

BRAZOS RIVER SCHOOL
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED
AUGUST 31, 2023

**BRAZOS RIVER SCHOOL
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2023**

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BRAZOS RIVER SCHOOL

CERTIFICATE OF BOARD

AUGUST 31, 2023

Brazos River School
Name of Charter Holder
Federal EIN: 75-2855334

Somervell
County

213801 & 184801
Co.-Dist. Numbers

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2023, at a meeting of the governing body of the charter holder on the _____ day of January, 2024.

Signature of Board Secretary

Signature of Board President

If the governing body of the charter holder does not approve the independent auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

FREEMON, SHAPARD & STORY

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Brazos River School
P.O. Box 949
Nemo, TX 76070

Members of the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Brazos River School (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, 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 Brazos River School as of August 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The prior auditor, Gregory S. Delk, CPA, previously audited Brazos River School's 2022 financial statements and expressed an unmodified audit opinion on those audited financial statements in his report dated January 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brazos River School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 about Brazos River School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement 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 Brazos River School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brazos River School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying specific-purpose financial statements and the supplementary information including the Schedules of Expenses, Schedules of Assets, Budgetary Comparison Schedules, Material Budget Variance Expenditures, State Compensatory Education and Bilingual Education Program Expenditures, Schedules of Real Property Ownership Interest, and Schedules of Related Party Transactions are presented for purposes of additional analysis as required by the Texas Education Agency and are not a required part of the financial statements. The budget variance explanations have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them. Such information, other than the budget variance explanations, 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, other than the budget variance explanations, 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 detailed above, other than the budgeted variance explanations, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 1, 2024, on our consideration of Brazos River School'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 Brazos River School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brazos River School's internal control over financial reporting and compliance.

Respectfully submitted,



Freemon, Shapard, & Story
Windthorst, TX
January 1, 2024

**General-Purpose
Financial Statements**

BRAZOS RIVER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,895,849	\$ 2,497,457
Due from TEA	286,471	149,023
Deferred expenses	16,153	15,185
Other receivables	-	102,849
Total Current Assets	3,198,473	2,764,514
Property and Equipment		
Buildings and improvements	348,884	348,884
Furniture and equipment	546,455	546,455
Vehicles	-	41,283
Right to use leased assets	257,673	-
Less accumulated depreciation	(800,717)	(800,225)
Total Property and Equipment	352,295	136,397
Other Assets		
Lease Deposit	2,998	2,998
Retainer	500	500
Total Other Assets	3,498	3,498
Total Assets	\$ 3,554,266	\$ 2,904,409
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 5,791	\$ 7,630
Accrued expenses	4,164	4,815
Accrued wages payable	153,810	186,992
Payroll deductions and withholdings	-	119,948
Current portion of lease liabilities	182,615	-
Total Current Liabilities	346,380	319,385
Long-Term Debt		
Lease liabilities	75,059	-
Total Long-Term Liabilities	75,059	-
Total Liabilities	\$ 421,439	\$ 319,385
Net Assets		
Without donor restrictions	-	1,849
With donor restrictions	3,132,827	2,583,175
Total Net Assets	\$ 3,132,827	\$ 2,585,024
Total Liabilities and Net Assets	\$ 3,554,266	\$ 2,904,409

The accompanying notes are an integral part of these financial statements.

BRAZOS RIVER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Totals</u>
Revenues			
Local Support:			
Contributions	\$ -	\$ 18,480	\$ 18,480
Interest, Dividends, Gains, and Losses	6,188	-	6,188
Other Revenues from Local Sources	920	-	920
Cocurricular and Enterprising Activities	1,120	-	1,120
Total Local Support	<u>8,228</u>	<u>18,480</u>	<u>26,708</u>
State Program Revenues:			
Foundation School Program Act Revenues	-	2,736,144	2,736,144
State Program Revenue Distributed by TEA	-	11,498	11,498
Total State Program Revenues	<u>-</u>	<u>2,747,642</u>	<u>2,747,642</u>
Federal Program Revenues:			
ESEA Title I, Part A Improving Basic Programs	-	147,085	147,085
IDEA Part B, Formula	-	34,759	34,759
ESSER I	-	1	1
ESSER II	-	148,811	148,811
ESSER III	-	143,540	143,540
ESSER Supplemental	-	60,135	60,135
School Safety and Security	-	2,482	2,482
ESEA Title II, Part A Teacher and Principal Training	-	10,120	10,120
ESEA Title V, Part B Rural and Low-Income	-	39,260	39,260
Title IV Part A, Subpart I	-	4,321	4,321
Total Federal Program Revenues	<u>-</u>	<u>590,514</u>	<u>590,514</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>3,014,943</u>	<u>(3,014,943)</u>	<u>-</u>
Total Revenues	<u>\$ 3,023,171</u>	<u>\$ 341,693</u>	<u>\$ 3,364,864</u>
Expenses			
Program Services:			
Instruction and Instructional-Related Services	1,638,101	-	1,638,101
Instructional and School Leadership	175,379	-	175,379
Support Services			
Student Support Services	86,495	-	86,495
Administrative Support Services	281,467	-	281,467
Support Services-Non-Student Based	841,729	-	841,729
Debt Service	-	-	-
Fundraising	-	-	-
Total Expenses	<u>\$ 3,023,171</u>	<u>\$ -</u>	<u>\$ 3,023,171</u>
Change in Net Assets	<u>-</u>	<u>341,693</u>	<u>341,693</u>
Net Assets, Beginning of Year	<u>1,849</u>	<u>2,583,175</u>	<u>2,585,024</u>
Prior Period Adjustment	<u>(1,849)</u>	<u>207,959</u>	<u>206,110</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 3,132,827</u>	<u>\$ 3,132,827</u>

The accompanying notes are an integral part of these financial statements.

BRAZOS RIVER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>
Revenues			
Local Support:			
Contributions	\$ -	\$ 107,808	\$ 107,808
Interest, Dividends, Gains, and Losses	-	3,691	3,691
Other Revenues from Local Sources	-	220	220
Cocurricular and Enterprising Activities	-	1,651	1,651
Total Local Support	<u>-</u>	<u>113,370</u>	<u>113,370</u>
State Program Revenues:			
Foundation School Program Act Revenues	-	3,693,438	3,693,438
State Program Revenue Distributed by TEA	-	26,537	26,537
Total State Program Revenues	<u>-</u>	<u>3,719,975</u>	<u>3,719,975</u>
Federal Program Revenues:			
ESEA Title I, Part A Improving Basic Programs	-	95,031	95,031
IDEA Part B, Formula	-	42,233	42,233
IDEA Part B, Preschool	-	14	14
ESSER II	-	101,722	101,722
ESSER III	-	143,752	143,752
ESSER Supplemental	-	5,257	5,257
Title II, Part A	-	7,629	7,629
Small Rural School Achievement Grant	-	38,732	38,732
Total Federal Program Revenues	<u>-</u>	<u>434,370</u>	<u>434,370</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>4,126,690</u>	<u>(4,126,690)</u>	<u>-</u>
Total Revenues	<u>\$ 4,126,690</u>	<u>\$ 141,025</u>	<u>\$ 4,267,715</u>
Expenses			
Program Services:			
Instruction and Instructional-Related Services	2,183,215	-	2,183,215
Instructional and School Leadership	172,592	-	172,592
Support Services			
Student Support Services	326,458	-	326,458
Administrative Support Services	411,705	-	411,705
Support Services-Non-Student Based	1,031,720	-	1,031,720
Fundraising	1,000	-	1,000
Total Expenses	<u>\$ 4,126,690</u>	<u>\$ -</u>	<u>\$ 4,126,690</u>
Change in Net Assets	<u>-</u>	<u>141,025</u>	<u>141,025</u>
Net Assets, Beginning of Year	<u>1,849</u>	<u>2,442,150</u>	<u>2,443,999</u>
Net Assets, End of Year	<u>\$ 1,849</u>	<u>\$ 2,583,175</u>	<u>\$ 2,585,024</u>

The accompanying notes are an integral part of these financial statements.

**BRAZOS RIVER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	Program Services	Management and General	2023 Total
Expenses			
Salaries and Wages	\$ 1,771,091	\$ 195,268	\$ 1,966,359
Benefits	188,699	16,887	205,586
Payroll Taxes	23,394	6,773	30,167
Total Payroll Expenses	1,983,184	218,928	2,202,112
Professional Services	1,510	19,250	20,760
Tuition	500	-	500
Education Service Center Services	98,017	1,754	99,771
Repairs and Maintenance	29,889	-	29,889
Utilities	91,437	4,812	96,249
Rentals	215,874	11,156	227,030
Contracted Services	79,060	210	79,270
Maintenance Supplies	-	16,671	16,671
Instructional Materials	7,916	-	7,916
Food Service	404	-	404
General Supplies	154,011	1,507	155,518
Travel	5,182	860	6,042
Insurance	13,394	1,488	14,882
Interest	-	-	-
Miscellaneous	5,953	18,430	24,383
Total Non-Payroll Expenses	703,147	76,138	779,285
Total Before Depreciation and Amortization	2,686,331	295,066	2,981,397
Depreciation	41,774	-	41,774
Total Expenses	\$ 2,728,105	\$ 295,066	\$ 3,023,171

The accompanying notes are an integral part of these financial statements.

**BRAZOS RIVER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	Program Services	Management and General	2022 Total
Expenses			
Salaries and Wages	\$ 2,592,950	\$ 269,275	\$ 2,862,225
Benefits	410,551	19,528	430,079
Payroll Taxes	39,265	3,665	42,930
Total Payroll Expenses	3,042,766	292,468	3,335,234
Professional Services	-	19,020	19,020
Tuition	657	-	657
Repairs and Maintenance	27,104	3,012	30,116
Utilities	81,748	9,083	90,831
Rentals	277,309	30,812	308,121
Contracted Services	34,177	92,203	126,380
Instructional Materials	53,885	-	53,885
Food Service	3,972	-	3,972
General Supplies	63,007	2,323	65,330
Travel	3,838	-	3,838
Insurance	731	12,072	12,803
Miscellaneous	7,756	23,357	31,113
Total Non-Payroll Expenses	554,184	191,882	746,066
Total Before Depreciation	3,596,950	484,350	4,081,300
Depreciation	40,851	4,539	45,390
Total Expenses	\$ 3,637,801	\$ 488,889	\$ 4,126,690

The accompanying notes are an integral part of these financial statements.

**BRAZOS RIVER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 547,803	\$ 141,025
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	41,775	45,390
(Increase) Decrease in Due from TEA	(137,448)	166,880
(Increase) Decrease in Other Receivables	102,849	213,328
(Increase) Decrease in Deferred Expenses	(968)	(10,698)
Increase (Decrease) in Accounts Payable	(1,839)	7,630
Increase (Decrease) in Accrued Expenses	(651)	(97,925)
Increase (Decrease) in Wages Payable	(33,182)	(126,440)
Increase (Decrease) in Payroll Deductions and Withholdings	(119,948)	4,279
	<u>398,391</u>	<u>343,469</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	-	-
Purchase of Right to Use Lease Assets	(257,673)	-
Loss on Disposition of Assets	-	14,916
	<u>(257,673)</u>	<u>14,916</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Right to Use Assets Lease Purchase	257,674	-
Principal Payments on Right to Use Lease Liability	-	-
	<u>257,674</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	398,392	358,385
Cash and Cash Equivalents, Beginning of Year	2,497,457	2,139,072
Cash and Cash Equivalents, End of Year	\$ 2,895,849	\$ 2,497,457
Interest Paid During the Period Ended August 31, 2023 and 2022	\$ -	\$ -
Income Taxes Paid During the Period Ended August 31, 2023 and 2022	-	-

The accompanying notes are an integral part of these financial statements.

**Notes to the
Financial Statements**

BRAZOS RIVER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of Brazos River School (the corporation) were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

A. *Reporting Entity*

The corporation is a not-for-profit organization incorporated in the State of Texas in 2000 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporation is governed by a Board of Directors comprised of four members. The Board of Directors is selected pursuant to the bylaws of the corporation and has the authority to make decisions, appoint the chief executive officer of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the corporation.

Since the corporation received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

B. *Corporate Operations*

In 2000, the State Board of Education of the State of Texas granted the corporation an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Brazos River Charter School was opened serving Grade 8 through Grade 12. The Texas State Board of Education issued the initial charter to the corporation for a period of five years from June 21, 2000, to June 20, 2005. Effective August 1, 2006, Grade 8 was removed from the school's approved grade levels. Subsequent to the awarding of the initial charter, the corporation applied for and received a charter renewal in October 2006 extending the charter to July 31, 2010. Effective August 1, 2011, Kindergarten through Grade 8 was added to the currently approved grade levels and the contract was extended to July 31, 2015. Brazos River Charter School is now serving Kindergarten through Grade 12. The corporation applied for and received a charter renewal on April 7, 2015, extending the charter to July 31, 2025.

In 2005, the State Board of Education of the State of Texas granted the corporation another open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Crosstimbers Academy was opened serving grades nine through twelve. The Texas State Board of Education issued the initial charter to the charter holder for a period of five years from October 18, 2005, to July 31, 2010. Subsequent to the awarding of the initial charter, the corporation applied for and received a charter renewal on February 28, 2011, extending the charter to July 31, 2020. Grade 5 through Grade 8 were added effective July 1, 2014. Crosstimbers Academy was issued an additional charter renewal extending the charter to July 31, 2030. Approved grade levels currently being served are Grade 5 through Grade 12.

BRAZOS RIVER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

C. *Basis of Accounting and Presentation*

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

D. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. *Revenue Recognition and Receivables*

The corporation recognizes revenue from government grants and state aid as revenue when eligible costs are incurred or services are provided. A receivable is recognized to the extent revenue earned exceeds cash advances. Conversely, deferred revenue and refundable advances are recorded when cash advances exceed support and revenue earned.

The corporation accounts for contributions as support without donor restrictions and with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. No amounts have been reflected in the financial statements for donated materials or services since no objective basis is available to measure the value thereof; however, a substantial number of volunteers donate their time to the school program services and in fund-raising activities.

BRAZOS RIVER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

F. *Cash and Cash Equivalents*

For financial statement purposes, the corporation considers all highly liquid investment instruments with an original maturity of twelve months or less to be cash equivalents.

G. *Capital Assets*

Capital assets, which include buildings and improvements, furniture, equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the corporation as assets with an estimated useful life of more than one year and a cost of \$500 or more. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from five to fifteen years, using the straight-line method of depreciation. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

H. *Personal Leave*

All full-time employees of the charter schools earn six days of local paid personal and sick leave per year. There is no liability for unpaid accumulated personal and sick leave since the schools pay employees in July of each year for their unused personal days. These days do not carry forward from year to year.

I. *Functional Allocation of Expenses*

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

J. *New Accounting Pronouncements/Accounting Changes*

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Company adopted the standard effective September 1, 2022, and recognized and measured leases existing at, or entered into after September 1, 2022 (the beginning of the period of adoption) using a modified retrospective approach, with certain practical expedient available. The Company elected the available practical expedients to account for existing capital leases and operating leases as finance and capital leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

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2. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2023 and 2022, the charter holder had no material liability for accrued sick leave or vacation leave.

3. CASH DEPOSITS

The charter schools' (Brazos River Charter School and Crosstimbers Academy) funds are deposited and invested with a depository bank. The depository bank should deposit for safekeeping and trust with the charter schools' agent bank approved pledged securities in an amount sufficient to protect charter school funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2023, the combined carrying amount of the charter schools' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,895,849, and the bank balance was \$2,983,845. The charter schools' cash deposits during the year ended August 31, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit during the year ended August 31, 2023:

- a. The market value of securities pledged on behalf of the Brazos River Charter School and Crosstimbers Academy at Grandview Bank as of the date of the highest combined balance on deposit was \$3,187,579.
- b. The highest combined balance of cash, savings, and time deposit accounts for Brazos River Charter School and Crosstimbers at Grandview Bank amounted to \$3,398,008 and occurred during the month of July 2023.
- c. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000 and \$250,000, respectively, for Brazos River Charter School and Crosstimbers Academy at Grandview Bank.

4. DEFINED BENEFIT PENSION PLAN

A. *Plan Description*

The charter schools participate in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Sec. 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.

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

B. *Pension Plan Fiduciary Net Position*

Detailed 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. The information provided in the Notes to the Financial Statements in the 2022 Annual Comprehensive Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2022.

<u>Components of Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$243,553,045,455
Less: Plan Fiduciary Net Position	<u>(184,185,617,196)</u>
Net Pension Liability	<u>\$ 59,367,428,259</u>

Net Position as Percentage of Total Pension Liability 75.62%

C. *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, 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 post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) 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. Actuarial implications of the funding provided in the manner are determined by the System’s actuary.

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D. 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 6.0% of the member’s annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025. Contribution rates can be found in the TRS 2022 ACFR, Note 11, on page 85.

	2023
Member	8.00%
Non-Employer Contributing Entity (State)	8.00%
Employers	8.00%
Brazos River’s Employer Contributions	\$ 25,748
Brazos River’s Member Contributions	\$ 69,469
Crosstimber Academy’s Employer Contributions	\$ 26,929
Crosstimber Academy’s Member Contributions	\$ 69,412
Measurement Year	2022
Brazos River’s NECE On-Behalf Contributions	\$121,902
Crosstimber’s NECE On-Behalf Contributions	\$ 61,711

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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. Employers including public schools are 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.

In addition to the employer contributions listed above, there is a surcharge an employer is subject to.

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- All public schools, charter schools, and regional educational service centers must contribute 1.7 percent of the member’s salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.
- 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.

E. *Actuarial Assumptions*

The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2022 TRS ACFR, Note 11, page 87.

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-Term Expected Rate	7.00%
Municipal Bond Rate	3.91%*
Last Year Ending August 31 in Projection Period (100 Years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc Post Employment Benefit Changes	None

**Source: Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of August 31, 2022.*

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions, please see the actuarial valuation report dated November 12, 2021.

F. *Discount Rate*

The single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this 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 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent 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

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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 7.00%. 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, 2022 (see page 54 of the TRS ACFR), are summarized below:

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	4.6%	1.12%
Non-U.S. Developed	13%	4.9%	0.90%
Emerging Markets	9%	5.4%	0.75%
Private Equity*	14%	7.7%	1.55%
Stable Value			
Government Bonds	16%	1.0%	0.22%
Absolute Return*	0%	3.7%	0.00%
Stable Value Hedge Funds	5%	3.4%	0.18%
Real Return			
Real Estate	15%	4.1%	0.94%
Energy, Natural Resources, and Infrastructure	6%	5.1%	0.37%
Commodities	0%	3.6%	0.00%
Risk Parity			
Risk Parity	8%	4.6%	0.43%
Asset Allocation Leverage			
Cash	2%	3.0%	0.01%
Asset Allocation Leverage	-6%	3.6%	-0.05%
Inflation Expectation			2.70%
Volatility Drag****			-0.91%
Total	100%		8.19%

* *Absolute Return includes Credit Sensitive Investments.*

** *Target allocations are based on the FY2022 policy model.*

*** *Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)*

**** *The volatility drag results from the conversion between arithmetic and geometric mean returns.*

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G. *Discount Rate Sensitivity Analysis*

The following table presents the Net Pension Liability of the plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is 1% less (6.00%) than or 1% greater (8.00%) than the current rate. The discount rate can be found in the 2022 TRS ACFR, Note 11, page 87.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Brazos River Charter School's proportionate share of the net pension liability	\$963,053	\$619,079	\$340,273
Crosstimbers Academy's proportionate share of the net pension liability	\$478,849	\$307,819	\$169,190

H. *Pension Liabilities*

At August 31, 2022, Brazos River Charter School and Crosstimbers Academy disclosed a liability of \$619,079 and \$307,819, respectively, for their proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to Brazos River Charter School and Crosstimbers Academy. The amounts recognized by Brazos River Charter School and Crosstimbers Academy as their proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Brazos River Charter School and Crosstimbers Academy were as follows:

Brazos River Charter School' proportionate share of collective net pension liability	\$ 619,079
State's proportionate share that is associated with Brazos River Charter School	<u>\$ 1,550,913</u>
Total	<u>\$ 2,169,992</u>

Crosstimbers Academy' proportionate share of the collective net pension liability	\$ 307,819
State's proportionate share that is associated with Crosstimbers Academy	<u>\$ 785,127</u>
Total	<u>\$ 1,092,946</u>

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

On August 31, 2022, Brazos River Charter School's proportion of the collective net pension liability was .0010427929%. On August 31, 2022, Crosstimbers Academy's proportion of the collective net pension liability was .0005184974%.

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I. *Changes Since the Prior Actuarial Valuation*

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

J. *Additional Plans*

Certain employees of the charter holder are also provided with Social Security and Medicare coverage. Under provisions of federal law, covered employees contribute 6.2% (Social Security) and 1.45% (Medicare) of their annual covered salary, and the charter holder contributes 6.2% (Social Security) and 1.45% (Medicare) of the covered payroll.

5. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

A. *Plan Description*

The charter schools participate in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

B. *OPEB Plan Fiduciary Net Position*

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://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.

Components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2022 are as follows:

<u>Components of Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 27,061,942,520
Less: Plan Fiduciary Net Position	<u>(3,117,937,218)</u>
Net OPEB Liability	<u>\$ 23,944,005,302</u>
Net Position as a Percentage of Total OPEB Liability	11.52%

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C. *Benefits Provided*

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs. The premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$ 135	\$200
Retiree and Spouse	\$ 529	\$689
Retiree or Surviving Spouse and Children	\$ 468	\$408
Retiree and Family	\$1,020	\$999

D. *Contributions*

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and schools based upon public school payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates. Texas Insurance Code, Sections 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Brazos River Charter School Contribution Rates			
	<u>2023</u>		
Active Employee	0.65%		
State	1.25%		
Employers	0.75%		
Federal/Private Funding	1.25%		
Employer Contributions	2023	\$ 6,581	
Member Contributions	2023	\$ 5,645	
NECE On-Behalf Contributions	2022	\$ 22,249	

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Crosstimbers Academy Contribution Rates			
	2022		
Active Employee	0.65%		
State	1.25%		
Employers	0.75%		
Federal/Private Funding	1.25%		
Employer Contributions	2023	\$ 7,342	
Member Contributions	2023	\$ 5,640	
NECE On-Behalf Contributions	2022	\$ 8,658	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care, a monthly surcharge of \$535 per retiree. TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19-related health care costs during fiscal year 2022.

E. *Actuarial Assumptions*

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2022 TRS ACFR, Note 9, page 77.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%

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Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% - 9.05%, including inflation
Ad-hoc Post Employment Benefit Changes	None

F. *Discount Rate*

A single discount rate of 3.91% was used to measure the total OPEB liability. There was an increase of 1.96 percent in the discount rate since the previous year. The Discount Rate can be found in the 2022 TRS ACFR on page 77. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021, using the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

G. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.91%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
Brazos River Charter School's proportionate share of the Net OPEB Liability:	\$ 626,928	\$ 531,709	\$ 454,571
Crosstimbers Academy's proportionate share of the Net OPEB Liability:	\$ 243,979	\$ 206,923	\$ 176,903

H. *OPEB Liabilities and OPEB Expense*

On August 31, 2022, Brazos River Charter School disclosed a liability of \$531,709, and Crosstimbers Academy disclosed a liability of \$206,923 for their proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the

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schools. The amount recognized by the schools as their proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Brazos River Charter School and Crosstimbers Academy were as follows:

Brazos River's Proportionate share of the collective Net OPEB liability	\$ 531,709
State's proportionate share that is associated with Brazos River Charter School	<u>648,602</u>
Total	<u>\$ 1,180,311</u>

Crosstimbers Academy's Proportionate share of the collective net OPEB liability	\$ 206,923
State's proportionate share that is associated with Crosstimbers Academy	<u>252,414</u>
Total	<u>\$ 459,337</u>

The Net OPEB Liability was measured as of August 31, 2021 and rolled forward to August 31, 2022, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2023, Brazo River Charter School's proportion of the collective Net OPEB Liability was 0.0022206372%, and Crosstimbers Academy's proportion of the collective Net OPEB Liability was 0.0008641967%.

I. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following schedule shows the impact of the Net OPEB liability if a healthcare trend rate that is one-percentage point lower or one-percentage point higher than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
Brazos River Charter School's proportionate share of the Net OPEB Liability:	\$ 438,131	\$ 531,709	\$ 653,022
Crosstimbers Academy's proportionate share of the NET OPEB Liability:	\$ 170,506	\$ 206,923	\$ 254,134

J. *Changes Since the Prior Actuarial Valuation*

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period: *These can be found in the 2022 TRS ACFR on page 77.*

- The discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change decreased the Total OPEB Liability.

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Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

6. COMMITMENTS AND CONTINGENCIES

The charter schools receive funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agencies. The programs administered by the charter schools have complex compliance requirements and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agencies. In the opinion of the charter schools, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

7. CAPITAL ASSETS

Capital assets at August 31, 2023, were as follows:

	<u>Balance</u> <u>9/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2023</u>
Buildings and Improvements	\$ 348,884	-	-	\$ 348,884
Furniture and Equipment	546,455	-	-	546,455
Vehicles	41,283	-	(41,283)	-
Right to Use Leased Assets	-	257,673	-	257,673
Accumulated Depreciation	<u>(800,225)</u>	<u>(41,775)</u>	<u>41,283</u>	<u>(800,717)</u>
	<u>\$ 136,397</u>	<u>\$ 215,898</u>	<u>\$ -</u>	<u>\$ 352,295</u>

Capital assets acquired with public funds received by the corporation for the operation of Brazos River Charter School and Crosstimbers Academy constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Assets for each individual charter school.

8. ECONOMIC DEPENDENCY

During the years ended August 31, 2023 and 2022, the charter schools earned revenue of \$2,747,642 and \$3,719,975, respectively, from the Texas Education Agency (TEA). These amounts constitute approximately 81.66% and 87.17%, respectively, of total revenues earned. Any unforeseen loss of the charter agreements with TEA or changes in legislative funding could have a material effect on the ability of the charter schools to continue to provide the current level of services to its students.

**BRAZOS RIVER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

9. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets With Donor Restrictions for the years ending August 31, 2023 and 2022, consisted of the following:

	2023	2022
Local Revenue	\$ 60,636	\$ 415,620
Title I, Part A	-	22,157
IDEA-B	-	996
State Bilingual	-	1,348
State Dyslexia	-	28,171
Campus Activity Funds	1,729	-
Foundation School Program	<u>3,070,462</u>	<u>2,114,883</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,132,827</u>	<u>\$ 2,583,175</u>

10. HEALTH CARE COVERAGE

During the years ended August 31, 2023 and 2022, full-time employees of the charter schools were covered by a health insurance plan (the Plan). The charter schools contributed \$529 per month per employee to the Plan for each full-time employee who chose to participate. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

11. INTERCOMPANY ELIMINATIONS

During the year ended August 31, 2022, the Brazos River Charter School recorded an interfund receivable and payable from Crosstimbers Academy of \$110,675. During the year ended August 31, 2022, Crosstimbers Academy recorded an interfund receivable and payable from Brazos River Charter School of \$273,215. These interfund receivables and payables are included in the Statements of Financial Position (Exhibits B.1.1 and B.1.2) and are eliminated in the combined Statement of Financial Position (Exhibit A-1).

12. INCOME TAX

On December 30, 2008, FASB issued FASB Staff Position (FSP) FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises. There was no apparent unrelated business income for the years ended August 31, 2023 and 2022, and as a result, there was no income tax liability.

BRAZOS RIVER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

13. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the corporation through financial statement issuance and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

14. LEASES

Brazos River Charter School entered into an agreement to lease office and classroom space from New Prospect Church in Nemo, Texas for \$1,450 per month through July 2024. Brazos River Charter School also has a lease for modular buildings for \$686 a month through August 2025 and another lease for \$3,562 a month through August 2025. Brazos River Charter School also has several copiers leased from Konica Business Technology totaling \$404 per month that ended June 2023.

Crosstimbers Academy entered into an agreement to lease office and classroom space from Harmony Baptist Church in Weatherford, Texas for \$1,600 per month through July 2024. Crosstimbers Academy also leases modular classroom space for \$9,057 per month through November 2024. Crosstimbers Academy also has several copiers leased from Konica Business Technology totaling \$580 per month that ended June 2023.

Brazos River Charter School and Crosstimbers Academy did not record any short-term leases of less than twelve months on the balance sheet as right-of-use assets or other liabilities. The Organization elected to use the risk-free rate as the discount rate for the present value calculations for right-of-use assets. The risk-free rate at year-end was 4.11%.

The lease cost and other required information for the year ended August 31, 2023, and included in the operating cash flows, is:

Operating lease cost	\$ 208,550
Total lease cost	<u>\$ 208,550</u>

Under the adoption of the ASU No. 2016-02, Leases (Topic 842), the Organization recognized a lease liability of \$436,009 effective September 1, 2022. This represents the present value of the remaining operating lease payments of \$436,009 discounted using the risk-free rate of return. In conjunction with the lease liability of \$436,009, the Organization recognized a right-of-use asset of \$436,009 on September 1, 2022. Payments totaling \$178,336 reduced the right-of use asset and lease liability during the year.

Future minimum operating lease payments and reconciliation to the statements of financial position at August 31, 2023, respectively, is as follows:

For year ended August 31, 2024	\$ 193,206
2025	<u>78,143</u>
Total future undiscounted operating lease	271,349
Less interest	<u>(13,676)</u>
Total operating lease liabilities	<u>\$ 257,673</u>

BRAZOS RIVER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

The weighted average remaining lease terms at August 31, 2023, is 2.1 years, and the weighted average interest rate on these operating leases is 4.11%.

15. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ -	\$ 1,849

Except for the financial assets listed above, Brazos River School's cash, due from TEA, and fixed assets' use are restricted by the Texas Education Agency, federal agencies, and donors for charter school operations.

16. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$206,110 was recorded. This was due to adjusting prior period payroll liabilities, adjusting prior period receivables, and prior period accrued revenue.

**Specific-Purpose
Financial Statements**

**BRAZOS RIVER CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2023 AND 2022**

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,526,030	\$ 1,359,811
Due from TEA	138,548	117,606
Deferred expenses	5,045	4,401
Interfund receivables	-	110,675
Other receivables	-	95,984
Total Current Assets	1,669,623	1,688,477
Property and Equipment		
Buildings and improvements	264,471	264,471
Furniture and equipment	291,330	291,330
Vehicles	-	41,283
Right to use leased assets	111,306	-
Less accumulated depreciation	(495,688)	(510,119)
Total Property and Equipment	171,419	86,965
Other Assets		
Lease deposit	2,998	2,998
Retainer	500	500
Total Other Assets	3,498	3,498
Total Assets	\$ 1,844,540	\$ 1,778,940
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 3,973	\$ 4,258
Accrued expenses	1,972	2,200
Accrued wages payable	76,180	92,101
Payroll deductions and withholdings	-	104,780
Interfund payables	-	110,675
Current portion of lease liabilities	62,347	-
Total Current Liabilities	144,472	314,014
Long-Term Debt		
Lease liabilities	48,960	-
Total Liabilities	\$ 193,432	\$ 314,014
Net Assets		
Without donor restrictions	-	-
With donor restrictions	1,651,108	1,464,926
Total Net Assets	\$ 1,651,108	\$ 1,464,926
Total Liabilities and Net Assets	\$ 1,844,540	\$ 1,778,940

The accompanying notes are an integral part of these financial statements.

CROSTIMBERS ACADEMY
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,369,819	\$ 1,137,646
Due from TEA	147,923	31,417
Interfund receivables	-	273,215
Other receivables	-	6,865
Deferred expenses	11,108	10,784
Total Current Assets	1,528,850	1,459,927
Property and Equipment		
Buildings and improvements	84,413	84,413
Furniture and equipment	255,125	255,125
Right to use leased assets	146,367	-
Less accumulated depreciation	(305,029)	(290,106)
Total Property and Equipment	180,876	49,432
Total Assets	\$ 1,709,726	\$ 1,509,359
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,818	\$ 3,372
Interfund payables	-	273,215
Accrued expenses	2,192	2,615
Accrued wages payable	77,630	94,891
Payroll deductions and withholdings	-	15,168
Current portion of lease liabilities	120,268	-
Total Current Liabilities	201,908	389,261
Long-Term Debt		
Lease liabilities	26,099	-
Total Liabilities	\$ 228,007	\$ 389,261
Net Assets		
Without donor restrictions	-	1,849
With donor restrictions	1,481,719	1,118,249
Total Net Assets	\$ 1,481,719	\$ 1,120,098
Total Liabilities and Net Assets	\$ 1,709,726	\$ 1,509,359

The accompanying notes are an integral part of these financial statements.

**BRAZOS RIVER CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 4,267	\$ 18,480	\$ 22,747
5750 Cocurricular and Enterprising Activities	1,120	-	1,120
Total Local Support	<u>5,387</u>	<u>18,480</u>	<u>23,867</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	1,211,059	1,211,059
5820 State Program Revenues Distributed by TEA	-	11,498	11,498
Total State Program Revenues	<u>-</u>	<u>1,222,557</u>	<u>1,222,557</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	329,417	329,417
5930 Federal Revenues Distributed by Other State Agency	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>329,417</u>	<u>329,417</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>1,474,466</u>	<u>(1,474,466)</u>	<u>-</u>
Total Revenues	<u>\$ 1,479,853</u>	<u>\$ 95,988</u>	<u>\$ 1,575,841</u>
Expenses			
11 Instruction	\$ 835,139	\$ -	\$ 835,139
13 Curriculum & Instructional Staff Development	-	-	-
21 Instructional Leadership	-	-	-
23 School Leadership	104,083	-	104,083
31 Guidance, Counseling, & Evaluation Services	36,412	-	36,412
33 Health Services	284	-	284
35 Food Services	-	-	-
36 Cocurricular/Extracurricular Activities	407	-	407
41 General Administration	114,550	-	114,550
51 Facilities Maintenance & Operations	150,166	-	150,166
52 Security & Monitoring Services	2,407	-	2,407
53 Data Processing Services	236,405	-	236,405
71 Debt Service	-	-	-
81 Fundraising	-	-	-
Total Expenses	<u>\$ 1,479,853</u>	<u>\$ -</u>	<u>\$ 1,479,853</u>
Change in Net Assets	<u>-</u>	<u>95,988</u>	<u>95,988</u>
Net Assets, Beginning of Year	<u>-</u>	<u>1,464,926</u>	<u>1,464,926</u>
Prior Period Adjustment	<u>-</u>	<u>90,194</u>	<u>90,194</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,651,108</u>	<u>\$ 1,651,108</u>

The accompanying notes are an integral part of these financial statements.

**BRAZOS RIVER CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ -	\$ 109,980	\$ 109,980
5750 Cocurricular and Enterprising Activities	-	-	-
Total Local Support	<u>-</u>	<u>109,980</u>	<u>109,980</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	2,183,773	2,183,773
5820 State Program Revenues Distributed by TEA	-	13,124	13,124
Total State Program Revenues	<u>-</u>	<u>2,196,897</u>	<u>2,196,897</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	316,255	316,255
5930 Federal Revenues Distributed by Other State Agency	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>316,255</u>	<u>316,255</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>2,696,260</u>	<u>(2,696,260)</u>	<u>-</u>
Total Revenues	<u>\$ 2,696,260</u>	<u>\$ (73,128)</u>	<u>\$ 2,623,132</u>
Expenses			
11 Instruction	\$ 1,503,451	\$ -	\$ 1,503,451
13 Curriculum & Instructional Staff Development	8,494	-	8,494
21 Instructional Leadership	-	-	-
23 School Leadership	100,796	-	100,796
31 Guidance, Counseling, & Evaluation Services	204,172	-	204,172
33 Health Services	161	-	161
35 Food Services	3,859	-	3,859
36 Cocurricular/Extracurricular Activities	1,396	-	1,396
41 General Administration	235,299	-	235,299
51 Facilities Maintenance & Operations	227,231	-	227,231
52 Security & Monitoring Services	1,793	-	1,793
53 Data Processing Services	408,608	-	408,608
71 Debt Service	-	-	-
81 Fundraising	1,000	-	1,000
Total Expenses	<u>\$ 2,696,260</u>	<u>\$ -</u>	<u>\$ 2,696,260</u>
Change in Net Assets	<u>-</u>	<u>(73,128)</u>	<u>(73,128)</u>
Net Assets, Beginning of Year	<u>-</u>	<u>1,538,054</u>	<u>1,538,054</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,464,926</u>	<u>\$ 1,464,926</u>

The accompanying notes are an integral part of these financial statements.

**CROSTIMBERS ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 2,841	\$ -	\$ 2,841
5750 Cocurricular and Enterprising Activities	<u>-</u>	<u>-</u>	<u>-</u>
Total Local Support	<u>2,841</u>	<u>-</u>	<u>2,841</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	1,525,085	1,525,085
5820 State Program Revenues Distributed by TEA	<u>-</u>	<u>-</u>	<u>-</u>
Total State Program Revenues	<u>-</u>	<u>1,525,085</u>	<u>1,525,085</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	261,097	261,097
5930 Federal Revenues Distributed by Other State Agencies	<u>-</u>	<u>-</u>	<u>-</u>
Total Federal Program Revenues	<u>-</u>	<u>261,097</u>	<u>261,097</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>1,540,477</u>	<u>(1,540,477)</u>	<u>-</u>
Total Revenues	<u>\$ 1,543,318</u>	<u>\$ 245,705</u>	<u>\$ 1,789,023</u>
Expenses			
11 Instruction	802,362	-	802,362
13 Curriculum & Instructional Staff Development	600	-	600
21 Instructional Leadership	-	-	-
23 School Leadership	71,296	-	71,296
31 Guidance, Counseling, & Evaluation Services	44,861	-	44,861
33 Health Services	327	-	327
35 Food Services	404	-	404
36 Extracurricular Activities	3,800	-	3,800
41 General Administration	166,917	-	166,917
51 Facilities Maintenance & Operations	224,871	-	224,871
52 Security & Monitoring Services	7,638	-	7,638
53 Data Processing Services	220,242	-	220,242
71 Debt Service	-	-	-
81 Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 1,543,318</u>	<u>\$ -</u>	<u>\$ 1,543,318</u>
Change in Net Assets	<u>-</u>	<u>245,705</u>	<u>245,705</u>
Net Assets, Beginning of Year	<u>1,849</u>	<u>1,118,249</u>	<u>1,120,098</u>
Prior Period Adjustment	<u>(1,849)</u>	<u>117,765</u>	<u>115,916</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,481,719</u>	<u>\$ 1,481,719</u>

The accompanying notes are an integral part of these financial statements.

**CROSSTIMBERS ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ -	\$ 1,740	\$ 1,740
5750 Cocurricular and Enterprising Activities	-	1,651	1,651
Total Local Support	<u>-</u>	<u>3,391</u>	<u>3,391</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	1,509,665	1,509,665
5820 State Program Revenues Distributed by TEA	-	13,413	13,413
Total State Program Revenues	<u>-</u>	<u>1,523,078</u>	<u>1,523,078</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	118,115	118,115
5930 Federal Revenues Distributed by Other State Agencies	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>118,115</u>	<u>118,115</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>1,430,430</u>	<u>(1,430,430)</u>	<u>-</u>
Total Revenues	<u>\$ 1,430,430</u>	<u>\$ 214,154</u>	<u>\$ 1,644,584</u>
Expenses			
11 Instruction	669,493	-	669,493
13 Curriculum & Instructional Staff Development	1,776	-	1,776
21 Instructional Leadership	-	-	-
23 School Leadership	71,797	-	71,797
31 Guidance, Counseling, & Evaluation Services	113,092	-	113,092
33 Health Services	285	-	285
35 Food Services	113	-	113
36 Extracurricular Activities	3,380	-	3,380
41 General Administration	176,406	-	176,406
51 Plant Maintenance & Operations	198,976	-	198,976
52 Security & Monitoring Services	7,371	-	7,371
53 Data Processing Services	187,741	-	187,741
71 Debt Service	-	-	-
81 Fundraising	-	-	-
Total Expenses	<u>\$ 1,430,430</u>	<u>\$ -</u>	<u>\$ 1,430,430</u>
Change in Net Assets	<u>-</u>	<u>214,154</u>	<u>214,154</u>
Net Assets, Beginning of Year	<u>1,849</u>	<u>904,095</u>	<u>905,944</u>
Net Assets, End of Year	<u>\$ 1,849</u>	<u>\$ 1,118,249</u>	<u>\$ 1,120,098</u>

The accompanying notes are an integral part of these financial statements.

**BRAZOS RIVER CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 186,182	\$ (73,129)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	26,852	29,454
(Increase) Decrease in Deferred Expenses	(644)	(2,081)
(Increase) Decrease in Due from TEA	(20,942)	(28,995)
(Increase) Decrease in Other Receivables	95,984	213,328
Increase (Decrease) in Accounts Payable	(285)	4,258
Increase (Decrease) in Accrued Expenses	(228)	(1,093)
Increase (Decrease) in Payroll Deductions	(104,780)	2,802
Increase (Decrease) in Wages Payable	(15,921)	(156,548)
Net Cash Provided (Used) by Operating Activities	166,218	(12,004)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	-	-
Purchase of Right to Use Lease Assets	(111,306)	-
Loss on Disposition of Assets	-	14,916
Net Cash Provided (Used) by Investing Activities	(111,306)	14,916
CASH FLOWS FROM FINANCING ACTIVITIES		
Right to Use Assets Lease Purchase	111,307	-
Principal Payments on Right to Use Lease Liability	-	-
Net Cash Provided (Used) by Financing Activities	111,307	-
Net Increase (Decrease) in Cash and Cash Equivalents	166,219	2,912
Cash and Cash Equivalents, Beginning of Year	1,359,811	1,356,899
Cash and Cash Equivalents, End of Year	\$ 1,526,030	\$ 1,359,811
Interest Paid During the Period Ended August 31, 2023 and 2022	\$ -	\$ -
Income Taxes Paid During the Period Ended August 31, 2023 and 2022	-	-

The accompanying notes are an integral part of these financial statements.

**CROSSTIMBERS ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 361,621	\$ 214,154
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	14,923	15,936
(Increase) Decrease in Deferred Expenses	(324)	(8,617)
(Increase) Decrease in Due from TEA	(116,506)	195,874
(Increase) Decrease in Other Receivables	6,865	-
Increase (Decrease) in Accounts Payable	(1,554)	3,372
Increase (Decrease) in Accrued Expenses	(423)	(96,832)
Increase (Decrease) in Wages Payable	(17,261)	30,108
Increase (Decrease) in Payroll Deductions and Withholdings	<u>(15,168)</u>	<u>1,478</u>
 Net Cash Provided (Used) by Operating Activities	 <u>232,173</u>	 <u>355,473</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	-	-
Purchase of Right to Use Lease Assets	<u>(146,367)</u>	<u>-</u>
 Net Cash Provided (Used) by Investing Activities	 <u>(146,367)</u>	 <u>-</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Right to Use Assets Lease Purchase	146,367	-
Principal Payments on Right to Use Lease Liability	<u>-</u>	<u>-</u>
 Net Cash Provided (Used) by Financing Activities	 <u>146,367</u>	 <u>-</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 232,173	 355,473
Cash and Cash Equivalents, Beginning of Year	<u>1,137,646</u>	<u>782,173</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,369,819</u>	<u>\$ 1,137,646</u>
 Interest Paid During the Period Ended August 31, 2023 and 2022	 \$ -	 \$ -
Income Taxes Paid During the Period Ended August 31, 2023 and 2022	-	-

The accompanying notes are an integral part of these financial statements.

**Required
Supplementary
Information Required by
Texas Education Agency**

**BRAZOS RIVER CHARTER SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

Expenses	<u>2023</u>	<u>2022</u>
6100 Payroll Costs	\$ 1,091,485	\$ 2,248,970
6200 Professional and Contracted Services	264,777	311,654
6300 Supplies and Materials	81,174	75,554
6400 Other Operating Costs	42,417	60,082
6500 Debt	-	-
Total Expenses	<u>\$ 1,479,853</u>	<u>\$ 2,696,260</u>

The accompanying notes are an integral part of these statements.

**CROSTIMBERS ACADEMY
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

Expenses	<u>2023</u>	<u>2022</u>
6100 Payroll Costs	\$ 1,110,627	\$ 1,086,264
6200 Professional and Contracted Services	288,692	263,471
6300 Supplies and Materials	99,335	47,633
6400 Other Operating Costs	44,664	33,062
6500 Debt	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 1,543,318</u>	<u>\$ 1,430,430</u>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER CHARTER SCHOOL
SCHEDULE OF ASSETS
AS OF AUGUST 31, 2023**

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 1,536,712	\$ (10,682)
1520 Buildings and Improvements	-	264,471	-
1539 Furniture and Equipment	-	291,330	-
1541 Vehicles	-	-	-
1559 Right to Use Leased Assets	-	111,306	-
Total Cash, Investments, and Capital Assets	\$ -	\$ 2,203,819	\$ (10,682)

The accompanying notes are an integral part of these statements.

**CROSSTIMBERS ACADEMY
SCHEDULE OF ASSETS
AS OF AUGUST 31, 2023**

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 1,404,350	\$ (34,531)
1520 Buildings and Improvements	-	84,413	
1539 Furniture and Equipment	-	255,125	-
1541 Vehicles	-	-	-
1559 Right to Use Leased Assets	-	146,367	-
Total Cash, Investments, and Capital Assets	\$ -	\$ 1,890,255	\$ (34,531)

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023**

	Budgeted Amounts				Actual Amounts	Variance from Final Budget	
	Original	Final					
Revenues							
Local Support:							
5740 Other Revenues from Local Sources	\$ 88,527	\$ 94,913	-7%		\$ 22,747	\$ (72,166)	-76% (1)
5750 Cocurricular and Enterprising Activities	-	-			1,120	1,120	
Total Local Support	<u>88,527</u>	<u>94,913</u>			<u>23,867</u>	<u>(71,046)</u>	
State Program Revenues:							
5810 Foundation School Program Act Revenues	1,297,327	1,178,016	9%		1,211,059	33,043	3%
5820 State Program Revenues Distributed by TEA	200,000	200,000			11,498	(188,502)	-94% (2)
Total State Program Revenues	<u>1,497,327</u>	<u>1,378,016</u>			<u>1,222,557</u>	<u>(155,459)</u>	
Federal Program Revenues:							
5920 Federal Revenues Distributed by TEA	743,289	667,106	10% (7)		329,417	(337,689)	-51% (3)
5930 Federal Revenues Distributed by Other State Agencies	-	-			-	-	
Total Federal Program Revenues	<u>743,289</u>	<u>667,106</u>			<u>329,417</u>	<u>(337,689)</u>	
Total Revenues	<u>\$ 2,329,143</u>	<u>\$ 2,140,035</u>			<u>\$ 1,575,841</u>	<u>\$ (564,194)</u>	
Expenses							
11 Instruction	\$ 1,298,572	\$ 1,404,747	-8%		\$ 835,139	\$ 569,608	41% (4)
13 Curriculum & Instructional Staff Development	200	200			-	200	
21 Instructional Leadership	-	-			-	-	
23 School Leadership	113,305	95,305	16% (8)		104,083	(8,778)	-9%
31 Guidance, Counseling, & Evaluation Services	44,586	38,086	15% (9)		36,412	1,674	4%
33 Health Services	150	300	-100% (10)		284	16	5%
35 Food Services	3,800	2,311	39% (11)		-	2,311	
36 Cocurricular/Extracurricular Activities	1,300	1,300			407	893	
41 General Administration	180,022	146,522	19% (12)		114,550	31,972	22% (5)
51 Facilities Maintenance & Operations	134,673	136,814	-2%		150,166	(13,352)	-10% (6)
52 Security & Monitoring Services	43,649	2,349	95% (13)		2,407	(58)	-2%
53 Data Processing Services	252,800	226,100	11% (14)		236,405	(10,305)	-5%
71 Debt Service	-	82,000			-	82,000	
81 Fundraising	1,000	1,000			-	1,000	
Total Expenses	<u>\$ 2,074,057</u>	<u>\$ 2,137,034</u>			<u>\$ 1,479,853</u>	<u>\$ 657,181</u>	
Change in Net Assets	<u>255,086</u>	<u>3,001</u>			<u>95,988</u>	<u>92,987</u>	
Net Assets, Beginning of Year	<u>1,464,926</u>	<u>1,464,926</u>			<u>1,464,926</u>	<u>-</u>	
Prior Period Adjustment	<u>90,194</u>	<u>90,194</u>			<u>90,194</u>	<u>-</u>	
Net Assets, End of Year	<u>\$ 1,810,206</u>	<u>\$ 1,558,121</u>			<u>\$ 1,651,108</u>	<u>\$ 92,987</u>	

The accompanying notes are an integral part of these financial statements.

**BRAZOS RIVER CHARTER SCHOOL
MATERIAL BUDGET VARIANCE EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2023**

Material Budget Variance Expenditures

The following is an explanation of the 10% variances from final budget to actual revenue reported on the Budgetary Comparison Schedule:

- (1) Budget created with fair rental value of donated facilities for 4 hospital sites that were closed in June 2022. Only one site remains, so budgeted contribution revenue was too high.
- (2) School Safety Standards formula grant was budgeted for full \$200,000, but NOGA was not received until 8/5/2023. It is a 2022-2025 grant, so Brazos River School should have adjusted state program revenue with final amendment.
- (3) Federal grants were not fully expended during the 2022-23 fiscal year.

The following is an explanation of the 10% variances from final budget to actual expenses reported on the Budgetary Comparison Schedule:

- (4) This was Brazos River Charter School's first year budgeting without hospital sites, and supplies were considerably less than anticipated.
- (5) Leases were budgeted here, but were reclassified and moved to function 71 to comply with new lease standards.
- (6) Expenses for Safety Standards updates were made in August, but budget function 51 was not increased to reflect this.

The following is an explanation of the 10% variances from final budget to original budget revenue reported on the Budgetary Comparison Schedule:

- (7) Full ESSER grant allotments were used by Region XI Accountant while creating grant budget, and they were not reduced by amounts already expended.

The following is an explanation of the 10% variances from final budget to original budget expenses reported on the Budgetary Comparison Schedule:

- (8) Adjusted some salary coding with shifts in responsibilities on campus.
- (9) Adjusted some salary coding with shifts in responsibilities on campus.
- (10) Brazos River Charter School campus was advised that first aid station had too many items that had expired over the summer. Budget was increased to cover the expense of replacing these items.
- (11) Budgeted to purchase breakfast items for students at Fort Behavioral site but treatment center provided the food.
- (12) Leases were budgeted here, but were reclassified and moved to function 71 to comply with new lease standards.
- (13) Increased budget in anticipation of added expenses due to required security upgrades. Upgrades did not take place until summer 2023; therefore, budget was amended to reflect this
- (14) Reviewed expenses mid year and determined that Brazos River Charter School would not need the full budgeted amount.

The accompanying notes are an integral part of these statements.

**CROSSTIMBERS ACADEMY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023**

	Budgeted Amounts				Actual Amounts	Variance from Final Budget	
	Original	Final					
Revenues							
Local Support:							
5740 Other Revenues from Local Sources	\$ 2,000	\$ 2,391	-20%	(9)	\$ 2,841	\$ 450	19% (1)
5750 Cocurricular and Enterprising Activities	-	-			-	-	
Total Local Support	<u>2,000</u>	<u>2,391</u>			<u>2,841</u>	<u>450</u>	
State Program Revenues:							
5810 Foundation School Program Act Revenues	1,477,540	1,799,331	-22%	(10)	1,525,085	(274,246)	-15% (2)
5820 State Program Revenues Distributed by TEA	-	-			-	-	
Total State Program Revenues	<u>1,477,540</u>	<u>1,799,331</u>			<u>1,525,085</u>	<u>(274,246)</u>	
Federal Program Revenues:							
5920 Federal Revenues Distributed by TEA	347,976	360,632	-4%		261,097	(99,535)	-28% (3)
5930 Federal Revenues Distributed by Other State Agencies	-	-			-	-	
Total Federal Program Revenues	<u>347,976</u>	<u>360,632</u>			<u>261,097</u>	<u>(99,535)</u>	
Total Revenues	<u>\$ 1,827,516</u>	<u>\$ 2,162,354</u>			<u>\$ 1,789,023</u>	<u>\$ (373,331)</u>	
Expenses							
11 Instruction	\$ 916,626	\$ 1,027,362	-12%	(11)	\$ 802,362	\$ 225,000	22% (4)
13 Curriculum & Instructional Staff Development	-	600			600	-	
21 Instructional Leadership	-	-			-	-	
23 School Leadership	64,130	67,375	-5%		71,296	(3,921)	-6%
31 Guidance, Counseling, & Evaluation Services	79,801	52,988	34%	(12)	44,861	8,127	15% (5)
33 Health Services	300	350	-17%	(13)	327	23	7%
35 Food Services	150	450	-200%	(14)	404	46	10% (6)
36 Cocurricular/Extracurricular Activities	3,000	2,155	28%	(15)	3,800	(1,645)	-76% (7)
41 General Administration	141,896	165,851	-17%	(16)	166,917	(1,066)	-1%
51 Facilities Maintenance & Operations	289,200	224,787	22%	(17)	224,871	(84)	0%
52 Security and Monitoring Services	7,300	5,230	28%	(18)	7,638	(2,408)	-46% (8)
53 Data Processing Services	184,967	207,684	-12%	(19)	220,242	(12,558)	-6%
71 Debt Service	-	137,015			-	137,015	
81 Fundraising	-	-			-	-	
Total Expenses	<u>\$ 1,687,370</u>	<u>\$ 1,891,847</u>			<u>\$ 1,543,318</u>	<u>\$ 348,529</u>	
Change in Net Assets	<u>140,146</u>	<u>270,507</u>			<u>245,705</u>	<u>(24,802)</u>	
Net Assets, Beginning of Year	<u>1,120,098</u>	<u>1,120,098</u>			<u>1,120,098</u>	<u>-</u>	
Prior Period Adjustment	<u>115,916</u>	<u>115,916</u>			<u>115,916</u>	<u>-</u>	
Net Assets, End of Year	<u>\$ 1,376,160</u>	<u>\$ 1,506,521</u>			<u>\$ 1,481,719</u>	<u>\$ (24,802)</u>	

The accompanying notes are an integral part of these financial statements.

**CROSTIMBERS ACADEMY
MATERIAL BUDGET VARIANCE EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2023**

Material Budget Variance Expenditures

The following is an explanation of the 10% variances from final budget to actual revenue reported on the Budgetary Comparison Schedule:

- (1) Did not budget enough revenue for investment income.
- (2) Federal grants were not fully expended during the 2022-23 fiscal year.
- (3) Full ESSER grant allotments were used by Region XI Accountant to create grant budget, and these grants should have reduced by amounts already expended. Also, grants not fully spent in the year ended August 31, 2023.

The following is an explanation of the 10% variances from final budget to actual expenses reported on the Budgetary Comparison Schedule:

- (4) Crosstimbers Academy increased budget with final amendment to cover outstanding expenses, but not all items came through and were moved to 2023-24.
- (5) Budgeted for PT counselor/PT AP, but no one was ever hired so funds were not completely used. Amended budget to better balance expenses.
- (6) Water testing showed fountain water not at safe drinking level, had to purchase bottled water for students. Amended budget to reflect costs but overestimated.
- (7) In the past, Crosstimbers Academy charged students a portion of field trip costs and caps/gowns, so budget was set in anticipation of deposit. New Principal did not charge students in 2022-2023 but did not advise finance of change.
- (8) A few expenses were misclassified and corrected after budget amendment.

The following is an explanation of the 10% variances from final budget to original budget revenue reported on the Budgetary Comparison Schedule:

- (9) Did not budget enough revenue for investment income.
- (10) Budget was based on 7/21/22 summary of finance of \$1,416,054, increased conservatively to account for enrollment growth.

The following is an explanation of the 10% variances from final budget to original budget expenses reported on the Budgetary Comparison Schedule:

- (11) Crosstimbers Academy increased budget with final amendment to cover outstanding expenses, but not all items came through and were moved to 2023-24.
- (12) Budgeted for PT counselor/PT AP, but no one was ever hired so funds were not completely used. Amended budget to better balance expenses.
- (13) Increased budget to cover expenses, but overestimated the amounts.
- (14) Water testing showed fountain water not at safe drinking level, had to purchase bottled water for students. Amended budget to reflect costs but overestimated.
- (15) In the past, Crosstimbers Academy charged students a portion of field trip costs and caps/gowns, so budget was set in anticipation of deposit. New Principal did not charge students in 2022-2023 but did not advise finance of change.
- (16) Adjusted salary split for admin shared with CA and BR to better reflect enrollment for both CDNs. Split was done after original budget was approved and amended later.
- (17) Changed internet provider which drastically reduced monthly bills. Tclass budgeted at beginning of the year, but grant rejected by CA before any funds expended.
- (18) A few expenses were misclassified and corrected after budget amendment, should not have amended.
- (19) Adjusted salary split for admin shared with CA and BR to better reflect enrollment for both CDNs. Split was done after original budget was approved and amended later.

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER CHARTER SCHOOL
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION
PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2023**

Section A. Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the schools' fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the schools' fiscal year.	\$127,894
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$ 71,304

Section B. Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	No
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ -
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	\$ -

**CROSSTIMBERS ACADEMY
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION
PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2023**

Section A. Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the schools' fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the schools' fiscal year.	\$ 94,323
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$ 48,813

Section B. Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ -
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	\$ 6,114

**BRAZOS RIVER CHARTER SCHOOL
 SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
 FOR THE YEAR ENDED AUGUST 31, 2023**

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
None			\$ -	\$ -	\$ -
			-	-	-
			-	-	-
			-	-	-
			-	-	-
			-	-	-
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**Compliance
and
Internal Control**

FREEMON, SHAPARD & STORY

Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Brazos River School
P.O. Box 949
Nemo, TX 76070

Members of the Board of Directors:

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 Brazos River School (a nonprofit organization), which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 1, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brazos River School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brazos River School's internal control. Accordingly, we do not express an opinion on the effectiveness of Brazos River School's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brazos River School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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

This 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.

Respectfully submitted,



Freeman, Shapard, & Story
Windthorst, TX
January 1, 2024

**BRAZOS RIVER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Under the guidelines of OMB Uniform Guidance, a Single Audit was not required for the year ended August 31, 2023.

II. Financial Statement Findings

None identified.

III. Findings and Questioned Costs for Federal Awards

None identified.

**BRAZOS RIVER SCHOOL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023**

N/A No prior audit findings.