MID-CITIES LEARNING CENTER, INC.
CHARTER HOLDER

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED

AUGUST 31, 2018

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MID-CITIES LEARNING CENTER, INC.
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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MID-CITIES LEARNING CENTER, INC.

CERTIFICATE OF BOARD

AUGUST 31, 2018

Mid-Cities Learning Center, Inc.	Tarrant	220801
Name of Charter Holder	County	Co.-Dist. Number
Federal EIN: 75-1336797		

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one) __X____ approved _____ disapproved for the year ended August 31, 2018, at a meeting of the governing body of the charter holder on the 28th day of November, 2018.

[redacted]
Signature of Board Secretary

[redacted]
Signature of Board President

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

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mid-Cities Learning Center, Inc.
12500 S. Pipeline
Euless, TX 76040

Members of the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Mid-Cities Learning Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

2088 Zihlman Road • Windthorst, Texas 76389 • Office: (940) 423-6226 • Fax: (940) 423-6326

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-Cities Learning Center, Inc. as of August 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information including the Schedule of Expenses, Schedule of Capital Assets, and Budgetary Comparison Schedule are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of Mid-Cities Learning Center, Inc.'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 Mid-Cities Learning Center'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 Mid-Cities Learning Center, Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,

Freemon, Shapard + Story

Freemon, Shapard, & Story
Windthorst, TX
October 31, 2018

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General-Purpose Financial Statements

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MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,489,813	$ 1,724,434
Due from TEA	158,268	185,574
Other receivables	433	-
Total Current Assets	1,648,514	1,910,008
Property and Equipment		
Land and improvements	191,700	191,700
Buildings and improvements	3,574,641	3,210,805
Furniture and equipment	166,662	151,362
Less accumulated depreciation	(1,535,248)	(1,410,295)
Total Property and Equipment	2,397,755	2,143,572
Total Assets	$ 4,046,269	$ 4,053,580
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued wages payable	$ 188,425	$ 175,133
Accrued expenses	15,544	14,188
Vacation benefits payable	25,708	27,129
Due to student groups	17,211	14,981
Total Current Liabilities	246,888	231,431
Total Liabilities	$ 246,888	$ 231,431
Net Assets		
Unrestricted	393,417	415,100
Temporarily restricted	3,405,964	3,407,049
Total Net Assets	$ 3,799,381	$ 3,822,149
Total Liabilities and Net Assets	$ 4,046,269	$ 4,053,580

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

MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	Unrestricted	Temporarily Restricted	Total 2018
REVENUES			
Local Support:			
Contributions	$ 7,554	$ -	$ 7,554
Interest Income	5,446	-	5,446
Cocurricular & Enterprising Services	26,395	-	26,395
Other Revenues	3,318	-	3,318
Total Local Support	42,713	-	42,713
State Program Revenues:			
Foundation School Program	-	2,862,934	2,862,934
State Instructional Materials	-	2,615	2,615
Total State Program Revenues	-	2,865,549	2,865,549
Federal Program Revenues:			
IDEA Part B, Formula	-	58,151	58,151
IDEA Part B, Preschool	-	500	500
ESEA Title II, Part A-Teacher & Principal Training	-	3,619	3,619
Total Federal Program Revenues	-	62,270	62,270
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	2,928,904	(2,928,904)	-
Total Revenues	$ 2,971,617	$ (1,085)	$ 2,970,532
EXPENSES			
Program Services:			
Instruction & Instructional-Related Services	$ 2,180,526	$ -	$ 2,180,526
Instructional & School Leadership	146,528	-	146,528
Support Services:			
Student Support Services	28,869	-	28,869
Administrative Support Services	186,800	-	186,800
Support Services - Non-Student Based	432,992	-	432,992
Fundraising	17,585	-	17,585
Total Expenses	$ 2,993,300	$ -	$ 2,993,300
Change in Net Assets	(21,683)	(1,085)	(22,768)
Net Assets, Beginning of Year	415,100	3,407,049	3,822,149
Net Assets, End of Year	$ 393,417	$ 3,405,964	$ 3,799,381

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

MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	Unrestricted	Temporarily Restricted	Total 2017
REVENUES			
Local Support:			
Contributions	$ 3,137	$ -	$ 3,137
Interest Income	5,158	-	5,158
Cocurricular & Enterprising Services	29,447	-	29,447
Other Revenues	2,022	-	2,022
Total Local Support	39,764	-	39,764
State Program Revenues:			
Foundation School Program	-	3,006,805	3,006,805
State Instructional Materials	-	35,641	35,641
Total State Program Revenues	-	3,042,446	3,042,446
Federal Program Revenues:			
IDEA Part B, Formula	-	50,775	50,775
IDEA Part B, Preschool	-	499	499
ESEA Title II, Part A-Teacher & Principal Training	-	4,987	4,987
Total Federal Program Revenues	-	56,261	56,261
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	2,898,099	(2,898,099)	-
Total Revenues	$ 2,937,863	$ 200,608	$ 3,138,471
EXPENSES			
Program Services:			
Instruction & Instructional-Related Services	$ 2,165,560	$ -	$ 2,165,560
Instructional & School Leadership	148,653	-	148,653
Support Services:			
Student Support Services	28,259	-	28,259
Administrative Support Services	182,719	-	182,719
Support Services - Non-Student Based	426,650	-	426,650
Fundraising	16,083	-	16,083
Total Expenses	$ 2,967,924	$ -	$ 2,967,924
Change in Net Assets	(30,061)	200,608	170,547
Net Assets, Beginning of Year	445,161	3,206,441	3,651,602
Net Assets, End of Year	$ 415,100	$ 3,407,049	$ 3,822,149

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

MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (22,768)	$ 170,547
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	124,953	124,927
(Increase) Decrease in due from TEA	27,306	(48,541)
(Increase) Decrease in other receivables	(433)	-
Increase (Decrease) in accrued wages payable	13,292	60,293
Increase (Decrease) in accrued expenses	1,356	5,334
Increase (Decrease) in due to student groups	2,230	4,130
Increase (Decrease) in vacation benefits payable	(1,421)	1,317
Net cash provided (used) by operating activities	144,515	318,007
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land Improvements, Buildings, and Equipment	(379,136)	-
Disposal of Land Improvements, Buildings, and Equipment	-	-
Net cash provided (used) by investing activities	(379,136)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	-	-
Net cash provided (used) by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(234,621)	318,007
Cash and cash equivalents, beginning of year	1,724,434	1,406,427
Cash and cash equivalents, end of year	$ 1,489,813	$ 1,724,434

	2018	2017
Interest paid during the period ended August 31, 2018 and 2017	$ -	$ -
Income taxes paid during the period ended August 31, 2018 and 2017	None	None

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

Notes to the Financial Statements

MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Reporting Entity*

The corporation is a not-for-profit organization incorporated in the State of Texas in 1972 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporation is governed by a Board of Directors comprised of five members. The Board of Directors is selected pursuant to the bylaws of the corporation and has the authority to make decisions, appoint the chief executive officer of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the corporation. Since the corporation received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

B. *Corporate Operations*

Mid-Cities Learning Center, Inc. is operating an open-enrollment charter school providing education to Pre-K through 12th grade students authorized under Chapter 12, Subchapter D of the Texas Education Code. The Texas State Board of Education issued the initial charter to Mid-Cities Learning Center, Inc. for a period of five years from August 1, 1998 to July 31, 2003. Total enrollment was limited to 480 students. Subsequent to the awarding of the initial charter, the corporation applied for and received a charter renewal in May 2003 extending the charter ten years to July 31, 2013. In June of 2013, the corporation received another charter renewal extending the charter an additional ten years to July 31, 2023. On March 8, 2016, a charter amendment was approved increasing maximum enrollment to 600 students.

C. *Basis of Accounting and Presentation*

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

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the corporation, the charter school, and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - -net assets required to be maintained in perpetuity with only the income to be used for the charter holder's activities due to donor-imposed restrictions.

D. *Use of Estimates*

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

E. *Contributions*

The corporation accounts for contributions as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

No amounts have been reflected in the financial statements for donated materials or services since no objective basis is available to measure the value thereof; however, a substantial number of volunteers donate their time to the School program services and in fund-raising activities.

F. *Cash and Cash Equivalents*

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

G. *Capital Assets*

Capital assets, which include land, buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the corporation as assets with an individual cost of more than $5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from five to forty years, using the straight-line method of depreciation. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

H. *Functional Allocation of Expenses*

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

I. *Personal Leave*

Full-time employees of the school earn five days of paid personal leave per year, and part-time employees earn two-and-a-half days of paid personal leave per year. However, the balance does not accumulate except for the executive director. The accrued liability on the financial statements for her vested vacation payable was calculated based on her 46 days of accumulated personal leave at 8/31/18.

2. CASH DEPOSITS

The corporation's funds were deposited and invested with Plains Capital Bank during the year ended August 31, 2018 and 2017. The depository bank should deposit for safekeeping and trust with the corporation's agent banks approved pledged securities in an amount sufficient to protect corporate funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2018, the carrying amount of the corporation's deposits at Plains Capital Bank (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $1,489,813, and the bank balance was $1,576,988. The charter holder's cash deposits at August 31, 2018, and during the year ended August 31, 2018, were adequately covered by FDIC insurance or by pledged collateral held by the corporation's agent bank in the corporation's name.

At August 31, 2017, the carrying amount of the corporation's deposits at Plains Capital Bank (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $1,724,434, and the bank balance was $1,747,812. The charter holder's cash deposits at August 31, 2017, and during the year ended August 31, 2017, were adequately covered by FDIC insurance or by pledged collateral held by the corporation's agent bank in the corporation's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit for the deposits at Plains Capital Bank:

a. Depository: Plains Capital Bank

b. The market value of securities pledged as of the date of the highest combined balance on deposit was $1,786,205.

c. The highest combined balances of cash, savings, and time deposit accounts amounted to $1,845,671 and occurred during the month of October 2017.

d. Total amount of FDIC coverage at the time of the largest combined balance was $250,000.

3. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2018 and 2017, the corporation's liability for accrued sick leave or vacation leave was $25,708 and $27,129.

4. DEFINED BENEFIT PENSION PLAN

A. *Plan Description*

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

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

B. *Pension Plan Fiduciary Net Position*

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2017 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2017.

Components of Net Position Liability	Total
Total Pension Liability	$179,336,534,819
Less: Plan Fiduciary Net Position	(147,361,922,120)
Net Pension Liability	$ 31,974,612,699
Net Position as percentage of Total Pension Liability	82.17%

C. *Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age

60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

D. *Contributions*

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates		
	2018	2017
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Charter Holder's Employer Contributions	$ 3,490	$ 3,481
Charter Holder's Member Contributions	$159,178	$151,783
Charter Holder's NECE On-Behalf Contributions	$ 97,450	$153,972

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

E. *Actuarial Assumptions*

The total pension liability in the August 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-Term Expected Rate	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

F. *Discount Rate*

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017, are summarized below:

Asset Class	Target Allocation* %	Long-Term Expected Geometic Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns**
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

* *Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.*

** *The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.*

G. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Mid-Cities Learning Center, Inc.'s proportionate share of the net pension liability	$ 57,399	$ 34,049	$ 14,605

H. *Pension Liabilities*

At August 31, 2018, Mid-Cities Learning Center, Inc. reported a liability of $34,049 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Mid-Cities Learning Center, Inc. The amount recognized by Mid-Cities Learning Center, Inc. as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Mid-Cities Learning Center, Inc. were as follows:

Charter school's proportionate share of the collective net pension liability	$ 34,049
State's proportionate share that is associated with the charter school	1,277,597
Total	$1,311,646

The net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net pension liability was .0001064863% which was a decrease of .0000030737% from its proportion of .00010956% measured as of August 31, 2016.

I. *Changes Since the Prior Actuarial Valuation*

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

J. *Additional Plans*

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

5. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

A. *Plan Description*

Mid-Cities Learning Center, Inc. participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

B. *OPEB Plan Fiduciary Net Position*

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

Net OPEB Liability	Total
Total OPEB Liability	$ 43,885,784,621
Less: Plan Fiduciary Net Position	399,535,986
Net OPEB liability	$ 43,486,248,635
Net Position as a Percentage of Total OPEB Liability	0.91%

C. *Benefits Provided*

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates
Effective Sept. 1, 2016 - Dec. 31, 2017

	TRS Care-1 Basic Plan	TRS Care-2 Optional Plan	TRS Care-3 Optional Plan
Retiree*	$ 0	$ 70	$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children	28	62	82

*or surviving spouse

D. *Contributions*

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and schools based upon public school payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, Sections 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates						
	Active Member		State		School	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2018	.65%	$13,437	1.25%	$25,203	.75%	$15,504
2017	.65%	$12,813	1.0%	$19,302	.55%	$10,842
2016	.65%	$12,089	1.0%	$18,283	.55%	$10,230

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS-Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of $535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of $212 million in fiscal year 2018.

E. *Actuarial Assumptions*

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% - 9.50%
Healthcare Trend Rates	4.50% - 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

**Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.*
***Includes inflation at 2.50%*
****Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.*

F. *Discount Rate*

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. The Discount Rate can be found in the 2017 TRS CAFR on page 83. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

G. *Sensitivity of the Net OPEB Liability*

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
School's proportionate share of the Net OPEB Liability:	$ 1,110,697	$ 941,071	$ 804,729

H. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School's proportionate share of the Net OPEB Liability:	$ 783,536	$ 941,071	$ 1,147,777

I. *OPEB Liabilities and OPEB Expense*

At August 31, 2018, Mid-Cities Learning Center, Inc. reported a liability of $941,071 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the school. The amount recognized by the school as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Mid-Cities Learning Center, Inc. were as follows:

School's Proportionate share of the collective net OPEB liability	$ 941,071
State's proportionate share that is associated with the School	1,605,625
Total	$ 2,546,696

The Net OPEB Liability was measured as of August 31, 2017, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017, the employer's proportion of the collective Net OPEB Liability was 0.0021640654%. Since this is the first year of implementation, the school does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

6. HEATH CARE COVERAGE

During the year ended August 31, 2018 and 2017, employees of the charter school were covered by a health insurance plan (the Plan). The charter school contributed $400 per month in 2017-18 and $375 per month in 2016-17 per employee to the Plan for each employee who takes TRS Active Care Insurance. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

7. COMMITMENTS AND CONTINGENCIES

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

8. CAPITAL ASSETS

Capital assets at August 31, 2018 and 2017, were as follows:

	Balance 8/31/2017	Additions	Deletions	Balance 8/31/2018
Land & Improvements	$ 191,700	$ -	$ -	$ 191,700
Buildings & Improvements	3,210,805	363,836	-	3,574,641
Furniture & Equipment	151,362	15,300	-	166,662
Accumulated Depreciation	(1,410,295)	(124,953)	-	(1,535,248)
Property & Equipment, Net	$ 2,143,572	$ 254,183	$ -	$ 2,397,755

	Balance 8/31/2016	Additions	Deletions	Balance 8/31/2017
Land	$ 191,700	$ -	$ -	$ 191,700
Buildings & Improvements	3,210,805	-	-	3,210,805
Furniture & Equipment	151,362	-	-	151,362
Accumulated Depreciation	(1,285,368)	(124,927)	-	(1,410,295)
Property & Equipment, Net	$ 2,268,499	$ (124,927)	$ -	$ 2,143,572

Capital assets acquired with public funds received by the corporation for the operation of Treetops International Schools, Inc. constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the years ending August 31, 2018 and 2017, consisted of the following:

	2018	2017
Foundation School Program	$ 3,397,349	$ 3,403,494
State Instructional Materials Fund	978	2,444
Campus Activity	7,637	1,111
Total Temporarily Restricted Net Assets	$ 3,405,964	$ 3,407,049

10. ECONOMIC DEPENDENCY

During the year ended August 31, 2018, the charter school earned revenue of $2,865,549 from the Texas Education Agency (TEA). This constitutes approximately 96.47% of total revenue earned. The loss of this charter agreement with TEA could have a material effect on the ability of the charter school to continue to provide the current level of services to its students.

11. LEASES

A copier lease agreement was entered into with Everbank Commercial Finance for $544 a month for 36 months beginning January 29, 2015, which expired January 29, 2018. A new copier lease agreement was entered into with Everbank Commercial Finance for $535 a month for 36 months beginning March 6, 2018.

A lease agreement was entered into De Lage Landen Financial Services for student chromebooks for $10,970 a quarter for 3 years beginning June 20, 2017.

Future minimum payments under noncancelable operating leases as of August 31, 2018, are as follows:

2019	$ 50,301
2020	50,300
2021	4,280
	$ 104,881

Rent expense was $52,103 and $6,729 for the years ended August 31, 2018 and 2017, respectively.

12. RELATED PARTY TRANSACTIONS

Mid-Cities Learning Center, Inc. paid Mike Cox, husband of the Executive Director of Mid-Cities Learning Center, Inc., $118,676 for repairs and maintenance on school projects such as roadwork, electrical, tree removal, etc. Mid-Cities Learning Center, Inc. had originally hired another company to do the road work, but the other company did not complete the project. Mid-Cities hired Mike Cox to take over and complete the job, so it would be completed before school started.

13. INCOME TAX

On December 30, 2008, FASB issued FASB Staff Position (FSP) FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises. There was no unrelated business income for the year ended August 31, 2018, and as a result, there was no income tax liability.

14. SUBSEQUENT EVENTS

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

Specific-Purpose Financial Statements

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TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,489,813	$ 1,724,434
Due from TEA	158,268	185,574
Other receivables	433	-
Total Current Assets	1,648,514	1,910,008
Property and Equipment		
Land and improvements	191,700	191,700
Buildings and improvements	3,574,641	3,210,805
Furniture and equipment	166,662	151,362
Less accumulated depreciation	(1,535,248)	(1,410,295)
Total Property and Equipment	2,397,755	2,143,572
Total Assets	$ 4,046,269	$ 4,053,580
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued wages payable	$ 188,425	$ 175,133
Accrued expenses	15,544	14,188
Vacation benefits payable	25,708	27,129
Due to student groups	17,211	14,981
Total Current Liabilities	246,888	231,431
Total Liabilities	$ 246,888	$ 231,431
Net Assets		
Unrestricted	393,417	415,100
Temporarily restricted	3,405,964	3,407,049
Total Net Assets	$ 3,799,381	$ 3,822,149
Total Liabilities and Net Assets	$ 4,046,269	$ 4,053,580

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

TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	Unrestricted	Temporarily Restricted	2018 Totals
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	$ 16,318	$ -	$ 16,318
5750 Cocurricular, Enterprising Activities	26,395	-	26,395
Total Local Support	42,713	-	42,713
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	2,862,934	2,862,934
5820 State Program Revenues Distributed by TEA	-	2,615	2,615
Total State Program Revenues	-	2,865,549	2,865,549
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	62,270	62,270
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	2,928,904	(2,928,904)	-
Total Revenues	$ 2,971,617	$ (1,085)	$ 2,970,532
Expenses			
11 Instruction	$ 2,179,419	$ -	$ 2,179,419
13 Curriculum and Instructional Staff Development	1,107	-	1,107
21 Instructional Leadership	1,896	-	1,896
23 School Leadership	144,632	-	144,632
31 Guidance, Counseling, and Evaluation Services	27,798	-	27,798
33 Health Services	776	-	776
35 Food Services	295	-	295
41 General Administration	186,800	-	186,800
51 Plant Maintenance and Operations	295,834	-	295,834
53 Data Processing Services	137,158	-	137,158
81 Fundraising	17,585	-	17,585
Total Expenses	$ 2,993,300	$ -	$ 2,993,300
Change in Net Assets	(21,683)	(1,085)	(22,768)
Net Assets, Beginning of Year	415,100	3,407,049	3,822,149
Net Assets, End of Year	$ 393,417	$ 3,405,964	$ 3,799,381

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

TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	Unrestricted	Temporarily Restricted	2017 Totals
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	$ 10,317	$ -	$ 10,317
5750 Cocurricular, Enterprising Activities	29,447	-	29,447
Total Local Support	39,764	-	39,764
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	3,006,805	3,006,805
5820 State Program Revenues Distributed by TEA	-	35,641	35,641
Total State Program Revenues	-	3,042,446	3,042,446
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	56,261	56,261
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	2,898,099	(2,898,099)	-
Total Revenues	$ 2,937,863	$ 200,608	$ 3,138,471
Expenses			
11 Instruction	$ 2,163,331	$ -	$ 2,163,331
13 Curriculum and Instructional Staff Development	2,229	-	2,229
21 Instructional Leadership	8,693	-	8,693
23 School Leadership	139,960	-	139,960
31 Guidance, Counseling, and Evaluation Services	27,526	-	27,526
33 Health Services	249	-	249
35 Food Services	484	-	484
41 General Administration	182,719	-	182,719
51 Plant Maintenance and Operations	295,825	-	295,825
53 Data Processing Services	130,825	-	130,825
81 Fundraising	16,083	-	16,083
Total Expenses	$ 2,967,924	$ -	$ 2,967,924
Change in Net Assets	(30,061)	200,608	170,547
Net Assets, Beginning of Year	445,161	3,206,441	3,651,602
Net Assets, End of Year	$ 415,100	$ 3,407,049	$ 3,822,149

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

TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (22,768)	$ 170,547
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	124,953	124,927
(Increase) Decrease in due from TEA	27,306	(48,541)
Increase (Decrease) in other receivables	(433)	-
Increase (Decrease) in accrued wages payable	13,292	60,293
Increase (Decrease) in accrued expenses	1,356	5,334
Increase (Decrease) in due to student groups	2,230	4,130
Increase (Decrease) in vacation benefits payable	(1,421)	1,317
Net cash provided (used) by operating activities	144,515	318,007
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land Improvements, Buildings, and Equipment	(379,136)	-
Disposal of Land Improvements, Buildings, and Equipment	-	-
Net cash provided (used) by investing activities	(379,136)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	-	-
Net cash provided (used) by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(234,621)	318,007
Cash and cash equivalents, beginning of year	1,724,434	1,406,427
Cash and cash equivalents, end of year	$ 1,489,813	$ 1,724,434

Interest paid during the period ended August 31, 2018 and 2017	$ -	$ -
Income taxes paid during the period ended August 31, 2018 and 2017	None	None

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

TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2018 AND 2017

	Totals	
	2018	2017
Expenses		
6100 Payroll Costs	$ 2,391,263	$ 2,323,477
6200 Professional and Contracted Services	308,018	297,874
6300 Supplies and Materials	103,723	160,999
6400 Other Operating Costs	190,296	185,574
6500 Debt	-	-
Total Expenses	$ 2,993,300	$ 2,967,924

The accompanying notes are an integral part of these statements

TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2018

		Ownership Interest		
		Local	State	Federal
1510	Land and Improvements	$ 81,385	$ 110,315	$ -
1520	Buildings and Improvements	759,104	2,815,537	-
1539	Furniture and Equipment	15,300	151,362	-
1570	Less Accumulated Depreciation	(530,453)	(1,004,795)	-
	Total Property and Equipment	$ 325,336	$ 2,072,419	$ -

The accompanying notes are an integral part of these statements.

TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

	Budgeted Amounts		Actual	Variance from Final
	Original	Final	Amounts	Budget
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	$ 11,750	$ 17,830	$ 16,318	$ (1,512)
5750 Cocurricular, Enterprising Activities	25,000	25,000	26,395	1,395
Total Local Support	36,750	42,830	42,713	(117)
State Program Revenues:				
5810 Foundation School Program Act Revenues	3,106,735	2,853,603	2,862,934	9,331
5820 State Program Revenues Distributed by TEA	-	77,608	2,615	(74,993)
Total State Program Revenues	3,106,735	2,931,211	2,865,549	(65,662)
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	56,099	62,270	62,270	-
Total Revenues	$ 3,199,584	$ 3,036,311	$ 2,970,532	$ (65,779)
EXPENSES				
11 Instruction	$ 2,230,080	$ 2,257,023	$ 2,179,419	$ 77,604
13 Curriculum and Instructional Staff Development	2,100	1,108	1,107	1
21 Instructional Leadership	1,881	1,881	1,896	(15)
23 School Leadership	142,199	143,534	144,632	(1,098)
31 Guidance, Counseling, and Evaluation Services	28,034	28,034	27,798	236
33 Health Services	200	780	776	4
35 Food Services	300	300	295	5
41 General Administration	180,410	180,410	186,800	(6,390)
51 Plant Maintenance and Operations	302,858	302,858	295,834	7,024
53 Data Processing Services	147,633	142,633	137,158	5,475
81 Fundraising	15,000	13,300	17,585	(4,285)
Total Expenses	$ 3,050,695	$ 3,071,861	$ 2,993,300	$ 78,561
Change in Net Assets	148,889	(35,550)	(22,768)	12,782
Net Assets, Beginning of Year	3,822,149	3,822,149	3,822,149	-
Net Assets, End of Year	$ 3,971,038	$ 3,786,599	$ 3,799,381	$ 12,782

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

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Compliance
and
Internal Control

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FREEMON, SHAPARD & STORY

Certified Public Accountants

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

Board of Directors
Mid-Cities Learning Center, Inc.
12500 S. Pipeline
Euless, TX 76040

Members of the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mid-Cities Learning Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid-Cities Learning Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid-Cities Learning Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-Cities Learning Center Inc.'s internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Freemon, Shapard + Story

Freemon, Shapard, & Story
Windthorst, TX
October 31, 2018

MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	___ Yes _X_ No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes _X_ No
Noncompliance material to financial statements noted?	___ Yes _X_ No

Federal Awards

Not Applicable – Under the guidelines of OMB Circular A-133, a Single Audit was not required for the year ended August 31, 2018.

II. Financial Statement Findings

None identified

III. Findings and Questioned Costs for State and Federal Awards

None identified

MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

N/A No prior audit findings.