

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

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

August 31, 2024 and 2023

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
CONSOLIDATED FINANCIAL STATEMENTS WITH COMPLIANCE
AND SINGLE AUDIT REPORTING
August 31, 2024 and 2023

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

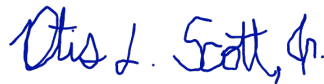
Federal Employer Identification Number: 74-2869255

Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one) approved disapproved for the year ended August 31, 2024, at a meeting of the Board of Trustees of such charter holder on the 24th day of January, 2025.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

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, 2024, 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, 2024, 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 24, 2025 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 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Randy Walker & Co.

San Antonio, Texas
January 24, 2025

GENERAL-PURPOSE FINANCIAL STATEMENTS

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,034,950	\$ 9,280,509
Due from State	1,095,498	1,630,136
Due from Federal Agencies	24,093	21,827
Other Receivables	36,631	28,066
Prepaid Expense	107,674	286,874
Total Current Assets	7,298,846	11,247,412
LONG-TERM ASSETS		
Restricted Cash	27,153,010	55,885
Operating Lease Right-of-Use Asset	1,478,836	425,101
Deferred Charges on Refunding, net	1,541,064	1,621,475
Property and Equipment, net	22,925,154	17,394,038
Total Long-Term Assets	53,098,064	19,496,499
TOTAL ASSETS	\$ 60,396,910	\$ 30,743,911
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 70,416	\$ 151,888
Accrued Expenses	635,239	983,386
Deferred Revenue	200,000	126,677
Bonds Payable - current	385,000	385,000
Operating Lease Payable - current	486,555	425,101
Total Current Liabilities	1,777,210	2,072,052
LONG-TERM LIABILITIES		
Bonds Payable - long-term, net	38,138,428	8,718,814
Operating Lease Payable - long-term	992,281	-
Total Long-Term Liabilities	39,130,709	8,718,814
TOTAL LIABILITIES	40,907,919	10,790,866
NET ASSETS		
Without Donor Restrictions	13,387,328	13,902,357
With Donor Restrictions	6,101,663	6,050,688
TOTAL NET ASSETS	19,488,991	19,953,045
TOTAL LIABILITIES AND NET ASSETS	\$ 60,396,910	\$ 30,743,911

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, 2024
(summarized for 2023)

	2024			2023 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUES AND OTHER SUPPORT				
Local Support:				
Pass-Through Revenue from Local Sources	\$ 2,158	\$ -	\$ 2,158	\$ 180
Other Revenue from Local Sources	325,523	192,069	517,592	252,144
Food Service Revenue	77,222	-	77,222	89,005
Earnings from Temporary Deposits and Investments	303,732	-	303,732	179,280
Total Local Support	<u>708,635</u>	<u>192,069</u>	<u>900,704</u>	<u>520,609</u>
State Program Revenues:				
Per Capita and Foundation School Program Revenues	-	9,261,549	9,261,549	7,764,829
State Program Revenues Distributed by Texas Education Agency	-	358,760	358,760	448,212
State Revenues from State of Texas Government Agencies	-	349,282	349,282	-
Total State Program Revenues	<u>-</u>	<u>9,969,591</u>	<u>9,969,591</u>	<u>8,213,041</u>
Federal Program Revenues:				
Title I, Part A - Grants to Local Education Agencies	-	305,094	305,094	410,473
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	182,500	182,500	346,586
IDEA - Part B, Formula	-	211,792	211,792	203,281
National School Breakfast Program	-	101,485	101,485	126,909
National School Lunch Program	-	211,555	211,555	361,264
Title II, Part A - Improving Teacher Quality State Grants	-	29,040	29,040	28,520
Title IV, Part A - SSAEP	-	38,424	38,424	31,798
Education Stabilization Fund - COVID-19	-	1,133,539	1,133,539	2,211,708
School Health and Related Services	-	1,668	1,668	40,324
Other Federal Revenues Distributed by State of Texas Government Agencies	-	13,639	13,639	4,880
Other Federal Revenues Distributed by Federal Government	-	43,739	43,739	11,848
Total Federal Program Revenues	<u>-</u>	<u>2,272,475</u>	<u>2,272,475</u>	<u>3,777,591</u>
Net Assets Released From Restrictions:				
Restrictions Satisfied By Payments	12,383,160	(12,383,160)	-	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	<u>13,091,795</u>	<u>50,975</u>	<u>13,142,770</u>	<u>12,511,241</u>
OPERATING EXPENSES				
Program	11,699,008	-	11,699,008	11,772,168
General and Administrative	1,907,816	-	1,907,816	1,890,151
TOTAL OPERATING EXPENSES	<u>13,606,824</u>	<u>-</u>	<u>13,606,824</u>	<u>13,662,319</u>
CHANGE IN NET ASSETS	(515,029)	50,975	(464,054)	(1,151,078)
NET ASSETS, Beginning of Year	<u>13,902,357</u>	<u>6,050,688</u>	<u>19,953,045</u>	<u>21,104,123</u>
NET ASSETS, End of Year	<u>\$ 13,387,328</u>	<u>\$ 6,101,663</u>	<u>\$ 19,488,991</u>	<u>\$ 19,953,045</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, 2024
(summarized for 2023)

	2024			2023
	Program	General and Administrative	Total	Total
OPERATING EXPENSES				
Salaries	\$ 6,211,244	\$ 778,189	\$ 6,989,433	7,199,727
Payroll Taxes and Benefits	1,386,480	190,718	1,577,198	1,243,387
Health Insurance	373,301	51,452	424,753	395,870
Total Payroll Expenses	<u>7,971,025</u>	<u>1,020,359</u>	<u>8,991,384</u>	<u>8,838,984</u>
Depreciation Expense	819,210	46,250	865,460	889,398
General Supplies	537,819	72,750	610,569	730,977
Rental Expense	425,148	112,392	537,540	522,713
Maintenance and Repair	399,228	44,359	443,587	309,197
Other Contract Labor	260,614	173,742	434,356	368,152
Travel Expenses	195,246	100,579	295,825	179,179
Interest Expense	256,639	28,515	285,154	285,172
Utilities	166,219	51,948	218,167	256,211
Miscellaneous Expenses	159,252	15,071	174,323	187,784
Insurance and Bonding	55,267	117,440	172,707	130,889
Professional Services	86,459	31,908	118,367	154,961
Bond Amortization Expense	104,356	11,596	115,952	113,725
Food/Non-Food Expenses	97,756	-	97,756	324,266
Legal Services	67,427	-	67,427	44,109
Instructional Materials	48,103	-	48,103	16,345
Supplies for Maintenance and Repairs	431	42,708	43,139	75,789
Accounting Fees	10,563	31,689	42,252	39,991
Educational Service Center	17,601	6,510	24,111	63,626
Tuition and Related Expenses	20,645	-	20,645	51,209
Professional Development	-	-	-	79,642
TOTAL OPERATING EXPENSES	<u><u>\$ 11,699,008</u></u>	<u><u>\$ 1,907,816</u></u>	<u><u>\$ 13,606,824</u></u>	<u><u>\$ 13,662,319</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, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (464,054)	\$ (1,151,078)
Adjustments to Reconcile Net Assets to Net Cash		
Provided by Operations:		
Depreciation and Amortization	981,412	1,003,123
Decrease (Increase) in Assets:		
Due from State	534,638	(16,005)
Due from Federal Agencies	(2,266)	428,370
Other Receivables	(8,565)	(25,534)
Prepaid Expense	179,200	(191,731)
Operating Lease Right-of-Use Asset	(1,053,735)	(425,101)
(Decrease) Increase in Liabilities:		
Accounts Payable	(81,472)	(60,914)
Accrued Expenses	(348,147)	(20,401)
Deferred Revenue	73,323	126,677
Operating Lease Payable	1,053,735	425,101
NET CASH PROVIDED BY OPERATING ACTIVITIES	864,069	92,507
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(6,396,576)	(836,397)
NET CASH USED BY INVESTING ACTIVITIES	(6,396,576)	(836,397)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Bonds	30,000,000	-
Payment of Bond Issue Costs	(230,927)	-
Payments on Bonds Payable	(385,000)	(375,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	29,384,073	(375,000)
NET INCREASE (DECREASE) IN CASH FLOWS	23,851,566	(1,118,890)
CASH AND CASH EQUIVALENTS, Beginning of Year	9,280,509	10,399,792
RESTRICTED CASH, Beginning of Year	55,885	55,492
LESS RESTRICTED CASH, End of Year	(27,153,010)	(55,885)
CASH AND CASH EQUIVALENTS, End of Year	\$ 6,034,950	\$ 9,280,509
 Supplemental Disclosures:		
Interest	\$ 285,154	\$ 285,172

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, 2024 and 2023

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.

Specialized Schools

Beginning in the fall of 1998, Inspire Academies began offering a core curriculum with an accelerated academic focus, serving primarily at-risk and under-achieving students in various specialized settings. Over the years, these settings have included emergency shelters, foster care, trauma treatment, juvenile justice, and high school drug/alcohol recovery. Inspire Academies holds agreements with third-party entities that own and operate these specialized facilities.

Today, customized education services are provided to kindergarten to 12th-grade students within these settings. As of August 31, 2024, Inspire Academies operates six specialized schools in the following counties: Bexar, Bell, Gonzales, Hays, Kendall, and Milam. Management and support of all campuses are executed at the central office in San Antonio, Texas.

Community Schools

Inspire Academies established Anne Frank Inspire Academy, an open-enrollment, community-based middle, elementary, and high school, in August 2014, 2015, and 2016, respectively. The school offers an innovative curriculum, creative collaboration, guided learning, and an inquiry-driven model. Families primarily from Bexar County may apply on a space-available basis, selected by numerical lottery. In the fall of 2021, Anne Frank Inspire Academy opened a second site serving elementary students. There are additional plans to expand its elementary enrollment on its original site.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2024 and 2023

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

Reporting Entity (continued)

Community Schools (continued)

Inspire Academies also plans to open a similar new community school in Sherman, Texas.

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 holds seven members, including four 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, 2024 and 2023 were \$584,717 and \$2,319,517, respectively.

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:

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2024 and 2023

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

Basis of Presentation (continued)

- *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, 2024 and 2023 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.

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.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2024 and 2023

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

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, 2024, the tax years that remain subject to examination by taxing authorities begin with 2021.

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, 2024 and 2023, restricted cash totaled \$27,153,010 and \$55,885, 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

Contingencies

Certain conditions may exist as of August 31, 2024, 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.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2024 and 2023

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

Contingencies (continued)

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*. Grants and contributions received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and/or 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.

Revenues from the State of Texas available school fund are earned based on reported attendance. Government grant contracts that are entered into by Braination, Inc. and its affiliates are recognized as revenue when services are rendered or when the expenses in connection with those services are incurred.

Leases

Braination, Inc. and its affiliates may have lease agreements that contain both lease and non-lease components as defined by Accounting Standards Codification (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 consolidated statements of financial position.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2024 and 2023

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

Leases (continued)

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.

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.

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 years ended August 31, 2024 and 2023. Therefore, it was not adopted for fiscal years 2024 and 2023.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASC 326, *Financial Instruments - Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this pronouncement is a shift from the incurred loss model to the expected loss model. Under this pronouncement, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by Braination, Inc. and its affiliates that are subject to the guidance in ASC 326 are other receivables. The new pronouncement was adopted effective September 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new enhanced disclosures only.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2024 and 2023

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

Recently Adopted Accounting Pronouncements (continued)

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.

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 in the consolidated statement of activities) and food service activity 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 or service is completed. There were no receivables, contract assets, or contract liabilities related to these exchange transactions at August 31, 2024, August 31, 2023 and September 1, 2022. For the years ended August 31, 2024 and 2023, 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>2024</u>	<u>2023</u>
Building and Improvements	\$ 19,983,092	\$ 19,976,291
Land and Improvements	4,978,049	1,256,091
Furniture and Equipment	1,499,597	1,258,074
Vehicles	20,208	74,157
Construction in Progress	2,516,081	38,081
Infrastructure - Sign	40,636	40,636
	<u>29,037,663</u>	<u>22,643,330</u>
Less Accumulated Depreciation	<u>(6,112,509)</u>	<u>(5,249,292)</u>
Total	<u>\$ 22,925,154</u>	<u>\$ 17,394,038</u>

Depreciation expense for the years ended August 31, 2024 and 2023 was \$865,460 and \$889,398, 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, 2024 and 2023

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 \$30,000,000 in Education Revenue Bonds (Series 2024) issued through Clifton Higher Education Finance Corporation.

The Series 2020 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, \$1,541,064 and \$1,621,475 in net deferred charges were reported in the consolidated statements of financial position at August 31, 2024 and 2023, respectively.

The Series 2024 bonds were closed and funded on May 14, 2024, with proceeds being held by The Bank of New York Mellon Trust Company. The bonds' proceeds will be used for the expansion of Inspire Academies and were underwritten by RBC Capital Markets, LLC. The interest rates on the bonds range from 4.50% to 5.25%, and the term of the bonds is thirty years.

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

	<u>2024</u>	<u>2023</u>
Series 2020	\$ 9,385,000	\$ 9,770,000
Series 2024	<u>30,000,000</u>	<u>-</u>
	39,385,000	9,770,000
Less Current Maturities	(385,000)	(385,000)
Less Bond (Premium) Discount, net	1,162,525	(56,696)
Less Bond Issuance Costs, net	<u>(2,024,097)</u>	<u>(609,490)</u>
Total	<u>\$ 38,138,428</u>	<u>\$ 8,718,814</u>

Series 2020 and 2024 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, 2024 and 2023, 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, 2024 and 2023

Note 3 - Bonds Payable (continued)

Interest expense on bonds payable was \$285,154 and \$285,172 for the years ended August 31, 2024 and 2023, respectively.

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

For the Year Ending August 31,	
2025	\$ 385,000
2026	720,000
2027	745,000
2028	770,000
2029	800,000
Thereafter	<u>35,965,000</u>
Total	<u>\$ 39,385,000</u>

Note 4 - Operating Leases

In July 2019, Braination, Inc. and its affiliates entered into a lease for a campus building that expired in June 2024. In July 2024, Braination, Inc. and its affiliates renewed the lease with an expiration in June 2027. 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 \$1,478,836 and \$425,101 at August 31, 2024 and 2023, respectively.

Lease expense was \$526,250 and \$525,000 for the years ended August 31, 2024 and 2023, respectively, and is included in rental expense in the consolidated statement of functional expenses.

Future minimum lease payments are as follows:

For the Year Ending August 31,	
2025	\$ 540,000
2026	540,000
2027	<u>495,000</u>
	1,575,000
Less: Interest (4.25%)	<u>(96,164)</u>
Total	<u>\$ 1,478,836</u>

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2024 and 2023

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:

- 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 - Related Party Transactions

Intercompany transactions related to receivables and payables between Braination, Inc. and its affiliates were \$43 and \$57,148 for the years ended August 31, 2024 and 2023, respectively. These transactions were for administrative services and miscellaneous purchases. During the year ended August 31, 2024, \$380,000 in transfers occurred between Braination, Inc. and its affiliates to assist with operations. All related party transactions are eliminated in the consolidated financial statements.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2024 and 2023

Note 8 - 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.

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

Total Plan Assets - \$213,472,526,000
Accumulated Benefit Obligations - \$255,860,886,500
The plan is 77.5% 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 8.25% of their annual covered salary, and the State of Texas contributes an amount equal to 8.25% of Braination, Inc.'s and its affiliates' covered payroll.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2024 and 2023

Note 8 - Pension Plan Obligations (continued)

Braination, Inc. and its affiliates employees' contributions to the TRS for the years ended August 31, 2024 and 2023 were \$559,476 and \$545,363, 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, 2024 and 2023 were \$270,873 and \$292,024, respectively, equal to the required contributions for each year.

Braination, Inc.'s and its affiliates' contributions to TRS were \$495,436 and \$518,515 for the years ended August 31, 2024 and 2023, respectively, which include Non-OASDI participating surcharges of \$128,849 and \$122,707, 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 9 - Net Assets with Donor Restrictions

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

	2024	2023
Foundation School Program	\$ 5,942,629	\$ 5,942,629
Title IV Part A	5,713	-
Nurse Grant	45,262	-
College Scholarships/Fellowship Award	108,059	108,059
Total	\$ 6,101,663	\$ 6,050,688

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

Note 10 - Health Care Coverage

During the years ended August 31, 2024 and 2023, 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, 2024 and 2023. All premiums were paid to licensed insurers. Braination, Inc.'s and its affiliates' contributions towards health insurance for the years ended August 31, 2024 and 2023 were \$424,753 and \$395,870, respectively.

Note 11 - 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.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2024 and 2023

Note 11 - Liquidity and Availability of Financial Resources (continued)

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 6,034,950	\$ 9,280,509
Due from State	1,095,498	1,630,136
Due from Federal Agencies	24,093	21,827
Other Receivables	36,631	28,066
Total Financial Assets	<u>7,191,172</u>	<u>10,960,538</u>
Donor Restrictions (net of Foundation School Program)	<u>(159,034)</u>	<u>(108,059)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 7,032,138</u>	<u>\$ 10,852,479</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 in 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.

Note 12 - Subsequent Events

Braination, Inc. and its affiliates have evaluated subsequent events through January 24, 2025, which is the date the financial statements were available to be issued.

SPECIFIC-PURPOSE FINANCIAL STATEMENTS

INSPIRE ACADEMIES
STATEMENTS OF FINANCIAL POSITION
August 31, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,328,143	\$ 7,322,680
Due from State	1,095,498	1,630,136
Due from Federal Agencies	24,093	21,827
Due from Related Party	43	-
Other Receivables	20,461	28,066
Prepaid Expense	101,000	272,430
Total Current Assets	5,569,238	9,275,139
LONG-TERM ASSETS		
Restricted Cash	27,153,010	55,885
Operating Lease Right-of-Use Asset	1,478,836	425,101
Deferred Charges on Refunding, net	1,541,064	1,621,475
Property and Equipment, net	22,273,756	16,706,690
Total Long-Term Assets	52,446,666	18,809,151
TOTAL ASSETS	\$ 58,015,904	\$ 28,084,290
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 69,697	\$ 129,716
Accrued Expenses	634,375	983,386
Due to Related Party	-	35,954
Deferred Revenue	200,000	126,677
Bonds Payable - current	385,000	385,000
Operating Lease Payable - current	486,555	425,101
Total Current Liabilities	1,775,627	2,085,834
LONG-TERM LIABILITIES		
Bonds Payable - long-term, net	38,138,428	8,718,814
Operating Lease Payable - long-term	992,281	-
Total Long-Term Liabilities	39,130,709	8,718,814
TOTAL LIABILITIES	40,906,336	10,804,648
NET ASSETS		
Without Donor Restrictions	11,115,964	11,337,013
With Donor Restrictions	5,993,604	5,942,629
TOTAL NET ASSETS	17,109,568	17,279,642
TOTAL LIABILITIES AND NET ASSETS	\$ 58,015,904	\$ 28,084,290

See independent auditor's report.

INSPIRE ACADEMIES
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2024
(summarized for 2023)

	2024		Total	2023 Total
	Without Donor Restrictions	With Donor Restrictions		
OPERATING REVENUES AND OTHER SUPPORT				
Local Support:				
5710 Pass-Through Revenues from Local Sources	\$ 2,158	\$ -	\$ 2,158	\$ 180
5740 Other Revenues from Local Sources	910,587	-	910,587	1,351,736
5750 Revenues from Cocurricular, Enterprising Services or Activities	77,222	-	77,222	89,005
Total Local Support	<u>989,967</u>	<u>-</u>	<u>989,967</u>	<u>1,440,921</u>
State Program Revenues:				
5810 Per Capita and Foundation School Program Revenues	-	9,261,549	9,261,549	7,764,829
5820 State Program Revenues Distributed by Texas Education Agency	-	358,760	358,760	448,212
5830 State Revenues from State of Texas Government Agencies	-	349,282	349,282	-
Total State Program Revenues	<u>-</u>	<u>9,969,591</u>	<u>9,969,591</u>	<u>8,213,041</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	-	2,227,068	2,227,068	3,725,419
5930 Federal Revenues Distributed by Other State of Texas Agency	-	45,407	45,407	52,172
Total Federal Program Revenues	<u>-</u>	<u>2,272,475</u>	<u>2,272,475</u>	<u>3,777,591</u>
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	12,191,091	(12,191,091)	-	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	<u>13,181,058</u>	<u>50,975</u>	<u>13,232,033</u>	<u>13,431,553</u>
OPERATING EXPENSES				
11 Instruction	6,611,856	-	6,611,856	6,484,288
13 Curriculum Development and Instructional				
Staff Development	679,218	-	679,218	511,168
21 Instructional Leadership	11,513	-	11,513	157,018
23 School Leadership	1,249,263	-	1,249,263	1,334,325
31 Guidance, Counseling, and Evaluation Services	875,421	-	875,421	878,783
33 Health Services	74,273	-	74,273	128,671
35 Food Services	512,175	-	512,175	622,238
36 Extracurricular Activities	39,154	-	39,154	39,437
41 General Administration	918,774	-	918,774	1,114,666
51 Plant Maintenance and Operations	1,000,840	-	1,000,840	1,114,480
52 Security and Monitoring	175,494	-	175,494	5,716
53 Data Processing	836,641	-	836,641	632,554
61 Community Services	14,022	-	14,022	16,370
71 Debt Service	401,106	-	401,106	398,897
81 Fundraising	2,357	-	2,357	4,191
TOTAL OPERATING EXPENSES	<u>13,402,107</u>	<u>-</u>	<u>13,402,107</u>	<u>13,442,802</u>
CHANGE IN NET ASSETS	(221,049)	50,975	(170,074)	(11,249)
NET ASSETS, Beginning of Year	<u>11,337,013</u>	<u>5,942,629</u>	<u>17,279,642</u>	<u>17,290,891</u>
NET ASSETS, End of Year	<u>\$ 11,115,964</u>	<u>\$ 5,993,604</u>	<u>\$ 17,109,568</u>	<u>\$ 17,279,642</u>

See independent auditor's report.

INSPIRE ACADEMIES
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program Payments	\$ 9,389,738	\$ 8,095,637
Grant Payments	3,384,700	4,307,360
Miscellaneous Sources	989,967	1,440,921
Payments to Vendors for Goods and Services Rendered	(5,094,450)	(5,371,946)
Payments to Charter School Personnel for Services Rendered	(7,269,710)	(7,047,754)
Interest Payments	(285,154)	(285,172)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,115,091	1,139,046
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(6,396,576)	(821,701)
NET CASH USED BY INVESTING ACTIVITIES	(6,396,576)	(821,701)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Bonds	30,000,000	-
Payment of Bond Issue Costs	(230,927)	-
Payments on Bonds Payable	(385,000)	(375,000)
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	29,384,073	(375,000)
NET INCREASE (DECREASE) IN CASH FLOWS	24,102,588	(57,655)
CASH AND CASH EQUIVALENTS, Beginning of Year	7,322,680	7,380,728
RESTRICTED CASH, Beginning of Year	55,885	55,492
LESS RESTRICTED CASH, End of Year	(27,153,010)	(55,885)
CASH AND CASH EQUIVALENTS, End of Year	\$ 4,328,143	\$ 7,322,680
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operations:		
Change in Net Assets	\$ (170,074)	\$ (11,249)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operations:		
Depreciation and Amortization	945,462	972,569
Decrease (Increase) in Assets:		
Due from State	534,638	(16,005)
Due from Federal Agencies	(2,266)	428,370
Due from Related Party	(43)	7,581
Other Receivables	7,605	(25,534)
Prepaid Expense	171,430	(205,040)
Operating Lease Right-of-Use Asset	(1,053,735)	(425,101)
(Decrease) Increase in Liabilities:		
Accounts Payable	(60,019)	(82,354)
Accrued Expenses	(349,011)	(13,914)
Due to Related Party	(35,954)	(42,055)
Deferred Revenue	73,323	126,677
Operating Lease Payable	1,053,735	425,101
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,115,091	\$ 1,139,046

See independent auditor's report.

INSPIRE ACADEMIES
SCHEDULE OF EXPENSES
For the Years Ended August 31, 2024 and 2023

EXPENSES	<u>2024</u>	<u>2023</u>
6100 Payroll Costs	\$ 8,959,245	\$ 8,838,984
6200 Professional and Contracted Services	1,807,988	1,682,316
6300 Supplies and Materials	763,680	1,138,522
6400 Other Operating Costs	1,470,088	1,384,083
6500 Debt	401,106	398,897
TOTAL EXPENSES	\$ 13,402,107	\$ 13,442,802

See independent auditor's report.

INSPIRE ACADEMIES
SCHEDULE OF ASSETS
August 31, 2024

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 1,859,457	\$ 2,468,686	\$ -
1510 Land and Improvements	-	4,604,983	-
1520 Buildings and Improvements	-	19,317,778	-
1530 Furniture and Equipment	16,644	989,342	406,314
1531 Vehicles	-	20,208	-
1554 Right-of-Use Asset Operating Lease for Building and Improvements	-	1,478,836	-
1570 Construction in Progress	-	2,516,081	-
1590 Infrastructure	-	40,636	-
Total Assets	\$ 1,876,101	\$ 31,436,550	\$ 406,314

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

Per Schedule of Assets:

1510 Land and Improvements (State)	\$ 4,604,983
1520 Buildings and Improvements (State)	19,317,778
1530 Furniture and Equipment (Local)	16,644
1530 Furniture and Equipment (State)	989,342
1530 Furniture and Equipment (Federal)	406,314
1531 Vehicles (State)	20,208
1570 Construction in Progress (State)	2,516,081
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	(5,638,230)
Braination, Inc.	(275,009)
Braination Foundation	(199,270)
	(6,112,509)

Total Property and Equipment per Consolidated Statements of Financial Position:	\$ 22,925,154
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See independent auditor's report.

INSPIRE ACADEMIES
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2024

	Budgeted Amounts		Variance From Original to Final Budget	Actual Amounts	Variance From Final Budget Favorable (Unfavorable)
	Original	Final			
REVENUES AND OTHER SUPPORT					
Local Support:					
5710 Pass-Through Revenues from Local Sources	\$ 2,180	\$ 2,158	\$ 22	\$ 2,158	\$ -
5740 Other Revenues from Local Sources	683,320	910,587	(227,267) [1]	910,587	-
5750 Revenues from Cocurricular, Enterprising Services or Activities	71,500	77,222	(5,722)	77,222	-
Total Local Support	<u>757,000</u>	<u>989,967</u>	<u>(232,967)</u>	<u>989,967</u>	<u>-</u>
State Program Revenues:					
5810 Per Capita and Foundation School Program Revenues	9,388,672	9,261,549	127,123	9,261,549	-
5820 State Program Revenues Distributed by Texas Education Agency	270,055	358,761	(88,706) [2]	358,760	(1)
5830 State Revenue from State of Texas Government Agencies	-	349,283	(349,283) [3]	349,282	(1)
Total State Program Revenues	<u>9,658,727</u>	<u>9,969,593</u>	<u>(310,866)</u>	<u>9,969,591</u>	<u>(2)</u>
Federal Program Revenues:					
5920 Federal Revenues Distributed by TEA and USDA	2,714,209	2,257,166	457,043 [4]	2,227,068	(30,098)
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	459,282	15,307	443,975 [5]	45,407	30,100
Total Federal Program Revenues	<u>3,173,491</u>	<u>2,272,473</u>	<u>901,018</u>	<u>2,272,475</u>	<u>2</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>13,589,218</u>	<u>13,232,033</u>	<u>357,185</u>	<u>13,232,033</u>	<u>-</u>
EXPENSES					
11 Instructional	7,013,699	6,611,846	(401,853)	6,611,856	(10)
13 Curriculum Development and Instructional Staff Development	388,567	679,218	290,651 [6]	679,218	-
21 Instructional Leadership	8,365	11,513	3,148 [7]	11,513	-
23 School Leadership	1,072,195	1,249,263	177,068 [8]	1,249,263	-
31 Guidance, Counseling and Evaluation Services	940,157	875,421	(64,736)	875,421	-
33 Health Services	88,887	74,273	(14,614) [9]	74,273	-
35 Food Services	650,256	515,603	(134,653) [10]	512,175	3,428
36 Extracurricular Activities	33,800	39,154	5,354 [11]	39,154	-
41 General Administration	1,286,367	918,774	(367,593) [12]	918,774	-
51 Plant Maintenance and Operations	1,058,091	1,000,840	(57,251)	1,000,840	-
52 Security and Monitoring	4,000	175,494	171,494 [13]	175,494	-
53 Data Processing	615,927	836,641	220,714 [14]	836,641	-
61 Community Services	17,750	14,022	(3,728) [15]	14,022	-
71 Debt Service	399,342	401,106	1,764	401,106	-
81 Fundraising	2,000	2,357	357 [16]	2,357	-
TOTAL EXPENSES	<u>13,579,403</u>	<u>13,405,525</u>	<u>(173,878)</u>	<u>13,402,107</u>	<u>3,418</u>
CHANGE IN NET ASSETS	9,815	(173,492)	183,307	(170,074)	3,418
NET ASSETS, Beginning of Year	<u>17,279,642</u>	<u>17,279,642</u>	<u>-</u>	<u>17,279,642</u>	<u>-</u>
NET ASSETS, End of Year	<u>\$ 17,289,457</u>	<u>\$ 17,106,150</u>	<u>\$ 183,307</u>	<u>\$ 17,109,568</u>	<u>\$ 3,418</u>

See independent auditor's report.

INSPIRE ACADEMIES
NOTES TO BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2024

- [1] Variance is due to the original budget not including interest earned from cash accounts.
- [2] Variance is due to the original budget underestimating the amount of safety & security grant funds used during the year.
- [3] Variance is due to the original budget not including TRS On-Behalf funds.
- [4] Variance is due to less federal funds spent than originally budgeted in current year.
- [5] Variance is due to less SHARS funding received than originally budgeted in current year.
- [6] Variance is due to the original budget underestimating staff development expenditures for the current year.
- [7] Variance is due to additional purchase of support software that was not included in the original budget.
- [8] Variance is due to the original budget including various employees in function 41 that were reclassified to function 23 during the year.
- [9] Variance is due to the original budget overestimating health supplies needed in current year.
- [10] Variance is due to the original budget overestimating food service and commodities expense needed in current year.
- [11] Variance is due to additional stipends for extra curricular activities not included original budgeted.
- [12] Variance is due to the original budget including various employees in function 41 that were reclassified to function 23, and travel expense being overestimated.
- [13] Variance is due to increase in safety & security expenditures not included in the original budget.
- [14] Variance is due to additional cyber liability insurance purchased that was not included in the original budget.
- [15] Variance is due to the original budget overestimating community service expense needed in current year.
- [16] Variance is due to the original budget underestimating fundraiser expenditures for the current year.

See independent auditor's report.

INSPIRE ACADEMIES
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
August 31, 2024

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.	\$ 673,211
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)	\$ 582,146

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.	\$ 1,019
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$ 15,984

See independent auditor's report.

INSPIRE ACADEMIES
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
August 31, 2024

<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	\$ -
Total Real Property Ownership Interest		<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, 2024

<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, 2024

<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, 2024
(summarized for 2023)

	2024				Total	2023 Total
	Braination, Inc.	Inspire Academies	Braination Foundation	Eliminating Entries		
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 1,592,844	\$ 4,328,143	\$ 113,963	\$ -	\$ 6,034,950	\$ 9,280,509
Due from State	-	1,095,498	-	-	1,095,498	1,630,136
Due from Federal Agencies	-	24,093	-	-	24,093	21,827
Due from Related Party	-	43	-	(43)	-	-
Other Receivables	16,170	20,461	-	-	36,631	28,066
Prepaid Expense	6,674	101,000	-	-	107,674	286,874
Total Current Assets	<u>1,615,688</u>	<u>5,569,238</u>	<u>113,963</u>	<u>(43)</u>	<u>7,298,846</u>	<u>11,247,412</u>
LONG-TERM ASSETS						
Restricted Cash	-	27,153,010	-	-	27,153,010	55,885
Operating Lease Right-of-Use Asset	-	1,478,836	-	-	1,478,836	425,101
Deferred Charges on Refunding, net	-	1,541,064	-	-	1,541,064	1,621,475
Property and Equipment, net	489,288	22,273,756	162,110	-	22,925,154	17,394,038
Total Long-Term Assets	<u>489,288</u>	<u>52,446,666</u>	<u>162,110</u>	<u>-</u>	<u>53,098,064</u>	<u>19,496,499</u>
TOTAL ASSETS	<u>\$ 2,104,976</u>	<u>\$ 58,015,904</u>	<u>\$ 276,073</u>	<u>\$ (43)</u>	<u>\$ 60,396,910</u>	<u>\$ 30,743,911</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 719	\$ 69,697	\$ -	\$ -	\$ 70,416	\$ 151,888
Accrued Expenses	864	634,375	-	-	635,239	983,386
Due to Related Party	-	-	43	(43)	-	-
Deferred Revenue	-	200,000	-	-	200,000	126,677
Bonds Payable - current	-	385,000	-	-	385,000	385,000
Operating Lease Payable - current	-	486,555	-	-	486,555	425,101
Total Current Liabilities	<u>1,583</u>	<u>1,775,627</u>	<u>43</u>	<u>(43)</u>	<u>1,777,210</u>	<u>2,072,052</u>
LONG-TERM LIABILITIES						
Bonds Payable - long-term, net	-	38,138,428	-	-	38,138,428	8,718,814
Operating Lease Payable - long-term	-	992,281	-	-	992,281	-
Total Long-Term Liabilities	<u>-</u>	<u>39,130,709</u>	<u>-</u>	<u>-</u>	<u>39,130,709</u>	<u>8,718,814</u>
TOTAL LIABILITIES	<u>1,583</u>	<u>40,906,336</u>	<u>43</u>	<u>(43)</u>	<u>40,907,919</u>	<u>10,790,866</u>
NET ASSETS						
Without Donor Restrictions	2,103,393	11,115,964	167,971	-	13,387,328	13,902,357
With Donor Restrictions	-	5,993,604	108,059	-	6,101,663	6,050,688
TOTAL NET ASSETS	<u>2,103,393</u>	<u>17,109,568</u>	<u>276,030</u>	<u>-</u>	<u>19,488,991</u>	<u>19,953,045</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,104,976</u>	<u>\$ 58,015,904</u>	<u>\$ 276,073</u>	<u>\$ (43)</u>	<u>\$ 60,396,910</u>	<u>\$ 30,743,911</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, 2024
(summarized for 2023)

	2024					2023	Total
	Inc.	Academies	Foundation	Entries	Total		
OPERATING REVENUES AND OTHER SUPPORT							
Local Support:							
Pass-Through Revenue from Local Sources	\$ -	\$ 2,158	\$ -	\$ -	\$ 2,158	\$	180
Other Revenue from Local Sources	24,258	681,265	192,069	(380,000)	517,592		252,144
Food Service Revenue	-	77,222	-	-	77,222		89,005
Earnings from Temporary Deposits and Investments	71,003	229,322	3,407	-	303,732		179,280
Total Local Support	95,261	989,967	195,476	(380,000)	900,704		520,609
State Program Revenues:							
Per Capita and Foundation School Program Revenues	-	9,261,549	-	-	9,261,549		7,764,829
State Program Revenues Distributed by Texas Education Agency	-	358,760	-	-	358,760		448,212
State Revenues from State of Texas Government Agencies	-	349,282	-	-	349,282		-
Total State Program Revenues	-	9,969,591	-	-	9,969,591		8,213,041
Federal Program Revenues:							
Title I, Part A - Grants to Local Education Agencies	-	305,094	-	-	305,094		410,473
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	182,500	-	-	182,500		346,586
IDEA - Part B, Formula	-	211,792	-	-	211,792		203,281
National School Breakfast Program	-	101,485	-	-	101,485		126,909
National School Lunch Program	-	211,555	-	-	211,555		361,264
Title II, Part A - Improving Teacher Quality State Grants	-	29,040	-	-	29,040		28,520
Title IV, Part A - SSAEP	-	38,424	-	-	38,424		31,798
Education Stabilization Fund - COVID-19	-	1,133,539	-	-	1,133,539		2,211,708
School Health and Related Services	-	1,668	-	-	1,668		40,324
Other Federal Revenues Distributed by State of Texas Government Agencies	-	13,639	-	-	13,639		4,880
Other Federal Revenues Distributed by Federal Government	-	43,739	-	-	43,739		11,848
Total Federal Program Revenues	-	2,272,475	-	-	2,272,475		3,777,591
TOTAL OPERATING REVENUES AND OTHER SUPPORT	95,261	13,232,033	195,476	(380,000)	13,142,770		12,511,241

See independent auditor's report.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2024
(summarized for 2023)

(continued)

	2024				Total	2023 Total
	Braination, Inc.	Inspire Academies	Braination Foundation	Eliminating Entries		
OPERATING EXPENSES						
Salaries	\$ 28,405	\$ 6,961,028	\$ -	\$ -	\$ 6,989,433	\$ 7,199,727
Payroll Taxes and Benefits	3,734	1,573,464	-	-	1,577,198	1,243,387
Depreciation Expense	28,447	829,510	7,503	-	865,460	889,398
General Supplies	32,711	577,858	-	-	610,569	730,977
Rental Expense	4,880	532,660	-	-	537,540	522,713
Maintenance and Repair	31,098	412,489	-	-	443,587	309,197
Other Contract Labor	5,308	417,264	11,784	-	434,356	368,152
Health Insurance	-	424,753	-	-	424,753	395,870
Travel and Training	280	295,545	-	-	295,825	179,179
Interest Expense	-	285,154	-	-	285,154	285,172
Utilities	40,422	177,745	-	-	218,167	256,211
Miscellaneous Expenses	190,356	172,353	191,614	(380,000)	174,323	187,784
Insurance and Bonding	-	172,707	-	-	172,707	130,889
Professional Services	2,999	115,368	-	-	118,367	154,961
Bond Amortization Expense	-	115,952	-	-	115,952	113,725
Food/Non-Food Expenses	2,576	95,180	-	-	97,756	324,266
Legal Services	-	67,427	-	-	67,427	44,109
Instructional Materials	-	48,103	-	-	48,103	16,345
Supplies for Maintenance and Repairs	-	43,139	-	-	43,139	75,789
Accounting Fees	-	39,652	2,600	-	42,252	39,991
Educational Service Center	-	24,111	-	-	24,111	63,626
Tuition and Related Expenses	-	20,645	-	-	20,645	51,209
Professional Development	-	-	-	-	-	79,642
TOTAL OPERATING EXPENSES	<u>371,216</u>	<u>13,402,107</u>	<u>213,501</u>	<u>(380,000)</u>	<u>13,606,824</u>	<u>13,662,319</u>
CHANGE IN NET ASSETS	(275,955)	(170,074)	(18,025)	-	(464,054)	(1,151,078)
NET ASSETS, Beginning of Year	<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>
NET ASSETS, End of Year	<u>\$ 2,103,393</u>	<u>\$ 17,109,568</u>	<u>\$ 276,030</u>	<u>\$ -</u>	<u>\$ 19,488,991</u>	<u>\$ 19,953,045</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, 2024

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Texas Education Agency:			
Title I Grants to Local Education Agencies	84.010A	24610101015808	\$ 305,094
Title I Grants to Local Education Agencies	84.010A	24610103015808	182,500
			<u>487,594</u>
Supporting Effective Instruction State Grants	84.367A	24694501015808	29,040
Student Support and Academic Enrichment Program	84.424A	24680101015808	38,424
Education Stabilization Fund - COVID-19	84.425U	21528001015808	1,133,539
Special Education Grants to States	84.027A	246600010158086000	211,792
Total U.S. Department of Education			<u>1,900,389</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Texas Department of Agriculture:			
National Child Nutrition Cluster:			
School Breakfast Program	10.553	71402301	101,485
National School Lunch Program	10.555	71302301	211,555
National School Lunch Program	10.555	236TX400N8903	41,325
USDA Commodities - Noncash Award	10.555	N/A	2,414
Supplemental Nutrition Assistance Program	10.551	N/A	13,639
Total Child Nutrition Cluster			<u>370,418</u>
Total U.S. Department of Agriculture			<u>370,418</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>2,270,807</u>
<u>TEXAS EDUCATION AGENCY</u>			
Dyslexia Grant	N/A	22038904015808	4,235
Silent Panic Alert Tech Grant	N/A	N/A	3,890
Nurses Grant	N/A	N/A	126,677
TDA Grant	N/A	N/A	3,189
Instructional Materials Allotment	N/A	N/A	94,210
Total Texas Education Agency			<u>232,201</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>232,201</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 2,503,008</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, 2024

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, 2024. 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 4 - 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, 2024.

Braination, Inc. and its affiliates did not disburse any federal or state awards to subrecipients for the year ended August 31, 2024.

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, 2024, 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 24, 2025.

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 24, 2025

**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, 2024. 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, 2024.

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 24, 2025

**BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2024**

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

84.425U 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, 2024**

SUMMARY OF AUDITOR'S RESULTS (continued)

Findings - Financial Statements Audit	None
Findings and Questioned Costs - Major Federal Award Programs Audit	None

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2024

I. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

- None -

II. PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- None -