,085,017</u> | <u>\$ 157,243,650</u> |

ResponsiveEd Texas
Statement of Cash Flows by Entity
For the Year Ended June 30, 2022

| | Texas College Preparatory Academies | Premier High Schools | 501(c)(3) | TOTAL |
|---|--|-----------------------------|-----------------------------|------------------------------|
| Cash Flows from Operating Activities: | | | | |
| Cash from Local Sources | \$ 1,873,931 | \$ 630,914 | \$ 22,659,948 | \$ 25,164,793 |
| Cash from State Programs | 119,974,733 | 50,141,756 | - | 170,116,489 |
| Cash from Federal Programs | 10,780,557 | 7,312,210 | 1,814,502 | 19,907,269 |
| Cash Paid to Suppliers | (40,042,342) | (20,458,116) | (7,292,823) | (67,793,281) |
| Cash Paid to Employees | (82,969,206) | (31,991,406) | (12,505,120) | (127,465,732) |
| Cash Paid for Interest | (6,097,186) | 1,835,724 | (10,407,855) | (14,669,317) |
| Net Cash Provided by/(Used in) Operating Activities | <u>3,520,487</u> | <u>7,471,082</u> | <u>(5,731,348)</u> | <u>5,260,221</u> |
| Cash Flows from Investing Activities: | | | | |
| Holdings Net Cash Transfer to RES-NEW | - | - | (1,960,563) | (1,960,563) |
| Purchase of Capital Assets | (25,342,670) | (6,894,693) | (983,133) | (33,220,496) |
| Cash Proceeds from Disposal of Capital Assets | 566,858 | - | 74,000 | 640,858 |
| Net Cash Provided by/(Used in) Investing Activities | <u>(24,775,812)</u> | <u>(6,894,693)</u> | <u>(2,869,696)</u> | <u>(34,540,201)</u> |
| Cash Flows from Financing Activities: | | | | |
| Payments on Debt | (2,745,000) | - | (416,892) | (3,161,892) |
| Net Cash Provided by/(Used in) Financing Activities | <u>(2,745,000)</u> | <u>-</u> | <u>(416,892)</u> | <u>(3,161,892)</u> |
| Net Increase/(Decrease) in Cash | (24,000,325) | 576,389 | (9,017,936) | (32,441,872) |
| Cash at Beginning of Year | 123,744,428 | 19,393,963 | 25,368,160 | 168,506,551 |
| Cash at End of Year | <u>\$ 99,744,103</u> | <u>\$ 19,970,352</u> | <u>\$ 16,350,224</u> | <u>\$ 136,064,679</u> |
| Reconciliation of Change in Net Assets to Net Cash Provided by/(Used in) Operating Activities | | | | |
| Change in Net Assets | \$ 4,686,949 | \$ 11,833,500 | \$ 1,461,851 | 17,982,300 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by/(Used in) by Operating Activities: | | | | |
| Depreciation | 6,179,110 | 1,641,606 | 421,265 | 8,241,981 |
| Amortization of bond premium and discount | (661,412) | - | - | (661,412) |
| Loss on transfer of Holdings to RES- NEW | - | - | 29,213 | 29,213 |
| (Increase)/Decrease in Operating Assets | | | | |
| Due from State and Federal Agencies | (7,305,727) | (7,956,336) | 235,758 | (15,026,305) |
| Other Receivables | (35,886) | (3,623) | (4,590,154) | (4,629,663) |
| Receivables from Other Charters | - | - | (276,999) | (276,999) |
| Inventory | - | - | - | - |
| Prepaid Expenses | (1,022,460) | 111,197 | (331,871) | (1,243,134) |
| Other Assets | (293,076) | (66,263) | 7,649 | (351,690) |
| Increase/(Decrease) in Operating Liabilities | | | | |
| Accounts Payable | (512,490) | 1,227,541 | (746,965) | (31,914) |
| Other Payables | (86,324) | 1,231 | (4,021,749) | (4,106,842) |
| Accrued Wages and Benefits Payable | 469,588 | 606,207 | 2,097,813 | 3,173,608 |
| Accrued Expenses | 1,759,349 | (55,166) | (28,762) | 1,675,421 |
| Deferred Revenue | 342,866 | 131,188 | 11,603 | 485,657 |
| Net Adjustments | <u>(1,166,462)</u> | <u>(4,362,418)</u> | <u>(7,193,199)</u> | <u>(12,722,079)</u> |
| Net Cash Provided by/(Used in) Operating Activities | <u>\$ 3,520,487</u> | <u>\$ 7,471,082</u> | <u>\$ (5,731,348)</u> | <u>\$ 5,260,221</u> |

REQUIRED TEA SCHEDULES

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ResponsiveEd Texas
Statement of Expenses by Charter
For the Year Ended June 30, 2022

| | Texas College Preparatory Academies | Premier High Schools | Total |
|---|--|-------------------------|-----------------------|
| EXPENSES & OTHER LOSSES | | | |
| 6100 Payroll Costs | \$ 90,113,056 | \$34,769,948 | \$ 124,883,004 |
| 6200 Professional & Contracted Services | 21,552,661 | 10,777,283 | 32,329,944 |
| 6300 Supplies & Materials | 13,236,435 | 4,695,624 | 17,932,059 |
| 6400 Other Operating Costs | 32,268,806 | 13,763,806 | 46,032,612 |
| 6500 Debt Expense | 8,992,112 | - | 8,992,112 |
| | <u>\$ 166,163,070</u> | <u>\$64,006,661</u> | <u>\$ 230,169,731</u> |

ResponsiveEd Texas
Schedule of Capital Assets by Charter
For the Year Ended June 30, 2022

| | Texas College Preparatory Academies | | | |
|-------------------------------|-------------------------------------|----------------------|-------------|----------------------|
| | Ownership Interest | | | Total |
| | Local | State | Federal | |
| CAPITAL ASSETS | | | | |
| 1100 Cash | \$ - | \$102,727,017 | \$ - | \$102,727,017 |
| 1510 Land | - | 42,418,528 | - | 42,418,528 |
| 1520 Buildings & Improvements | - | 211,222,307 | - | 211,222,307 |
| 1521 Construction in Progress | - | 6,915,443 | - | 6,915,443 |
| 1531 Vehicles | - | 17,471 | - | 17,471 |
| 1539 Furniture & Equipment | - | 8,545,316 | - | 8,545,316 |
| 1550 Leasehold Improvements | - | 1,574,344 | - | 1,574,344 |
| 1569 Licenses & Media | - | 210,177 | - | 210,177 |
| Total Capital Assets | <u>\$ -</u> | <u>\$373,630,603</u> | <u>\$ -</u> | <u>\$373,630,603</u> |

ResponsiveEd Texas
Schedule of Capital Assets by Charter (Continued)
For the Year Ended June 30, 2022

| Premier High Schools | | | | |
|----------------------|----------|----------------------|-------------|----------------------|
| Ownership Interest | | | | |
| Local | | State | Federal | Total |
| \$ | - | \$ 21,963,910 | \$ - | \$ 21,963,910 |
| | - | 5,373,455 | - | 5,373,455 |
| | - | 22,038,025 | - | 22,038,025 |
| | - | 2,354,809 | - | 2,354,809 |
| | - | 15,000 | - | 15,000 |
| | - | 2,412,295 | - | 2,412,295 |
| | - | 5,238,052 | - | 5,238,052 |
| | - | - | - | - |
| <u>\$</u> | <u>-</u> | <u>\$ 59,395,546</u> | <u>\$ -</u> | <u>\$ 59,395,546</u> |

ResponsiveEd Texas
Schedule of Related Party Transactions, Compensation and Benefits
For the Year Ended June 30, 2022

| Description of Terms and/or Name of Relation to the Related Party | ResponsiveEd Texas 501(c)(3) Non-Profit Charter Holder | | | | | Blue Learning 501(c)(3) Non-Profit Organization | | | | | Bright Thinker | | | | ResponsiveEd USA 501(c)(3) Non-Profit Organization | | | |
|---|---|----------------------|-------------------|-------------------------|------------------|--|-------------------------|------------------|-------------------|-------------------------|------------------|-------------------------|------------------|-------------------------|---|-------------------------|------------------|-------------------------|
| | Relationship | Source of Funds Used | Payment Frequency | Total Salary & Benefits | Termination Date | Relationship | Total Salary & Benefits | Termination Date | Transaction Paid | Transaction Balance Due | Relationship | Total Salary & Benefits | Transaction Paid | Transaction Balance Due | Relationship | Total Salary & Benefits | Transaction Paid | Transaction Balance Due |
| 1 Fees for CMO and Related Services | | State | Quarterly | | | | | | 16,817,132 | 1,748,039 | | | | | | | | |
| Fees for AR CMO Services | | N/A | Monthly | | | | | | 1,162,225 | 819,115 | | | | | | | | |
| Summer Reading Program | | Federal | Yearly | | | | | | 107,625 | 0 | | | | | | | | |
| Licensing Fees paid to ResponsiveEd | | N/A | Monthly | | | | | | | | | | -361,055 | | | | | |
| Student Information System License & Service Fees | | N/A | Quarterly | | | | | | 119,518 | | | | | | | | | |
| Rental Fees received from ResponsiveEd Texas | | N/A | Monthly | | | | | | | -309,144 | | | | | | 1,134,600 | | |
| Rental Fees paid to ResponsiveEd Texas | | N/A | Monthly | | | | | | | | | | | | | | | |
| Donation of Net Assets without Donor Restrictions | | N/A | One Time | | | | | | 4,300,000 | | | | | | | | | 10,000,000 |
| 3 Gary Arnold | Brand Superintendent | N/A | Monthly | 0 | 3/21/2021 | | | | | | | | | | Brand Superintendent | 171,178 | | |
| 3 Christopher Baumann | CLO/CBO | N/A | Monthly | 0 | 3/21/2021 | Board Member | 0 | | | | | | | | CLO/CBO | 256,043 | | |
| Jason Bernal | Brand Superintendent | N/A | Monthly | 109,095 | 3/21/2021 | | | | | | | | | | Brand Superintendent | 46,859 | | |
| 2 Scott Clark | VP Information Services | N/A | Monthly | 0 | 3/21/2021 | VP Information Services - Texas Operations | 152,142 | | | | | | | | | | | |
| Charles Cook | CEO/Superintendent | N/A | N/A | 318,625 | | | | | | | Board Member/CEO | 0 | | | Board Member/CEO | 207,115 | | |
| 3 Christian Cutter | Chief Academic Officer | N/A | Monthly | 0 | 3/21/2021 | | | | | | | | | | Chief Academic Officer | 180,777 | | |
| Robert Davison | COO | N/A | Monthly | 208,349 | | Board Member/COO | 0 | 1/4/2021 | | | | | | | | | | |
| 2 Anthony Edwards | VP School Activation | N/A | Monthly | 0 | 3/21/2021 | VP School Activation | 157,760 | | | | | | | | | | | |
| 2 Jeff Evans | VP Marketing | N/A | Monthly | 0 | 3/21/2021 | VP Marketing | 152,063 | | | | | | | | | | | |
| 2 Corey Fischer | VP Finance | N/A | Monthly | 0 | 3/21/2021 | VP Finance - Texas Operations | 150,408 | | | | | | | | | | | |
| Michael Griffin | Brand Superintendent | N/A | Monthly | 82,058 | | | | | | | | | | | Brand Superintendent | 34,336 | | |
| Ericka Johnson | Brand Superintendent | N/A | Monthly | 115,759 | | | | | | | | | | | Brand Superintendent | 34,026 | | |
| Robert Riggs | Brand Superintendent | N/A | Monthly | 83,600 | | | | | | | | | | | Brand Superintendent | 33,850 | | |
| 2 James Taylor | CFO/CTO | N/A | Monthly | 0 | 2/7/2021 | Board Member/CFO | 245,627 | | | | Board Member/CFO | 0 | | | | | | |
| 3 Michael Terry | Brand Superintendent | N/A | Monthly | 0 | 3/21/2021 | | | | | | | | | | Brand Superintendent | 173,289 | | |
| 3 Lonnie Morgan | VP Virtual Partnerships | | | | | VP Virtual Partnerships | 131,082 | | | | | | | | | | | |
| TOTAL | | | | 917,486 | | TOTAL | 999,082 | | 18,208,500 | 8,558,010 | TOTAL | - | -361,055 | - | TOTAL | 1,137,473 | 1,134,600 | 10,000,000 |

Notes:
1 The Charter Management Organization Agreements (CMO Agreements) for Texas College Preparatory Academies (221801) and Premier High Schools (072801) were approved by TEA on January 6, 2021.
2 Currently employed full-time by Blue Learning.
3 Currently employed full-time by ResponsiveEd USA.

ResponsiveEd Texas Schedule of Real Property Ownership Interest For the Year Ended June 30, 2022

| District | Legal Description of Property | Property Address | CTY | STATE | ZIP | Assessed Value | Ownership Interest - Local | Ownership Interest - State | Ownership Interest - Federal |
|----------|---|------------------------------|---------------|-------|-------------|----------------|----------------------------|----------------------------|------------------------------|
| PMS | BROOKHOLLOW SEC 4, BLOCK 10, LOT 301 REPA NW/CORNER OF 302 REP, ACRES 2.34 | 3161 South 22nd St | Albino | TX | 79005 | \$1,080,430 | | | |
| PMS | LAWRENCE PLACE REPL, LOT 008 BLOCK 0003, TRACT 8 | 3242 Hobbs | Armonio | TX | 79109 | \$583,841 | | | |
| PMS | PARKWAY CENTRAL ADDITION BLOCK 38 LOT E2A | 551 Pines Plaza Dr. | Arlington | TX | 76011 | \$4,508,910 | | | |
| PMS | LOT 1 BLOCK 1 P I C SUBDIVISION (CAB) PG 120-A MRCC) | 555 Pines Plaza Rd | Brownsville | TX | 78021 | \$408,616 | | | |
| PMS | LOT 2 BLOCK 1 P I C SUBDIVISION (CAB) PG 120-A MRCC) | 15 Lakeshore Dr. | Brownsville | TX | 78021 | \$272,003 | | | |
| PMS | FARLAND BLOCK C, LOT 7 & 8, (TR 3) | 1008 South Austin St | Comanche | TX | 76442 | N/A | | | |
| PMS | RESPONSIVE SOLUTIONS SUBDIVISION LOT 1 ACRES 3.8425 | 1701 Kings Way | Del Rio | TX | 76840 | \$616,666 | | | |
| PMS | HIGH POINT CONDOS UNIT 1, 2, 3, 4, 5, 6, 7, 8, 9 | 4701 South Sugar Road | Edinburg | TX | 78539 | \$2,786,800 | | | |
| PMS | Acres 2.750, Sided SOUTHTOWN, Tract C-R | 803 & 883 Harbor Lakes Dr. | Garburg | TX | 76048 | \$2,933,410 | | | |
| PMS | LOTS 1 THRU 6 BLOCK 1280 ED | 2201 Christus St | Lubbock | TX | 79604 | \$1,282,951 | | | |
| PMS | COLLEGE ADDON BLOCK 140 LOTS 1-2 | 1801 N. Lee Ave | Odessa | TX | 79761 | \$340,055 | | | |
| PMS | FOREST HILLS BLOCK 669N LOT 1, 2C | 1108 North Greenwood Blvd | Tyler | TX | 75702 | \$190,289 | | | |
| PMS | NORTHWOOD ADDITION BLOCK 1 LOT 3 ACRES 6.189 | 4720 North 19th St | Waco | TX | 76708 | \$1,737,980 | | | |
| PMS | Money Park Shopping Center, Bk 1, Lot 1 | 2200 Money Rd | Flomo | TX | 75093 | \$1,857,202 | | | |
| PMS | EARLY BOULEVARD ADDN LOT 1, ACRES 0.73 | 819 Early Blvd | Emory | TX | 75602 | \$332,450 | | | |
| PMS | MISSION MEDICAL CENTER CONDOS UNIT 158 | 1203 St. Clare St Unit 158 | Mission | TX | 76057 | \$1,415,743 | | | |
| PMS | IND-VALLEY INDUSTRIAL PARK 0.05AC LOT 11, 1.84AC LOT 12 & 1.82AC-RUNWAY AREA BLOCK 3 3.71AC NET | 2419 E. Hogges Ave. | Weslaco | TX | 78059 | \$988,125 | | | |
| PMS | LOT 15-B BLOCK 2A HIGHLAND ADDITION | 2201 Kemp Blvd | Wichita Falls | TX | 76093 | \$794,000 | | | |
| TCPA | SOUTH SIDE ACRES # 12 ADD, LOT 014 BLOCK 0003 | 6000 South Georgia St | Armonio | TX | 79118 | \$5,288,462 | | | |
| TCPA | SOUTH SIDE ACRES # 18, LOT 0154 BLOCK 0003 & | 6100 South Georgia | Armonio | TX | 79118 | \$1,653,798 | | | |
| TCPA | FIRST BAPTIST CHURCH OF CARROLLTON BLOCK A LT 182 ACES 11.066 | 2400 North Joey Ln | Carrollton | TX | 75006 | N/A | | | |
| TCPA | CHURCH OF THE SAVIOR LUTHERAN CHURCH BLOCK A LT 181 ACES 4.848 | 140 South Heart Rd | Coppell | TX | 75019 | N/A | | | |
| TCPA | VISTA ACADENY ADDITION BLOCK A LOT 1 | 3600 Meadowview Drive | Corinth | TX | 76010 | \$8,388,072 | | | |
| TCPA | RES FLOWER MOUND ADDITION BLOCK A LOTS 1, 2, 4, 3 | 4901 Cross Timbers Road | Flower Mound | TX | 75028 | \$14,515,847 | | | |
| TCPA | Rice Frisco Phase 1, Bk A, Lot 1 | 10710 Frisco St | Frisco | TX | 75033 | \$20,619,686 | | | |
| TCPA | CORNELIUS TOWN CENTER ADDN BLOCK A LOT 1 | 800 Point Vista Rd, Ste. 518 | Hickory Creek | TX | 75065 | \$7,033,806 | | | |
| TCPA | DAVIDS & SURVEY - COMMERCIAL, LOT 17, ACRES 15.74 | 7174 South Hwy 75 | Huntsville | TX | 77340 | \$7,168,050 | | | |
| TCPA | ASST 2 S F AUSTIN SUR TR 13 10.697 ACRES | 3119 Newman Rd | La Marque | TX | 77568 | \$6,567,650 | | | |
| TCPA | \$3980 - Leander Heights Sec 3, BLOCK A, Lot 11, ACRES 4.50 | 1300 Leander Dr. | Leander | TX | 76641 | \$6,207,376 | | | |
| TCPA | \$3980 - Leander Heights Sec 3, BLOCK A, Lot 12, ACRES 4.49 | 1300 Leander Dr. | Leander | TX | 76641 | \$6,207,376 | | | |
| TCPA | WATERS RIDGE PH 1 BLOCK C LOT 1-R8 | 650 Barnett Ln | Lewistown | TX | 75057 | \$1,971,556 | | | |
| TCPA | TEMPLE CHRISTIAN ACADENY ADDN BLOCK A LOT 1 | 1010 Belaire Blvd | Lewistown | TX | 75057 | \$12,921,853 | | | |
| TCPA | CB 50599 BLOCK 1 LOT 1 (WASHINGTON TOWNHOMES SCHOOL OF THE ARTS) | 8533 East FM 1518 | Schertz | TX | 78154 | \$0 | | | |
| TCPA | CB 50599 BLOCK 1 LOT 1 (WASHINGTON TOWNHOMES SCHOOL OF THE ARTS) | 8533 East FM 1518 | Schertz | TX | 78154 | \$1,254,290 | | | |
| TCPA | 1488 Wilhelm Road | Shannon | TX | 77384 | \$3,774,200 | | | | |
| TCPA | TYLER SOUTH COMMERCIAL PARK U-3, BLOCK 1555-F LOT 12A, 12B, 12C | 3405 East Grande Blvd | Tyler | TX | 75707 | \$16,317,768 | | | |
| TCPA | DENTON CATHOLIC ADDN BLOCK A LOT 1A(W P) | 2800 Pannysburg Dr. | Denton | TX | 76205 | \$2,492,939 | | | |
| TCPA | AW0173 AW0173 - Donoho, W. J., Sr., ACRES 29.741 | 2601 E Old Settlers Blvd | Round Rock | TX | 76665 | \$2,267,156 | | | |
| TCPA | 5901600 - Spring Woodlands Church of Christ, RES A-4, ACRES 16.915 | 105 FM 1488 | Corona | TX | 77384 | \$4,052,490 | | | |
| TCPA | Abn A06000 Urban Recovery Survey, Tract 57, 22.0033 Acres | 4300 E. First St | Prosper | TX | 75078 | \$3,983,046 | | | |
| TCPA | A1021A S. Pritchett, TR 1A, 37.235 Acres | | Denton | TX | | \$1,008 | | | |
| TCPA | Lot 6 Bk B Less 2.5330 Ac Tuscany Business Park RSB U 556 of And U 556 | 9100 E US Hwy 290 | Austin | TX | | \$10,630,176 | | | |
| TCPA | Lot 6 Bk B Less 2.5330 Ac Tuscany Business Park RSB U 556 of And U 556 | 9100 E US Hwy 290 | Austin | TX | | \$10,630,176 | | | |
| TCPA | SMITH ADD, LOTS 54-61, BLK 5 | 1303 East Houston Ave. | Crocket | TX | 75035 | \$1,735,860 | | | |
| TCPA | S.T.V.T. #1 LOT 1 | 2400 Duffield Ave | McAllen | TX | 78501 | \$2,146,392 | | | |
| TCPA | SKYLINE VILLAGE 37 PH 3 REP, BLK B LT 3 ACES 1.865 | 790 Windell Circle | Hesquite | TX | 75149 | N/A | | | |

ResponsiveEd Texas
Budgetary Comparison Schedule by Charter
For the Year Ended June 30, 2022

| | Texas College Preparatory Academies | | | Variance |
|--|-------------------------------------|---------------|---------------|----------------|
| | Budgeted Amounts | | Actual | Pos/(Neg) from |
| | Original | Final | Amounts | Final Budget |
| REVENUE & OTHER SUPPORT | | | | |
| Local Support: | | | | |
| 5700 Revenue from Local Sources | \$ 404,797 | \$ 2,430,750 | \$ 2,431,176 | \$ 426 |
| Total Local Revenue | 404,797 | 2,430,750 | 2,431,176 | 426 |
| State Program Revenue: | | | | |
| 5800 State Program Revenue | 172,894,090 | 144,813,404 | 144,822,478 | 9,074 |
| Total State Revenue | 172,894,090 | 144,813,404 | 144,822,478 | 9,074 |
| Federal Program Revenue: | | | | |
| 5900 Federal Program Revenue | 21,917,970 | 23,584,314 | 23,596,365 | 12,051 |
| Total Federal Revenue | 21,917,970 | 23,584,314 | 23,596,365 | 12,051 |
| Total Revenue & Other Support | 195,216,857 | 170,828,468 | 170,850,019 | 21,551 |
| EXPENSES | | | | |
| 11 Instruction | 106,846,839 | 92,760,955 | 92,696,599 | 64,356 |
| 12 Instructional Resources & Media | 41,676 | 44,750 | 3,477 | 41,273 |
| 13 Curriculum & Instructional Staff Dev. | 8,110,375 | 6,995,582 | 6,634,953 | 360,629 |
| 21 Instructional Leadership | 4,133,856 | 3,660,258 | 3,459,267 | 200,991 |
| 23 School Leadership | 18,141,085 | 15,932,187 | 15,571,684 | 360,503 |
| 31 Guidance, Counseling & Evaluation | 1,060,623 | 786,377 | 786,375 | 2 |
| 32 Social Work | 41,676 | 42,800 | 37 | 42,763 |
| 33 Health Services | 3,016,059 | 2,499,952 | 1,549,563 | 950,389 |
| 34 Student (Pupil) Transportation | 15,214 | 14,967 | 145 | 14,822 |
| 35 Food Services | 4,312,578 | 5,188,545 | 5,188,535 | 10 |
| 36 Cocurricular/Extracurricular Activities | 217,805 | 1,072,335 | 1,072,334 | 1 |
| 41 General Administration | 9,053,769 | 8,671,178 | 8,540,279 | 130,899 |
| 51 Plant Maintenance & Operations | 23,137,524 | 16,258,456 | 15,966,661 | 291,795 |
| 52 Security & Monitoring Services | 729,168 | 919,388 | 651,954 | 267,434 |
| 53 Data Processing Services | 2,915,249 | 2,704,197 | 2,646,411 | 57,786 |
| 61 Community Services | 711,507 | 737,861 | 551,553 | 186,308 |
| 71 Debt Service | 7,878,487 | 8,992,112 | 8,992,112 | - |
| 81 Fundraising | 2,317,313 | 2,909,513 | 1,851,131 | 1,058,382 |
| Total Expenses | 192,680,803 | 170,191,413 | 166,163,070 | 4,028,343 |
| Change in Net Assets | 2,536,054 | 637,055 | 4,686,949 | 4,049,894 |
| Gain (Loss) on Disposal of Fixed Asset | - | - | 511,298 | 511,298 |
| Net Assets, Beginning of Year | 75,475,838 | 75,475,838 | 75,475,838 | - |
| Net Assets, End of Year | \$ 78,011,892 | \$ 76,112,893 | \$ 80,674,085 | \$ 4,561,192 |

ResponsiveEd Texas
Budgetary Comparison Schedule by (Continued)
For the Year Ended June 30, 2022

| Premier High Schools | | | |
|----------------------|---------------|-------------------|--|
| Budgeted Amounts | | Actual Amounts | Variance Pos/(Neg) from Final Budget |
| Original | Final | | |
| \$ - | \$ 634,000 | \$ 634,914 | \$ 914 |
| - | 634,000 | 634,914 | 914 |
| 61,629,074 | 60,813,314 | 60,837,867 | 24,553 |
| 61,629,074 | 60,813,314 | 60,837,867 | 24,553 |
| 14,560,864 | 14,560,864 | 14,367,380 | (193,484) |
| 14,560,864 | 14,560,864 | 14,367,380 | (193,484) |
| 76,189,938 | 76,008,178 | 75,840,161 | (168,017) |
| 38,735,922 | 35,859,864 | 33,635,957 | 2,223,907 |
| 44,675 | 33,800 | - | 33,800 |
| 3,434,126 | 4,374,381 | 4,139,699 | 234,682 |
| 1,845,428 | 2,658,355 | 2,125,835 | 532,520 |
| 9,100,803 | 9,095,096 | 8,578,276 | 516,820 |
| 486,382 | 801,094 | 701,418 | 99,676 |
| 44,675 | 36,850 | - | 36,850 |
| 563,078 | 523,590 | 305,403 | 218,187 |
| 86,137 | 80,860 | 21,198 | 59,662 |
| 1,194,585 | 1,124,881 | 1,087,982 | 36,899 |
| 48,373 | 39,533 | 12,067 | 27,466 |
| 3,701,642 | 7,087,596 | 4,051,698 | 3,035,898 |
| 9,423,650 | 9,223,597 | 6,228,193 | 2,995,404 |
| 374,279 | 370,577 | 218,656 | 151,921 |
| 1,231,241 | 1,741,246 | 1,417,793 | 323,453 |
| 226,335 | 221,469 | 185,334 | 36,135 |
| 668,804 | 628,764 | - | 628,764 |
| 1,794,322 | 2,005,531 | 1,297,152 | 708,379 |
| 73,004,457 | 75,907,084 | 64,006,661 | 11,900,423 |
| 3,185,481 | 101,094 | 11,833,500 | (12,068,440) |
| - | - | - | - |
| 51,810,760 | 51,810,760 | 51,810,760 | - |
| \$ 54,996,241 | \$ 51,911,854 | \$ 63,644,260 | \$ (12,068,440) |

ResponsiveEd Texas
Schedule J-4 Use of Funds Report by Charter
For the Year Ended June 30, 2022

| Data Codes | | Texas College Preparatory Academies | Premier High Schools |
|------------|---|-------------------------------------|----------------------|
| | <u>Section A: Compensatory Education Programs</u> | | |
| AP1 | Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year? | Yes | Yes |
| AP2 | Does the LEA have written policies and procedures for its state compensatory education program? | Yes | Yes |
| AP3 | List the total state allotment funds received for state compensatory education programs during the district's fiscal year. | \$ 9,109,238 | \$ 6,288,227 |
| AP4 | List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34) | \$ 5,013,385 | \$ 3,458,525 |
| | <u>Section B: Bilingual Education Programs</u> | | |
| AP5 | Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year? | Yes | Yes |
| AP6 | Does the LEA have written policies and procedures for its bilingual education program? | Yes | Yes |
| AP7 | List the total state allotment funds received for bilingual education programs during the LEA's fiscal year. | \$ 891,630 | \$ 274,637 |
| AP8 | List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35) | \$ 561,898 | \$ 224,024 |

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
ResponsiveEd Texas
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 ResponsiveEd Texas (a nonprofit organization)(the "Organization"), which comprise the statement of financial position as of June 30, 2022, 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 10, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 financial statements. 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.

Vail + Park, P.C.

Richardson, Texas
November 10, 2022

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

Board of Directors
ResponsiveEd Texas
Lewisville, Texas

Report on Compliance for Each Major Federal Program

We have audited ResponsiveEd Texas' (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 Organization'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 Organization's federal programs.

Auditor's 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 Organization'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization'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 Organization'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 Organization'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 Organization'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.

Vail + Park, P.C.

Richardson, Texas
November 10, 2022

ResponsiveEd Texas
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

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 |
| Academic Enrichment | 84.425D |
| Education Stabilization Funds | 84.424A |
| Dollar Threshold Used to Distinguish Between Type A and Type B Programs: | \$750,000 |
| Auditee Qualified as Low-Risk Auditee? | Yes |

ResponsiveEd Texas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

| | <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 | \$ 4,199,631 |
| IDEA-B Formula | 84.027A | H027A180008 | 1,233,831 |
| Title II, Part A Program | 84.367A | S367A180041 | 459,066 |
| Title III, Part A, LEP | 84.365A | S365A180043 | 176,716 |
| Title IV, Part A, Subpart 1 | 84.424A | S424A180045 | 8,489,526 |
| COVID-19 ESSER I | 84.425D | S425D200042 | 381,024 |
| COVID-19 CRF PPRP | 84.425D | S425D200042 | 8,648,395 |
| ARP ESSER III | 84.425D | S425U210042 | 9,745,430 |
| LEP Summer School | 84.369A | | 250,506 |
| Academic Enrichment | 84.424A | | 101,141 |
| Total U.S. Department of Education | | | <u>33,685,266</u> |
| U.S. DEPARTMENT of AGRICULTURE | | | |
| Passed Through State Department of Agriculture | | | |
| School Breakfast/National School Lunch Programs | 10.553 & 10.555 | 2018IN109946 | 6,355,929 |
| Total U.S. Department of Agriculture | | | <u>6,355,929</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 40,041,195</u> |