

**BRAINATION, INC. AND AFFILIATES  
(INSPIRE ACADEMIES AND BRAINATION  
FOUNDATION)**

**CONSOLIDATED FINANCIAL STATEMENTS WITH  
COMPLIANCE AND SINGLE AUDIT REPORTING**

**August 31, 2023 and 2022**

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATED FINANCIAL STATEMENTS WITH COMPLIANCE**  
**AND SINGLE AUDIT REPORTING**  
**August 31, 2023 and 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Braination, Inc. and Affiliates  
San Antonio, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Braination, Inc. and its affiliates (Inspire Academies and Braination Foundation), non-profit organizations, which comprise the consolidated statement of financial position as of August 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Braination, Inc. and its affiliates (collectively, the Organization) as of August 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The specific-purpose financial statements on pages 22-32, the consolidating financial statements on pages 33-35, and the accompanying schedule of expenditures of federal and state awards on page 36, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 25, 2024 on pages 38-39 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

We have previously audited the Organization's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 17, 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.

*Randy Walker & Co.*

San Antonio, Texas  
January 25, 2024

# **GENERAL-PURPOSE FINANCIAL STATEMENTS**

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 9,280,509	\$ 10,399,792
Due from State	1,630,136	1,614,131
Due from Federal Agencies	21,827	450,197
Other Receivables	28,066	2,532
Prepaid Expense	286,874	95,143
Total Current Assets	<b>11,247,412</b>	<b>12,561,795</b>
<b>LONG-TERM ASSETS</b>		
Restricted Cash	55,885	55,492
Operating Lease Right-of-Use Asset	425,101	-
Deferred Charges on Refunding, net	1,621,475	1,701,886
Property and Equipment, net	17,394,038	17,447,039
Total Long-Term Assets	<b>19,496,499</b>	<b>19,204,417</b>
<b>TOTAL ASSETS</b>	<b>\$ 30,743,911</b>	<b>\$ 31,766,212</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 151,888	\$ 212,802
Accrued Expenses	983,386	1,003,787
Deferred Revenue	126,677	-
Bonds Payable - current	385,000	375,000
Operating Lease Payable	425,101	-
Total Current Liabilities	<b>2,072,052</b>	<b>1,591,589</b>
<b>LONG-TERM LIABILITIES</b>		
Bonds Payable - long-term, net	8,718,814	9,070,500
Total Long-Term Liabilities	<b>8,718,814</b>	<b>9,070,500</b>
<b>TOTAL LIABILITIES</b>	<b>10,790,866</b>	<b>10,662,089</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	13,902,357	13,191,623
With Donor Restrictions	6,050,688	7,912,500
<b>TOTAL NET ASSETS</b>	<b>19,953,045</b>	<b>21,104,123</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 30,743,911</b>	<b>\$ 31,766,212</b>

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2023**  
**(summarized for 2022)**

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>OPERATING REVENUES AND OTHER SUPPORT</b>				
Local Support:				
Pass-Through Revenue from Local Sources	\$ 180	\$ -	\$ 180	\$ 1,657,642
Other Revenue from Local Sources	252,144	-	252,144	-
Food Service Revenue	89,005	-	89,005	12,561
Earnings from Temporary Deposits and Investments	179,280	-	179,280	7,166
Total Local Support	<u>520,609</u>	<u>-</u>	<u>520,609</u>	<u>1,677,369</u>
State Program Revenues:				
Foundation School Program Act Entitlements	-	7,764,829	7,764,829	7,406,343
Other State Program Revenue	-	448,212	448,212	84,884
Total State Program Revenues	<u>-</u>	<u>8,213,041</u>	<u>8,213,041</u>	<u>7,491,227</u>
Federal Program Revenues:				
Title I, Part A - Grants to Local Education Agencies	-	410,473	410,473	525,117
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	346,586	346,586	321,560
IDEA - Part B, Formula	-	203,281	203,281	231,172
National School Breakfast Program	-	126,909	126,909	145,048
National School Lunch Program	-	361,264	361,264	404,570
Title II, Part A - Improving Teacher Quality State Grants	-	28,520	28,520	20,050
Title IV, Part A - SSAEP	-	31,798	31,798	47,696
Education Stabilization Fund - COVID-19	-	2,211,708	2,211,708	2,187,664
School Health and Related Services	-	40,324	40,324	485,113
Other Federal Revenues Distributed by TEA	-	4,880	4,880	-
Other Federal Revenues Distributed by Federal Government	-	11,848	11,848	-
Total Federal Program Revenues	<u>-</u>	<u>3,777,591</u>	<u>3,777,591</u>	<u>4,367,990</u>
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	13,852,444	(13,852,444)	-	-
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<u>14,373,053</u>	<u>(1,861,812)</u>	<u>12,511,241</u>	<u>13,536,586</u>
<b>OPERATING EXPENSES</b>				
Program	11,772,168	-	11,772,168	10,949,603
General and Administrative	1,890,151	-	1,890,151	2,356,625
<b>TOTAL OPERATING EXPENSES</b>	<u>13,662,319</u>	<u>-</u>	<u>13,662,319</u>	<u>13,306,228</u>
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY</b>	<u>710,734</u>	<u>(1,861,812)</u>	<u>(1,151,078)</u>	<u>230,358</u>
<b>NON-OPERATING ACTIVITY</b>				
Employee Retention Credit Income	-	-	-	320,380
<b>TOTAL NON-OPERATING ACTIVITY</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,380</u>
<b>CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY</b>	<u>710,734</u>	<u>(1,861,812)</u>	<u>(1,151,078)</u>	<u>550,738</u>
<b>NET ASSETS, Beginning of Year</b>	<u>13,191,623</u>	<u>7,912,500</u>	<u>21,104,123</u>	<u>20,553,385</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 13,902,357</u>	<u>\$ 6,050,688</u>	<u>\$ 19,953,045</u>	<u>\$ 21,104,123</u>

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



**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2023**  
**(summarized for 2022)**

	<b>2023</b>			2022
	<b>Program</b>	<b>General and Administrative</b>	<b>Total</b>	Total
<b>OPERATING EXPENSES</b>				
Salaries	\$ 6,398,124	\$ 801,603	\$ 7,199,727	\$ 7,116,213
Payroll Taxes and Benefits	1,094,181	149,206	1,243,387	1,118,909
Health Insurance	348,365	47,505	395,870	458,265
Total Payroll Expenses	<u>7,840,670</u>	<u>998,314</u>	<u>8,838,984</u>	<u>8,693,387</u>
Depreciation Expense	844,927	44,471	889,398	922,107
General Supplies	644,150	87,133	731,283	620,666
Rental Expense	415,230	109,770	525,000	694,385
Other Contract Labor	220,707	147,137	367,844	356,259
Food/Non-Food Expenses	324,266	-	324,266	255,101
Maintenance and Repair	278,277	30,920	309,197	177,285
Interest Expense	251,676	27,964	279,640	295,975
Utilities	195,204	61,007	256,211	299,649
Miscellaneous Expenses	165,946	25,083	191,029	167,291
Travel Expenses	118,208	60,894	179,102	170,309
Professional Services	113,245	41,793	155,038	173,785
Insurance and Bonding	41,885	89,004	130,889	140,692
Bond Amortization Expense	102,352	11,373	113,725	113,725
Professional Development	79,642	-	79,642	-
Supplies for Maintenance and Repairs	757	75,034	75,791	35,825
Educational Service Center	46,447	17,179	63,626	84,074
Tuition and Related Expenses	51,209	-	51,209	23,251
Legal Services	11,027	33,082	44,109	21,932
Accounting Fees	9,998	29,993	39,991	38,927
Instructional Materials	16,345	-	16,345	21,603
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 11,772,168</u></u>	<u><u>\$ 1,890,151</u></u>	<u><u>\$ 13,662,319</u></u>	<u><u>\$ 13,306,228</u></u>

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Decrease) Increase in Net Assets	\$ (1,151,078)	\$ 550,738
Adjustments to Reconcile Net Assets to Net Cash		
Provided by Operations:		
Depreciation and Amortization	1,003,123	1,035,832
(Increase) Decrease in Assets:		
Due from State	(16,005)	1,203,856
Due from Federal Agencies	428,370	564,312
Employee Retention Credit Receivable	-	1,453,976
Other Receivables	(25,534)	16,852
Prepaid Expense	(191,731)	303,174
Operating Lease Right-of-Use Asset	(425,101)	-
(Decrease) Increase in Liabilities:		
Accounts Payable	(60,914)	22,465
Accrued Expenses	(20,401)	(94,629)
Deferred Revenue	126,677	-
Operating Lease Payable	425,101	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>92,507</b>	<b>5,056,576</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(836,397)	(842,826)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(836,397)</b>	<b>(842,826)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Bonds Payable	(375,000)	(370,000)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(375,000)</b>	<b>(370,000)</b>
<b>NET (DECREASE) INCREASE IN CASH FLOWS</b>	<b>(1,118,890)</b>	<b>3,843,750</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>10,399,792</b>	<b>6,556,073</b>
<b>RESTRICTED CASH, Beginning of Year</b>	<b>55,492</b>	<b>55,461</b>
<b>LESS RESTRICTED CASH, End of Year</b>	<b>(55,885)</b>	<b>(55,492)</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 9,280,509</b>	<b>\$ 10,399,792</b>
 Supplemental Disclosures:		
Interest	<b>\$ 279,640</b>	<b>\$ 295,975</b>

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 1 - Nature of Business and Significant Accounting Policies**

***Reporting Entity***

Braination, Inc. is a 501(c)(3) not-for-profit organization incorporated in the state of Texas in 1998. Braination, Inc. is governed by the Board of Trustees (the Board) which is comprised of five members. The Board is selected pursuant to the bylaws of Braination, Inc. and has the authority to make decisions, appoint the chief executive officer and superintendent of Braination, Inc., and significantly influence operations. The Board has the primary accountability for the fiscal affairs of Braination, Inc.

Braination, Inc. is the "sponsoring entity" of an "Open-Enrollment Charter" with the Texas Education Agency called Inspire Academies. Through its open-enrollment charter, Inspire Academies operates residential and community-based school programs. These charter schools are Texas public schools.

Braination, Inc. receives, for purposes of the activity of Inspire Academies, the majority of its funding from Texas Education Agency (TEA) based on Inspire Academies' Average Daily Attendance Foundation Formula program. Since Braination, Inc. receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

***Residential Schools***

Beginning in the fall of 1998, Inspire Academies began offering challenging core curriculum with an accelerated academic focus serving primarily at-risk and under-achieving students in residential settings. Inspire Academies has traditionally focused on academic and behavioral intervention in favor of troubled youth. The environment is compatible with therapeutic treatment goals and is technologically and vocationally enriched. Education services are provided in multi-aged, multi-level classrooms for students in kindergarten through 12<sup>th</sup> grade.

As of August 31, 2023, Inspire Academies operates five residential campuses (Hays County, Bell County, Legacy Ranch, Rockdale, and Innova Joy) in Hays, Bell, Gonzales, Milam, Kendall, and Bexar Counties. The campuses are located within juvenile detention centers, a treatment center, and foster care center operated by separate entities. All campuses serve open-enrollment students. Management and support of all campuses are executed at the central office.

***Community-Based Schools***

In August 2021, Inspire Academies opened San Antonio's first recovery high school serving greater Bexar County. Also, under its charter school program, Inspire Academies opened a community-based middle, elementary, and high school in August 2014, 2015, and 2016, respectively. The name of the campus is Anne Frank Inspire Academy. In the 2021-2022 school year, Anne Frank Inspire Academy expanded to a second site in San Antonio, Texas serving elementary grade levels.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 1 - Nature of Business and Significant Accounting Policies (continued)**

***Reporting Entity (continued)***

**Community-Based Schools (continued)**

The schools currently serve students from Bexar County in grades K thru 12. These schools offer a rigorous and innovative curricula, creative collaboration, guided learning, and an inquiry-driven model. Students from Bexar County may apply for open enrollment on a space-available basis, selected by numerical lottery. The staff to student ratio varies depending on requisite level of care needed.

**Braination Newcomers School**

Braination, Inc. also operated an educational program for children of undocumented parents who crossed into the United States illegally. The Immigration and Customs Enforcement (ICE) division of Homeland Security operates a 537-bed facility (Karnes County Residential Facility) in Karnes City, Texas for these adults and their children. The residents are from countries all over the world excluding Mexico. The school operated as a private, non-public school and served up to 200 children from pre-K through 12<sup>th</sup> grade. All teachers were certified and bilingual, and the school followed state guidelines for instructional content, including special education. The contract for this education program ended on February 28, 2022.

**Charter Renewal**

As stated in 19 Texas Administrative Code 100.1031(a), “If a Charter holder makes timely and sufficient application for renewal of an open-enrollment charter, the existing open-enrollment charter does not expire until the commissioner of education has finally granted or denied the application.” Braination, Inc.'s Open-Enrollment Charter was approved in April 2016 for a ten-year term that began in August 2016.

**Braination Foundation**

Also affiliated with Braination, Inc. is the Braination Foundation (the Foundation), a 501(c)(3) non-profit corporation. The Foundation is organized for the exclusive purpose of serving as a supporting organization for Braination, Inc. The Foundation’s Board of Trustees is comprised of six members which includes all five of the Braination, Inc. members.

**Non-Charter Activities**

Expenses related to non-charter activities at Braination, Inc. and its affiliates for the years ended August 31, 2023 and 2022 were \$2,319,517 and \$1,323,041, respectively. The non-charter activities include the Foundation’s operating expenses and an agreement with The Geo Group, Inc./Karnes County Civil Detention Center to provide educational services to eligible residential students effective August 1, 2014. The agreement with The Geo Group, Inc./Karnes County Civil Detention Center was no longer in effect as of February 28, 2022.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 1 - Nature of Business and Significant Accounting Policies (continued)**

***Basis of Presentation***

The consolidated financial statements of Braination, Inc. and its affiliates have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The more significant of Braination, Inc.'s and its affiliates' accounting policies are described below:

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with GAAP.

Braination, Inc. and its affiliates are required to report information regarding their financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board-designated.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than Braination, Inc.'s and its affiliates' mission and purpose. 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.

***Cash and Cash Equivalents***

Braination, Inc. and its affiliates consider all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

***Principles of Consolidation***

The accompanying consolidated financial statements as of August 31, 2023 and 2022 include the financial statements of Braination, Inc., Inspire Academies, and Braination Foundation. Intercompany transactions and balances have been eliminated in the consolidation.

***Grant Funds***

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors may require a refund of all or part of the unused amount.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 1 - Nature of Business and Significant Accounting Policies (continued)**

***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Income Taxes***

Braination, Inc. and its affiliates are not-for-profit organizations and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Braination, Inc. is also exempt from income, sales and hotel taxes in the State of Texas. As of August 31, 2023, the tax years that remain subject to examination by taxing authorities begin with 2020.

***Restricted Cash***

Restricted cash represents remaining proceeds from a bond issuance (see Note 3) that are not available for operating purposes. Under the terms of the note trust indenture, restricted cash is limited as to use for bond-related costs. At August 31, 2023 and 2022, restricted cash totaled \$55,885 and \$55,492, respectively.

***Property and Equipment***

Property and equipment, which include leasehold improvements, are stated at historical cost. Property and equipment are defined as assets with an individual cost of more than \$5,000. 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 at cost.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Buildings (permanent)	30 - 40 years
Buildings (temporary)	20 years
Building Improvements	10 years
Furniture and Equipment	5 years
Vehicles	5 - 10 years
Library Assets	3 - 5 years
Infrastructure - Sign	5 years

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 1 - Nature of Business and Significant Accounting Policies (continued)**

***Contingencies***

Certain conditions may exist as of August 31, 2023, which may result in a loss to Braination, Inc. and its affiliates, but which will only be resolved when one or more future events occur or fail to occur. Braination, Inc.'s and its affiliates' management and legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against Braination, Inc. or unasserted claims that may result in such proceedings, Braination, Inc.'s and its affiliates' legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in Braination, Inc.'s and its affiliates' consolidated financial statements. If the assessment indicates a potentially material loss contingency that is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Braination, Inc. receives the majority of its state and federal (as pass-through) revenues from TEA. These funds are governed by various statutes and regulations. State program funding is based primarily on Inspire Academies' student attendance data submitted to TEA and is subject to audit and adjustment.

Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by Braination, Inc. have complex compliance requirements, and, should state or federal auditors discover areas of noncompliance, Braination, Inc.'s funds may be subject to refund if so determined by TEA or the grantor agency.

***Contributions and Grants***

Braination, Inc. and its affiliates record contributions and grants in accordance with Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Braination, Inc. and its affiliates account for contributions and grants as support with or without 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 without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (when a stipulated time restriction ends or purpose restriction is fulfilled), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 1 - Nature of Business and Significant Accounting Policies (continued)**

***Functional Allocation of Expenses***

The costs of providing the services and other activities of Braination, Inc. and its affiliates have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses which are allocated on the basis of estimates of time and effort, as well as supplies, depreciation, maintenance and repair, and various other expenses which are allocated on the basis of square footage or some other reasonable basis.

***Leases***

Braination, Inc. and its affiliates may have lease agreements that contain both lease and non-lease components as defined by ASC 842. Braination, Inc. and its affiliates have elected the practical expedient, by class of underlying assets, to account for the lease and non-lease components as a single lease component. The underlying assets include building space recognized as a right-of-use asset in the statements of financial position.

As Braination, Inc.'s and its affiliates' lease does not provide an implicit rate, a risk-free rate is used based on the information available at commencement date in determining the present value of lease payments. The risk-free rate is the rate of a zero-coupon U. S. Treasury instrument for the same period of time as the lease term.

***New Accounting Pronouncements***

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This pronouncement requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The pronouncement includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new pronouncement, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. Management has evaluated the pronouncement and determined it is not applicable since Braination, Inc. and its affiliates did not receive in-kind contributions during the year ended August 31, 2023. Therefore, it will not be adopted for fiscal year 2023.

***Recently Adopted Accounting Pronouncements***

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with terms of more than twelve months. Braination, Inc. and its affiliates adopted this pronouncement using the effective date method on September 1, 2022.



**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 1 - Nature of Business and Significant Accounting Policies (continued)**

***Revenue – Exchange Transactions***

Braination, Inc. and its affiliates recognize revenue related to exchange transactions in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Braination, Inc. and its affiliates receive fundraising revenues (included in other revenue from local sources on the consolidated statement of activities) considered to be exchange transactions. The amount of consideration received from these transactions is variable. Revenue from these transactions is recorded as an increase in net assets without donor restrictions to the extent that the earnings process is complete. Performance obligations are satisfied at a point in time when the event is held. There were no receivables, contract assets, or contract liabilities related to these exchange transactions at August 31, 2023, August 31, 2022 and September 1, 2021. For the years ended August 31, 2023 and 2022, substantially all fundraising revenue consisted of contributions (non-exchange) which are recognized as revenue when received and are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restriction. Disaggregation of revenue is presented on the face of the consolidated statement of activities.

**Note 2 - Property and Equipment**

Property and equipment consisted of the following at August 31:

	<u>2023</u>	<u>2022</u>
Building and Improvements	\$ 19,976,291	\$ 20,184,592
Land and Improvements	1,256,091	883,025
Furniture and Equipment	1,258,074	4,136,799
Vehicles	74,157	74,157
Library Assets	-	87,103
Construction in Progress	38,081	-
Infrastructure - Sign	40,636	40,636
	<u>22,643,330</u>	<u>25,406,312</u>
Less Accumulated Depreciation	<u>(5,249,292)</u>	<u>(7,959,273)</u>
Total	<u>\$ 17,394,038</u>	<u>\$ 17,447,039</u>

Depreciation expense for the years ended August 31, 2023 and 2022 was \$889,398 and \$922,107, respectively. Fixed asset additions are included in net assets released from restrictions in the consolidated statement of activities.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 3 - Bonds Payable**

Braination, Inc.'s and its affiliates' obligations under bonds payable consist of \$10,920,000 in Taxable Education Revenue Refunding Bonds (Series 2020) issued through Pottsboro Higher Education Authority and dated June 24, 2020. All bonds were closed and funded on July 2, 2020, with proceeds being held by The Bank of New York Mellon Trust Company. The bonds' proceeds will be used for property acquisition and construction at the Anne Frank Inspire Academy campus and were underwritten by Oppenheimer & Co., Inc. The interest rates on the bonds range from 1.07% to 3.47%, and the terms of the bonds range from one to twenty-three years.

The Series 2020 bonds were issued to provide resources to defease the Series 2013A bonds on the call date of August 15, 2023. The refunding resulted in an economic gain of \$983,210 and a reduction of \$2,302,710 in future debt payments. Additionally, \$1,621,475 and \$1,701,886 in net deferred charges were reported in the consolidated statements of financial position at August 31, 2023 and 2022, respectively.

As of August 31, bonds payable - long-term consisted of the following:

	<b>2023</b>
Series 2020	<b>\$ 9,770,000</b>
Less Current Maturities	<b>(385,000)</b>
Less Bond Discount, net	<b>(56,696)</b>
Less Bond Issuance Costs, net	<b>(609,490)</b>
Total	<b><u>\$ 8,718,814</u></b>
	2022
Series 2020	\$ 10,145,000
Less Current Maturities	(375,000)
Less Bond Discount, net	(59,531)
Less Bond Issuance Costs, net	(639,969)
Total	<b><u>\$ 9,070,500</u></b>

Series 2020 bond covenants include a debt service coverage ratio requirement, which stipulates that available revenues (i.e., the amount of excess (deficit) of adjusted revenues over expenses) for each fiscal year must be equal to at least 1.10 times the annual debt service requirements of Braination, Inc. and its affiliates as of the end of the first fiscal year after the date of issuance of the bonds and annually thereafter until the bonds have been paid in full. Expenses include all operating and non-operating expenses or losses incurred during the fiscal year other than (a) interest expense, (b) depreciation and amortization, (c) extraordinary losses and (d) capital expenditures. As of August 31, 2023 and 2022, Braination, Inc. and its affiliates were in compliance with this covenant and all applicable covenants contained in the loan agreement.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 3 - Bonds Payable (continued)**

Interest expense on bonds payable was \$285,172 and \$295,144 for the years ended August 31, 2023 and 2022, respectively.

Future minimum principal payments on the bonds payable are as follows:

For the Year Ending August 31,	
2024	\$ 385,000
2025	385,000
2026	395,000
2027	405,000
2028	410,000
Thereafter	<u>7,790,000</u>
Total	<u>\$ 9,770,000</u>

**Note 4 - Operating Leases**

In July 2019, Braination, Inc. and its affiliates entered into a lease for a campus building that will expire in June 2024. Braination, Inc. and its affiliates have adopted ASU 2016-02, *Leases*, as described in Note 1. Therefore, this lease is treated as a right-of-use operating lease as ownership does not transfer at the end of the lease term. The balance of both the right-of-use asset and right-of-use lease payable was \$425,101 at August 31, 2023. Lease expense was \$525,000 for the years ended August 31, 2023 and 2022, and is included in rental expense in the consolidated statement of functional expenses. Future minimum lease payments under this right-of-use lease total \$481,250 for the year ended August 31, 2024.

**Note 5 - Fair Value of Financial Instruments**

Braination, Inc. and its affiliates adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect Braination, Inc.'s and its affiliates' financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 5 - Fair Value of Financial Instruments (continued)**

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

Braination, Inc.'s and its affiliates' current assets and liabilities as presented in the consolidated statements of financial position are Level 1. Braination, Inc. and its affiliates have no Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the consolidated statements of financial position approximate fair values because of the short maturities of those instruments.

**Note 6 - Regulated Industry**

The majority of Braination, Inc.'s and its affiliates' activities and revenues are a result of contracts with TEA. Braination, Inc.'s and its affiliates' operations are concentrated in the education field. As such, Braination, Inc. and its affiliates operate in a heavily regulated environment. The operations of Braination, Inc. and its affiliates are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

**Note 7 - Pension Plan Obligations**

***Plan Description***

Braination, Inc. and its affiliates contribute to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan in which all risks and costs are not shared by Braination, Inc. and its affiliates but are the liability of the state of Texas. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, *Public Retirement Systems*, Subtitle C, *Teacher Retirement System of Texas*, which is subject to amendment by the Texas Legislature. TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.
- There is no withdrawal penalty for leaving the TRS system.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 7 - Pension Plan Obligations (continued)**

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$207,621,898,000  
Accumulated Benefit Obligations - \$228,246,679,763  
The plan is 79.0% funded.

There are no collective-bargaining agreements.

***Funding Policy***

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the 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 of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a 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.

Under provisions in state law, plan members are required to contribute 8.0% of their annual covered salary, and the State of Texas contributes an amount equal to 8.0% of Braination, Inc.'s and its affiliates' covered payroll.

Braination, Inc. and its affiliates employees' contributions to the TRS for the years ended August 31, 2023 and 2022 were \$545,363 and \$479,129, respectively, equal to the required contributions for each year.

Other contributions made from federal and private grants and from Braination, Inc. and its affiliates for salaries above the statutory minimum for the years ended August 31, 2023 and 2022 were \$292,024 and \$252,775, respectively, equal to the required contributions for each year.

Braination, Inc.'s and its affiliates' contributions to TRS were \$518,515 and \$442,102 for the years ended August 31, 2023 and 2022, respectively, which include Non-OASDI participating surcharges of \$122,707 and \$101,772, respectively. Braination, Inc.'s and its affiliates' contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

**Note 8 - Employee Retention Credit**

Braination, Inc. and its affiliates applied for the Employee Retention Credit (ERC) for the first three calendar quarters of 2021 ending September 30, 2021. The ERC is a payroll credit enacted under the CARES Act to encourage businesses to keep employees on their payroll. The calculated credit totaled \$320,380 for the year ended August 31, 2022. There was no ERC credit recognized for the year ended August 31, 2023.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 9 - Net Assets with Donor Restrictions**

As of August 31, net assets with donor restrictions were available for the following purposes:

	<u>2023</u>	<u>2022</u>
Foundation School Program	\$ <b>5,942,629</b>	\$ 7,802,941
College Scholarships/Fellowship Award	<b>108,059</b>	109,559
Total	<u>\$ <b>6,050,688</b></u>	<u>\$ 7,912,500</u>

Net assets released from restrictions are reflected in the consolidated statement of activities and include amounts capitalized as fixed assets.

**Note 10 - Liquidity and Availability of Financial Resources**

The following reflects Braination, Inc.'s and its affiliates' financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of donor-stipulated restrictions.

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ <b>9,280,509</b>	\$ 10,399,792
Due from State	<b>1,630,136</b>	1,614,131
Due from Federal Agencies	<b>21,827</b>	450,197
Other Receivables	<b>28,066</b>	2,532
Total Financial Assets	<u><b>10,960,538</b></u>	<u>12,466,652</u>
Donor Restrictions (net of Foundation School Program)	<u><b>(108,059)</b></u>	<u>(109,559)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ <b>10,852,479</b></u>	<u>\$ 12,357,093</u>

Braination, Inc.'s and its affiliates' primary sources of cash flows include Foundation School Program funds from TEA, which are classified as net assets with donor restrictions on the consolidated statements of financial position. However, restrictions are part of Braination, Inc.'s and its affiliates' mission that make them available for general expenditures within one year of the statement of financial position date. Braination, Inc. and its affiliates have a consistent inflow of cash throughout the year to cover normal operating expenses.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 11 - Related Party Transactions**

Intercompany transactions related to receivables and payables between Braination, Inc. and its affiliates were \$57,148 and \$79,606 for the years ended August 31, 2023 and 2022, respectively. These transactions were for administrative services and miscellaneous purchases. Furthermore, management fees charged to Braination, Inc. from Inspire Academies amounted to \$-0- and \$172,500 for the years ended August 31, 2023 and 2022, respectively. During the year ended August 31, 2023, \$2,100,000 in transfers occurred between Braination, Inc. and its affiliates to assist with operations. All related party transactions are eliminated in the consolidated financial statements.

**Note 12 - Health Care Coverage**

During the years ended August 31, 2023 and 2022, employees of Braination, Inc. and its affiliates were covered by a health insurance plan. Braination, Inc. and its affiliates contributed a maximum of \$467 per employee per month to the plan for the years ended August 31, 2023 and 2022. All premiums were paid to licensed insurers. Braination, Inc.'s and its affiliates' contributions towards health insurance for the years ended August 31, 2023 and 2022 were \$395,870 and \$452,750, respectively.

**Note 13 - Subsequent Events**

Braination, Inc. and its affiliates have evaluated subsequent events through January 25, 2024, which is the date the financial statements were available to be issued.

# **SPECIFIC-PURPOSE FINANCIAL STATEMENTS**



**INSPIRE ACADEMIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2023 and 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 7,322,680	\$ 7,380,728
Due from State	1,630,136	1,614,131
Due from Federal Agencies	21,827	450,197
Due from Related Party	-	7,581
Other Receivables	28,066	2,532
Prepaid Expense	272,430	67,390
Total Current Assets	9,275,139	9,522,559
<b>LONG-TERM ASSETS</b>		
Restricted Cash	55,885	55,492
Operating Lease Right-of-Use Asset	425,101	-
Deferred Charges on Refunding, net	1,621,475	1,701,886
Property and Equipment, net	16,706,690	16,743,833
Total Long-Term Assets	18,809,151	18,501,211
<b>TOTAL ASSETS</b>	<b>\$ 28,084,290</b>	<b>\$ 28,023,770</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 129,716	\$ 212,070
Accrued Expenses	983,386	997,300
Due to Related Party	35,954	78,009
Deferred Revenue	126,677	-
Bonds Payable - current	385,000	375,000
Operating Lease Payable	425,101	-
Total Current Liabilities	2,085,834	1,662,379
<b>LONG-TERM LIABILITIES</b>		
Bonds Payable - long-term, net	8,718,814	9,070,500
Total Long-Term Liabilities	8,718,814	9,070,500
<b>TOTAL LIABILITIES</b>	<b>10,804,648</b>	<b>10,732,879</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	11,337,013	9,487,950
With Donor Restrictions	5,942,629	7,802,941
<b>TOTAL NET ASSETS</b>	<b>17,279,642</b>	<b>17,290,891</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 28,084,290</b>	<b>\$ 28,023,770</b>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2023**  
**(summarized for 2022)**

	<b>2023</b>		<b>Total</b>	<b>2022 Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		
<b>OPERATING REVENUES AND OTHER SUPPORT</b>				
Local Support:				
5710 Pass-Through Revenues from Local Sources	\$ 180	\$ -	\$ 180	\$ -
5740 Other Revenues from Local Sources	1,351,736	-	1,351,736	302,997
5750 Food Service	89,005	-	89,005	12,561
Total Local Support	<u>1,440,921</u>	<u>-</u>	<u>1,440,921</u>	<u>315,558</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	7,764,829	7,764,829	7,406,343
5820 State Program Revenues Distributed by TEA	-	448,212	448,212	84,884
Total State Program Revenues	<u>-</u>	<u>8,213,041</u>	<u>8,213,041</u>	<u>7,491,227</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA and USDA	-	3,725,419	3,725,419	3,882,877
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	52,172	52,172	485,113
Total Federal Program Revenues	<u>-</u>	<u>3,777,591</u>	<u>3,777,591</u>	<u>4,367,990</u>
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	13,850,944	(13,850,944)	-	-
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<u>15,291,865</u>	<u>(1,860,312)</u>	<u>13,431,553</u>	<u>12,174,775</u>
<b>OPERATING EXPENSES</b>				
11 Instruction	6,484,288	-	6,484,288	5,951,782
13 Curriculum Development and Instructional Staff Development	511,168	-	511,168	273,120
21 Instructional Leadership	157,018	-	157,018	238,386
23 School Leadership	1,334,325	-	1,334,325	1,491,298
31 Guidance, Counseling, and Evaluation Services	878,783	-	878,783	623,118
33 Health Services	128,671	-	128,671	19,842
35 Food Services	622,238	-	622,238	585,708
36 Extracurricular Activities	39,437	-	39,437	32,550
41 General Administration	1,114,666	-	1,114,666	881,111
51 Plant Maintenance and Operations	1,114,480	-	1,114,480	1,012,321
52 Security and Monitoring	5,716	-	5,716	17,048
53 Data Processing	632,554	-	632,554	609,583
61 Community Services	16,370	-	16,370	4,596
62 School District Administrative Support Services	-	-	-	-
71 Debt Service	398,897	-	398,897	412,900
81 Fundraising	4,191	-	4,191	2,324
<b>TOTAL OPERATING EXPENSES</b>	<u>13,442,802</u>	<u>-</u>	<u>13,442,802</u>	<u>12,155,687</u>
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY</b>	<u>1,849,063</u>	<u>(1,860,312)</u>	<u>(11,249)</u>	<u>19,088</u>
<b>NON-OPERATING ACTIVITY</b>				
Employee Retention Credit Income	-	-	-	251,205
<b>TOTAL NON-OPERATING ACTIVITY</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,205</u>
<b>CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY</b>	<u>1,849,063</u>	<u>(1,860,312)</u>	<u>(11,249)</u>	<u>270,293</u>
<b>NET ASSETS, Beginning of Year</b>	<u>9,487,950</u>	<u>7,802,941</u>	<u>17,290,891</u>	<u>17,020,598</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 11,337,013</u>	<u>\$ 5,942,629</u>	<u>\$ 17,279,642</u>	<u>\$ 17,290,891</u>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended August 31, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program Payments	\$ 8,095,637	\$ 8,919,348
Grant Payments	4,307,360	1,355,395
Miscellaneous Sources	1,440,921	2,502,398
Payments to Vendors for Goods and Services Rendered	(5,371,946)	(3,011,163)
Payments to Charter School Personnel for Services Rendered	(7,053,286)	(5,665,038)
Interest Payments	(279,640)	(295,144)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,139,046</b>	<b>3,805,796</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(821,701)	(802,459)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(821,701)</b>	<b>(802,459)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Bonds Payable	(375,000)	(370,000)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(375,000)</b>	<b>(370,000)</b>
<b>NET (DECREASE) INCREASE IN CASH FLOWS</b>	<b>(57,655)</b>	<b>2,633,337</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>7,380,728</b>	<b>4,747,422</b>
<b>RESTRICTED CASH, Beginning of Year</b>	<b>55,492</b>	<b>55,461</b>
<b>LESS RESTRICTED CASH, End of Year</b>	<b>(55,885)</b>	<b>(55,492)</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 7,322,680</b>	<b>\$ 7,380,728</b>
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operations:		
Change in Net Assets	\$ (11,249)	\$ 270,293
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operations:		
Depreciation and Amortization	972,569	989,497
(Increase) Decrease in Assets:		
Due from State	(16,005)	1,203,856
Due from Federal Agencies	428,370	64,312
Due from Related Party	7,581	(3,394)
Employee Retention Credit Receivable	-	1,104,190
Other Receivables	(25,534)	(1,792)
Prepaid Expense	(205,040)	(5,551)
Operating Lease Right-of-Use Asset	(425,101)	-
(Decrease) Increase in Liabilities:		
Accounts Payable	(82,354)	30,429
Accrued Expenses	(13,914)	80,008
Due to Related Party	(42,055)	73,948
Deferred Revenue	126,677	-
Operating Lease Payable	425,101	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 1,139,046</b>	<b>\$ 3,805,796</b>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**SCHEDULE OF EXPENSES**  
**For the Years Ended August 31, 2023 and 2022**

<b>EXPENSES</b>	<u>2023</u>	<u>2022</u>
6100 Payroll Costs	\$ 8,838,984	\$ 7,788,220
6200 Professional and Contracted Services	1,682,316	1,718,522
6300 Supplies and Materials	1,138,522	908,812
6400 Other Operating Costs	1,384,083	1,327,233
6500 Debt	398,897	412,900
<b>TOTAL EXPENSES</b>	<b>\$ 13,442,802</b>	<b>\$ 12,155,687</b>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**SCHEDULE OF CAPITAL ASSETS**  
**August 31, 2023**

Capital assets acquired with public funds, which constitute public property pursuant to Chapter 12 of the Texas Education Code, are as follows:

	<b>Ownership Interest</b>		
	<b>Local</b>	<b>State</b>	<b>Federal</b>
1110 Cash	\$ 1,766,726	\$ 5,555,954	\$ -
1510 Land and Improvements	-	883,025	-
1520 Buildings and Improvements	-	19,310,977	-
1530 Furniture and Equipment	7,806	756,657	406,314
1531 Vehicles	-	74,157	-
1570 Construction in Progress	-	38,081	-
1590 Infrastructure	-	40,636	-
<b>Total Capital Assets</b>	<b>\$ 1,774,532</b>	<b>\$ 26,659,487</b>	<b>\$ 406,314</b>

Reconciliation of Property and Equipment on Schedule of Capital Assets to Statements of Financial Position:

*Per Schedule of Capital Assets:*

1510 Land and Improvements (State)	\$ 883,025
1520 Buildings and Improvements (State)	19,310,977
1530 Furniture and Equipment (Local)	7,806
1530 Furniture and Equipment (State)	756,657
1530 Furniture and Equipment (Federal)	406,314
1531 Vehicles (State)	74,157
1570 Construction in Progress (State)	38,081
1590 Infrastructure (State)	40,636

*Plus Braination, Inc.:*

Building and Improvements, gross	677,000
Furniture and Equipment, gross	87,297

*Plus Braination Foundation:*

Building and Improvements, gross	361,380
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*Less Accumulated Depreciation:*

Inspire Academies	(4,810,963)
Braination, Inc.	(246,562)
Braination Foundation	(191,767)

**Total Property and Equipment per Consolidated Statements of Financial Position:** **\$ 17,394,038**

See independent auditor's report.

**INSPIRE ACADEMIES**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended August 31, 2023**

	<u>Budgeted Amounts</u>		<u>Variance From Original to Final Budget</u>	<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>	
	<u>Original</u>	<u>Final</u>				
<b>REVENUES AND OTHER SUPPORT</b>						
Local Support:						
5710 Pass-Through Revenues from Local Sources	\$ -	\$ 180	\$ 180	[1]	\$ 180	\$ -
5740 Other Revenues from Local Sources	50,635	1,340,023	1,289,388	[2]	1,351,736	11,713
5750 Food Service	18,300	86,761	68,461	[3]	89,005	2,244
Total Local Support	<u>68,935</u>	<u>1,426,964</u>	<u>1,358,029</u>		<u>1,440,921</u>	<u>13,957</u>
State Program Revenues:						
5810 Foundation School Program Act Revenues	9,896,920	7,967,888	(1,929,032)	[4]	7,764,829	(203,059)
5820 State Program Revenues Distributed by TEA	227,655	469,458	241,803	[5]	448,212	(21,246)
Total State Program Revenues	<u>10,124,575</u>	<u>8,437,346</u>	<u>(1,687,229)</u>		<u>8,213,041</u>	<u>(224,305)</u>
Federal Program Revenues:						
5920 Federal Revenues Distributed by TEA and USDA	3,767,793	3,706,131	(61,662)		3,725,419	19,288
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	350,000	55,810	(294,190)	[6]	52,172	(3,638)
Total Federal Program Revenues	<u>4,117,793</u>	<u>3,761,941</u>	<u>(355,852)</u>		<u>3,777,591</u>	<u>15,650</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>14,311,303</u>	<u>13,626,251</u>	<u>(685,052)</u>		<u>13,431,553</u>	<u>(194,698)</u>
<b>EXPENSES</b>						
11 Instructional	6,772,044	6,548,257	223,787		6,484,288	63,969
13 Curriculum Development and Instructional Staff Development	154,384	485,841	331,457	[7]	511,168	(25,327)
21 Instructional Leadership	1,368,357	151,352	(1,217,005)	[7]	157,018	(5,666)
23 School Leadership	174,516	1,237,363	1,062,847	[7]	1,334,325	(96,962)
31 Guidance, Counseling and Evaluation Services	858,093	848,255	(9,838)		878,783	(30,528)
33 Health Services	148,889	137,632	(11,257)		128,671	8,961
35 Food Services	595,253	596,427	1,174		622,238	(25,811)
36 Extracurricular Activities	19,216	38,315	19,099	[8]	39,437	(1,122)
41 General Administration	1,039,202	1,042,928	3,726		1,114,666	(71,738)
51 Plant Maintenance and Operations	1,105,660	1,014,746	(90,914)		1,114,480	(99,734)
52 Security and Monitoring	29,068	5,797	(23,271)	[9]	5,716	81
53 Data Processing	604,376	623,655	19,279		632,554	(8,899)
61 Community Services	16,267	16,285	18		16,370	(85)
62 School District Administrative Support Services	-	-	-		-	-
71 Debt Service	409,881	404,630	(5,251)		398,897	5,733
81 Fundraising	11,695	3,920	(7,775)	[10]	4,191	(271)
<b>TOTAL EXPENSES</b>	<u>13,306,901</u>	<u>13,155,403</u>	<u>296,076</u>		<u>13,442,802</u>	<u>(287,399)</u>
<b>CHANGE IN NET ASSETS</b>	1,004,402	470,848	(388,976)		(11,249)	(482,097)
<b>NET ASSETS, Beginning of Year</b>	<u>17,290,891</u>	<u>17,290,891</u>	<u>17,290,891</u>		<u>17,290,891</u>	<u>-</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 18,295,293</u>	<u>\$ 17,761,739</u>	<u>\$ 16,901,915</u>		<u>\$ 17,279,642</u>	<u>\$ (482,097)</u>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended August 31, 2023**

- [1] Variance is due to the original budget not including PSAT revenue received during the year.
- [2] Variance is due to the original budget not including a \$1 million unrestricted contribution from Braination Foundation.
- [3] Variance is due to higher participation in food service activity, than originally budgeted in current year.
- [4] Variance is due to less enrollment than originally budgeted in current year.
- [5] Variance is due to the original budget not including a \$200k safety grant and additional nurse grant funding received in current year.
- [6] Variance is due to Inspire Academies anticipating more SHARS funding than originally budgeted in current year.
- [7] Variance is due to original budget including various employees in function 21 that were reclassified to function 13 and 23 during the year.
- [8] Variance is due to the original budget being adjusted to include increased participation for TCSAAL.
- [9] Variance is due to the original budget being adjusted for capital expenditures not included on the statement of activities.
- [10] Variance is due to less fundraising activity occurring during the year than anticipated originally

See independent auditor's report.

**INSPIRE ACADEMIES**  
**USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS**  
**August 31, 2023**

**Section A: Compensatory Education Programs**

Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.104.

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 628,022
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 975,623

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**Section B: Bilingual Education Programs**

Districts are required to spend at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.105.

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district 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 district's fiscal year.	\$ 2,465
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$ 13,070

See independent auditor's report.



**INSPIRE ACADEMIES**  
**SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST**  
**August 31, 2023**

<u>Description</u>	<u>Property Address</u>	<u>Total Assessed Value</u>	<u>Ownership Interest Local</u>	<u>Ownership Interest State</u>	<u>Ownership Interest Federal</u>
Land & 3 Building	11216 Bandera Rd. San Antonio, Texas 78250	\$ 1,571,560	\$ -	\$ 1,571,560	\$ -
<b>Total Real Property Ownership Interest</b>		<u>\$ 1,571,560</u>	<u>\$ -</u>	<u>\$ 1,571,560</u>	<u>\$ -</u>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**SCHEDULE OF RELATED PARTY TRANSACTIONS**  
**For the Year Ended August 31, 2023**

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid during FY</u>	<u>Principal Balance Due</u>
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

**INSPIRE ACADEMIES**  
**SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS**  
**For the Year Ended August 31, 2023**

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Compensation or Benefit</u>	<u>Payment Frequency</u>	<u>Description</u>	<u>Source of Funds Used</u>	<u>Total Paid during FY</u>
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**August 31, 2023**  
**(summarized for 2022)**

	2023				Total	2022 Total
	Braination, Inc.	Inspire Academies	Braination Foundation	Eliminating Entries		
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 1,792,087	\$ 7,322,680	\$ 165,742	\$ -	\$ 9,280,509	\$ 10,399,792
Due from State	-	1,630,136	-	-	1,630,136	1,614,131
Due from Federal Agencies	-	21,827	-	-	21,827	450,197
Due from Related Party	57,148	-	-	(57,148)	-	-
Other Receivables	-	28,066	-	-	28,066	2,532
Prepaid Expense	14,444	272,430	-	-	286,874	95,143
Total Current Assets	<u>1,863,679</u>	<u>9,275,139</u>	<u>165,742</u>	<u>(57,148)</u>	<u>11,247,412</u>	<u>12,561,795</u>
<b>LONG-TERM ASSETS</b>						
Restricted Cash	-	55,885	-	-	55,885	55,492
Operating Lease Right-of-Use Asset	-	425,101	-	-	425,101	-
Deferred Charges on Refunding, net	-	1,621,475	-	-	1,621,475	1,701,886
Property and Equipment, net	517,735	16,706,690	169,613	-	17,394,038	17,447,039
Total Long-Term Assets	<u>517,735</u>	<u>18,809,151</u>	<u>169,613</u>	<u>-</u>	<u>19,496,499</u>	<u>19,204,417</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,381,414</u>	<u>\$ 28,084,290</u>	<u>\$ 335,355</u>	<u>\$ (57,148)</u>	<u>\$ 30,743,911</u>	<u>\$ 31,766,212</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	\$ 2,066	\$ 129,716	\$ 20,106	\$ -	\$ 151,888	\$ 212,802
Accrued Expenses	-	983,386	-	-	983,386	1,003,787
Due to Related Party	-	35,954	21,194	(57,148)	-	-
Deferred Revenue	-	126,677	-	-	126,677	-
Bonds Payable - current	-	385,000	-	-	385,000	375,000
Operating Lease Payable	-	425,101	-	-	425,101	-
Total Current Liabilities	<u>2,066</u>	<u>2,085,834</u>	<u>41,300</u>	<u>(57,148)</u>	<u>2,072,052</u>	<u>1,591,589</u>
<b>LONG-TERM LIABILITIES</b>						
Bonds Payable - long-term, net	-	8,718,814	-	-	8,718,814	9,070,500
Total Long-Term Liabilities	<u>-</u>	<u>8,718,814</u>	<u>-</u>	<u>-</u>	<u>8,718,814</u>	<u>9,070,500</u>
<b>TOTAL LIABILITIES</b>	<u>2,066</u>	<u>10,804,648</u>	<u>41,300</u>	<u>(57,148)</u>	<u>10,790,866</u>	<u>10,662,089</u>
<b>NET ASSETS</b>						
Without Donor Restrictions	2,379,348	11,337,013	185,996	-	13,902,357	13,191,623
With Donor Restrictions	-	5,942,629	108,059	-	6,050,688	7,912,500
<b>TOTAL NET ASSETS</b>	<u>2,379,348</u>	<u>17,279,642</u>	<u>294,055</u>	<u>-</u>	<u>19,953,045</u>	<u>21,104,123</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,381,414</u>	<u>\$ 28,084,290</u>	<u>\$ 335,355</u>	<u>\$ (57,148)</u>	<u>\$ 30,743,911</u>	<u>\$ 31,766,212</u>

See independent auditor's report.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2023**  
**(summarized for 2022)**

	2023				Total	2022 Total
	Braination, Inc.	Inspire Academies	Braination Foundation	Eliminating Entries		
<b>OPERATING REVENUES AND OTHER SUPPORT</b>						
Local Support:						
Pass-Through Revenue from Local Sources	\$ -	\$ 180	\$ -	\$ -	\$ 180	\$ -
Other Revenue from Local Sources	-	1,228,387	1,123,757	(2,100,000)	252,144	1,657,642
Food Service Revenue	-	89,005	-	-	89,005	12,561
Earnings from Temporary Deposits and Investments	50,822	123,349	5,109	-	179,280	7,166
Total Local Support	50,822	1,440,921	1,128,866	(2,100,000)	520,609	1,677,369
State Program Revenues:						
Foundation School Program Act Entitlements	-	7,764,829	-	-	7,764,829	7,406,343
Other State Program Revenue	-	448,212	-	-	448,212	84,884
Total State Program Revenues	-	8,213,041	-	-	8,213,041	7,491,227
Federal Program Revenues:						
Title I, Part A - Grants to Local Education Agencies	-	410,473	-	-	410,473	525,117
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	346,586	-	-	346,586	321,560
IDEA - Part B, Formula	-	203,281	-	-	203,281	231,172
National School Breakfast Program	-	126,909	-	-	126,909	145,048
National School Lunch Program	-	361,264	-	-	361,264	404,570
Title II, Part A - Improving Teacher Quality State Grants	-	28,520	-	-	28,520	20,050
Title IV, Part A - SSAEP	-	31,798	-	-	31,798	47,696
Education Stabilization Fund - COVID-19	-	2,211,708	-	-	2,211,708	2,187,664
School Health and Related Services	-	40,324	-	-	40,324	485,113
Other Federal Revenues Distributed by TEA	-	4,880	-	-	4,880	-
Other Federal Revenues Distributed by Federal Government	-	11,848	-	-	11,848	-
Total Federal Program Revenues	-	3,777,591	-	-	3,777,591	4,367,990
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<b>\$ 50,822</b>	<b>\$ 13,431,553</b>	<b>\$ 1,128,866</b>	<b>\$ (2,100,000)</b>	<b>\$ 12,511,241</b>	<b>\$ 13,536,586</b>

See independent auditor's report.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2023**  
**(summarized for 2022)**

(continued)

	2023				Total	2022 Total
	Braination, Inc.	Inspire Academies	Braination Foundation	Eliminating Entries		
<b>OPERATING EXPENSES</b>						
Salaries	\$ -	\$ 7,199,727	\$ -	\$ -	\$ 7,199,727	\$ 7,116,213
Payroll Taxes and Benefits	-	1,243,387	-	-	1,243,387	1,118,909
Depreciation Expense	23,051	858,844	7,503	-	889,398	922,107
General Supplies	8,849	722,128	-	-	730,977	620,666
Rental Expense	-	522,713	-	-	522,713	694,385
Health Insurance	-	395,870	-	-	395,870	458,265
Other Contract Labor	-	317,736	50,416	-	368,152	356,259
Food/Non-Food Expenses	-	324,266	-	-	324,266	255,101
Maintenance and Repair	38,528	270,669	-	-	309,197	177,285
Miscellaneous Expenses	1,106,164	135,529	1,046,091	(2,100,000)	187,784	167,291
Interest Expense	-	285,172	-	-	285,172	295,975
Utilities	35,521	220,690	-	-	256,211	299,649
Travel Expenses	-	179,179	-	-	179,179	170,309
Professional Services	-	154,961	-	-	154,961	173,785
Insurance and Bonding	-	130,889	-	-	130,889	140,692
Bond Amortization Expense	-	113,725	-	-	113,725	113,725
Professional Development	-	79,642	-	-	79,642	-
Supplies for Maintenance and Repairs	6	75,783	-	-	75,789	35,825
Educational Service Center	-	63,626	-	-	63,626	84,074
Tuition and Related Expenses	-	51,209	-	-	51,209	23,251
Legal Services	-	43,421	688	-	44,109	21,932
Accounting Fees	-	37,291	2,700	-	39,991	38,927
Instructional Materials	-	16,345	-	-	16,345	21,603
<b>TOTAL OPERATING EXPENSES</b>	<u>1,212,119</u>	<u>13,442,802</u>	<u>1,107,398</u>	<u>(2,100,000)</u>	<u>13,662,319</u>	<u>13,306,228</u>
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY</b>	<u>(1,161,297)</u>	<u>(11,249)</u>	<u>21,468</u>	<u>-</u>	<u>(1,151,078)</u>	<u>230,358</u>
<b>NON-OPERATING ACTIVITY</b>						
Employee Retention Credit Income	-	-	-	-	-	320,380
<b>TOTAL NON-OPERATING ACTIVITY</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,380</u>
<b>CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY</b>	<u>(1,161,297)</u>	<u>(11,249)</u>	<u>21,468</u>	<u>-</u>	<u>(1,151,078)</u>	<u>550,738</u>
<b>NET ASSETS, Beginning of Year</b>	<u>3,540,645</u>	<u>17,290,891</u>	<u>272,587</u>	<u>-</u>	<u>21,104,123</u>	<u>20,553,385</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 2,379,348</u>	<u>\$ 17,279,642</u>	<u>\$ 294,055</u>	<u>\$ -</u>	<u>\$ 19,953,045</u>	<u>\$ 21,104,123</u>

See independent auditor's report.

# **SINGLE AUDIT SECTION**



**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**August 31, 2023**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed Through Texas Education Agency:			
Title I Grants to Local Education Agencies	84.010A	23610101015808	\$ 410,473
Title I Grants to Local Education Agencies	84.010A	23610103015808	346,586
			<u>757,059</u>
Supporting Effective Instruction State Grants	84.367A	22694501015808	28,520
Student Support and Academic Enrichment Program	84.424A	2380101015808	31,798
Education Stabilization Fund - COVID-19	84.425U	21528001015808	2,211,707
Special Education Grants to States	84.027A	21528001015808	203,281
<b>Total U.S. Department of Education</b>			<u>3,232,365</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through Texas Department of Agriculture:			
National Child Nutrition Cluster:			
School Breakfast Program	10.553	71401801	126,909
National School Lunch Program	10.555	71301801	286,564
USDA Commodities - Noncash Award	10.555	N/A	74,700
Supplemental Nutrition Assistance Program	10.551	N/A	11,848
Total Child Nutrition Cluster			<u>500,021</u>
<b>Total U.S. Department of Agriculture</b>			<u>500,021</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>3,732,386</u>
<b><u>TEXAS EDUCATION AGENCY</u></b>			
Dyslexia Grant	N/A	22038904015808	55,178
Silent Panic Alert Tech Grant	N/A	N/A	2,887
Nurses Grant	N/A	N/A	128,876
School Safety Standards Grant	N/A	N/A	200,000
Instructional Materials Allotment	N/A	N/A	61,270
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<u>448,211</u>
<b>TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS</b>			<u>\$ 4,180,597</u>

See accompanying notes to schedule of expenditures of federal and state awards.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**August 31, 2023**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (the Schedule) summarizes the expenditures of Braination, Inc. and its affiliates (Inspire Academies and Braination Foundation) under programs of the federal and state governments for the year ended August 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Braination, Inc. and its affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Braination, Inc. and its affiliates.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reflected on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Non-Profit Charter School Chart of Accounts**

For all federal programs, Braination, Inc. and its affiliates used the net asset classes and codes specified by Texas Education Agency (TEA) in the *Special Supplement of Financial Accounting and Reporting, Non-Profit Charter School Chart of Accounts*. Net assets with donor restrictions codes are used to account for resources restricted or designated for specific purposes by the grantor. Federal and state financial assistance is generally accounted for in net assets with donor restrictions codes.

**Note 5 - Other Disclosures**

There were no loans or loan guarantees outstanding at year end.

Braination, Inc. and its affiliates have not elected to use the 10 percent *de minimis* indirect cost rate for the year ended August 31, 2023.

Braination, Inc. and its affiliates did not disburse any federal or state awards to subrecipients for the year ended August 31, 2023.

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

To the Board of Trustees  
Braination, Inc. and Affiliates  
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Braination, Inc. and its affiliates (Inspire Academies and Braination Foundation), nonprofit organizations, which comprise the consolidated statement of financial position as of August 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 25, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Braination, Inc.’s and its affiliates’ 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Braination, Inc.’s and its affiliates’ internal control. Accordingly, we do not express an opinion on the effectiveness of Braination, Inc.’s and its affiliates’ 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 consolidated 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Randy Walker & Co.*

San Antonio, Texas  
January 25, 2024

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

To the Board of Trustees  
Braination, Inc. and Affiliates  
San Antonio, Texas

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Braination, Inc.’s and its affiliates’ compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Braination, Inc.’s and its affiliates’ major federal programs for the year ended August 31, 2023. Braination, Inc.’s and its affiliates’ major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Braination, Inc. and its affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2023.

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

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

We are required to be independent of Braination, Inc. and its affiliates and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Braination, Inc.’s and its affiliates’ compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Braination, Inc.’s and its affiliates’ federal programs.

### ***Auditor's Responsibility***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Braination, Inc.'s and its affiliates' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Braination, Inc.'s and its affiliates' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Braination, Inc.'s and its affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Braination, Inc.'s and its affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Braination, Inc.'s and its affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Randy Walker & Co*

San Antonio, Texas  
January 25, 2024

**BRAINATION, INC. AND AFFILIATES  
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2023**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Noncompliance material to the financial statements	None

**Federal Awards**

Internal control over major programs: Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	None

**Major Programs**

**Federal**

84.425 Education Stabilization Fund	
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Audit qualified as low-risk auditee	Yes



**BRAINATION, INC. AND AFFILIATES  
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2023**

**SUMMARY OF AUDITOR'S RESULTS (continued)**

<b>Findings - Financial Statements Audit</b>	None
<b>Findings and Questioned Costs - Major Federal Award Programs Audit</b>	None

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended August 31, 2023**

I. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

- None -

II. PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- None -