

**MID-CITIES LEARNING CENTER, INC.
CHARTER HOLDER**

ANNUAL FINANCIAL AND COMPLIANCE REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2025**

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MID-CITIES LEARNING CENTER, INC.
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2025

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AUGUST 31, 2025

220801
Co.-Dist. Number

Signature of Board President

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FREEMON, SHAPARD & STORY

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Members of the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

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, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mid-Cities Learning Center, Inc. as of August 31, 2025 and 2024, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mid-Cities Learning Center.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mid-Cities Learning Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mid-Cities Learning Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying specific-purpose financial statements and the supplementary information including the Schedule of Expenses, Schedule of Assets, Budgetary Comparison Schedule, Material Budget

Variance Expenditures, Use of Funds Report – Select State Allotment Programs, Schedule of Real Property Ownership Interest, Schedule of Related Party Transactions, and Schedule of Related Party Compensation and Benefits are presented for purposes of additional analysis as required by the Texas Education Agency and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, other than the Material Budget Variance Explanations, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The budget variance explanations have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2025, 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, Inc.'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,



Freeman, Shapard, & Story
Windthorst, TX
November 7, 2025

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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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 290,801	\$ 909,667
Restricted cash	20,183	-
Due from TEA	209,117	259,392
Total Current Assets	<u>520,101</u>	<u>1,169,059</u>
Property and Equipment		
Land and improvements	191,700	191,700
Buildings and improvements	4,557,775	4,466,511
Furniture and equipment	176,749	176,749
Less accumulated depreciation	<u>(2,657,594)</u>	<u>(2,475,712)</u>
Total Property and Equipment	<u>2,268,630</u>	<u>2,359,248</u>
Total Assets	<u>\$ 2,788,731</u>	<u>\$ 3,528,307</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 24,540	\$ 1,442
Accrued wages payable	186,478	226,209
Accrued expenses	15,457	18,714
Due to student groups	11,466	12,145
Total Current Liabilities	<u>237,941</u>	<u>258,510</u>
Total Liabilities	<u>\$ 237,941</u>	<u>\$ 258,510</u>
Net Assets		
Without donor restrictions	262,348	283,185
With donor restrictions	<u>2,288,442</u>	<u>2,986,612</u>
Total Net Assets	<u>\$ 2,550,790</u>	<u>\$ 3,269,797</u>
Total Liabilities and Net Assets	<u>\$ 2,788,731</u>	<u>\$ 3,528,307</u>

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, 2025 AND 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2025</u>
REVENUES			
Local Support:			
Contributions	\$ 9,833	\$ 35,000	\$ 44,833
Interest Income	11,483	-	11,483
After-School Care Tuition	48,414	-	48,414
Other Revenues	18,046	-	18,046
Total Local Support	<u>87,776</u>	<u>35,000</u>	<u>122,776</u>
State Program Revenues:			
Foundation School Program	-	3,065,966	3,065,966
State Revenues Distributed by TEA	-	136,598	136,598
State Revenues from State of TX Agencies	-	208,982	208,982
Total State Program Revenues	<u>-</u>	<u>3,411,546</u>	<u>3,411,546</u>
Federal Program Revenues:			
IDEA Part B, Formula	-	55,585	55,585
IDEA Part B, Preschool	-	631	631
Title II, Part A-Teacher and Principal Training	-	4,834	4,834
E-Rate	-	9,450	9,450
Total Federal Program Revenues	<u>-</u>	<u>70,500</u>	<u>70,500</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>4,215,216</u>	<u>(4,215,216)</u>	<u>-</u>
Total Revenues	<u>\$ 4,302,992</u>	<u>\$ (698,170)</u>	<u>\$ 3,604,822</u>
EXPENSES			
Program Services:			
Instruction & Instructional-Related Services	\$ 2,997,918	\$ -	\$ 2,997,918
Instructional & School Leadership	251,838	-	251,838
Support Services:			
Student Support Services	84,396	-	84,396
Administrative Support Services	352,738	-	352,738
Support Services - Non-Student Based	588,375	-	588,375
Ancillary Services	48,564	-	48,564
Total Expenses	<u>\$ 4,323,829</u>	<u>\$ -</u>	<u>\$ 4,323,829</u>
Change in Net Assets	<u>(20,837)</u>	<u>(698,170)</u>	<u>(719,007)</u>
Net Assets, Beginning of Year	<u>283,185</u>	<u>2,986,612</u>	<u>3,269,797</u>
Net Assets, End of Year	<u>\$ 262,348</u>	<u>\$ 2,288,442</u>	<u>\$ 2,550,790</u>

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, 2025 AND 2024

	Without Donor Restrictions	With Donor Restrictions	Total 2024
REVENUES			
Local Support:			
Contributions	\$ 15,707	\$ -	\$ 15,707
Interest Income	11,650	-	11,650
After-School Care Tuition	49,421	-	49,421
Other Revenues	9,412	-	9,412
Total Local Support	86,190	-	86,190
State Program Revenues:			
Foundation School Program	-	3,181,324	3,181,324
State Revenues Distributed by TEA	-	171,721	171,721
State Revenues from State of TX Agencies	-	189,924	189,924
Total State Program Revenues	-	3,542,969	3,542,969
Federal Program Revenues:			
IDEA Part B, Formula	-	55,100	55,100
IDEA Part B, Preschool	-	622	622
Title II, Part A-Teacher and Principal Training	-	5,430	5,430
Total Federal Program Revenues	-	61,152	61,152
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	3,887,949	(3,887,949)	-
Total Revenues	\$ 3,974,139	\$ (283,828)	\$ 3,690,311
EXPENSES			
Program Services:			
Instruction & Instructional-Related Services	\$ 2,753,151	\$ -	\$ 2,753,151
Instructional & School Leadership	235,984	-	235,984
Support Services:			
Student Support Services	79,570	-	79,570
Administrative Support Services	321,169	-	321,169
Support Services - Non-Student Based	569,995	-	569,995
Ancillary Services	3,962	-	3,962
Total Expenses	\$ 3,963,831	\$ -	\$ 3,963,831
Change in Net Assets	10,308	(283,828)	(273,520)
Net Assets, Beginning of Year	272,877	3,270,440	3,543,317
Net Assets, End of Year	\$ 283,185	\$ 2,986,612	\$ 3,269,797

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

MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	Program Services	Management and General	2025 Total
Expenses			
Salaries and Wages	\$ 2,559,829	\$ 232,606	\$ 2,792,435
Benefits	461,647	37,832	499,479
Payroll Taxes	190,894	15,746	206,640
Total Payroll Expenses	<u>3,212,370</u>	<u>286,184</u>	<u>3,498,554</u>
Professional Services	188,257	20,704	208,961
Legal	-	16,445	16,445
Education Service Center Services	35,057	9,400	44,457
Repairs and Maintenance	66,613	-	66,613
Utilities	97,502	5,132	102,634
Rentals	-	6,351	6,351
Maintenance Supplies	-	43,609	43,609
Instructional Materials	4,087	-	4,087
Food Service	189	-	189
General Supplies	78,571	428	78,999
Travel	16,484	-	16,484
Insurance	38,744	4,305	43,049
Miscellaneous	237	11,278	11,515
Total Non-Payroll Expenses	<u>525,741</u>	<u>117,652</u>	<u>643,393</u>
Total Before Depreciation	3,738,111	403,836	4,141,947
Depreciation	<u>179,934</u>	<u>1,948</u>	<u>181,882</u>
Total Expenses	<u>\$ 3,918,045</u>	<u>\$ 405,784</u>	<u>\$ 4,323,829</u>

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

MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	Program Services	Management and General	2024 Total
Expenses			
Salaries and Wages	\$ 2,382,539	\$ 213,671	\$ 2,596,210
Benefits	395,872	35,580	431,452
Payroll Taxes	177,558	14,517	192,075
Total Payroll Expenses	<u>2,955,969</u>	<u>263,768</u>	<u>3,219,737</u>
Professional Services	114,343	20,332	134,675
Legal	-	2,233	2,233
Education Service Center Services	32,103	9,343	41,446
Repairs and Maintenance	59,957	-	59,957
Utilities	90,000	4,737	94,737
Rentals	-	6,351	6,351
Maintenance Supplies	-	64,671	64,671
Instructional Materials	47,346	-	47,346
Food Service	488	-	488
General Supplies	66,286	548	66,834
Travel	2,977	-	2,977
Insurance	30,983	3,443	34,426
Miscellaneous	3,801	16,646	20,447
Total Non-Payroll Expenses	<u>448,284</u>	<u>128,304</u>	<u>576,588</u>
Total Before Depreciation	3,404,253	392,072	3,796,325
Depreciation	<u>165,558</u>	<u>1,948</u>	<u>167,506</u>
Total Expenses	<u>\$ 3,569,811</u>	<u>\$ 394,020</u>	<u>\$ 3,963,831</u>

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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (719,007)	\$ (273,520)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	181,882	167,507
(Increase) Decrease in due from TEA	50,275	19,707
(Increase) Decrease in due from federal agencies	-	3,105
Increase (Decrease) in accounts payable	23,098	(13,627)
Increase (Decrease) in accrued wages payable	(39,731)	28,335
Increase (Decrease) in accrued expenses	(3,257)	2,928
Increase (Decrease) in due to student groups	(679)	(569)
Net cash provided (used) by operating activities	<u>(507,419)</u>	<u>(66,134)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land Improvements, Buildings, and Equipment	(91,264)	(229,829)
Disposal of Land Improvements, Buildings, and Equipment	-	-
Net cash provided (used) by investing activities	<u>(91,264)</u>	<u>(229,829)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	-	-
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(598,683)	(295,963)
Cash and cash equivalents, beginning of year	<u>909,667</u>	<u>1,205,630</u>
Cash and cash equivalents, end of year	<u>\$ 310,984</u>	<u>\$ 909,667</u>
Reconciliation of cash balances:		
Cash and cash equivalents	\$ 290,801	\$ 909,667
Restricted cash	<u>20,183</u>	<u>-</u>
	<u>\$ 310,984</u>	<u>\$ 909,667</u>
Interest paid during the period ended August 31, 2025 and 2024	\$ -	\$ -
Income taxes paid during the period ended August 31, 2025 and 2024	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, 2025

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 seven 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 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. In November of 2022, the corporation received another charter renewal extending the charter an additional ten years to July 31, 2033. The charter school will only provide education to K through 6th grade students beginning in August 2025.

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 or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

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

MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

D. *Use of Estimates*

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

E. *Revenue Recognition and Receivables*

The corporation recognizes revenue from government grants and state aid as revenue when eligible costs are incurred or services are provided. A receivable is recognized to the extent revenue earned exceeds cash advances. Conversely, deferred revenue and refundable advances are recorded when cash advances exceed support and revenue earned. Performance obligations for all the corporation's services are provided and consumed at a point in time, not over time, and therefore, these types of fees allocated to performance obligations are not left unsatisfied or partially unsatisfied at the end of the reporting period.

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

F. *Cash and Cash Equivalents*

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

G. *Capital Assets*

Capital assets, which include 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.

MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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 ten days of paid personal leave per year, and part-time employees earn five days of paid personal leave per year. However, the balance does not accumulate.

2. CASH DEPOSITS

The corporation's funds were deposited and invested with Plains Capital Bank during the year ended August 31, 2025 and 2024. 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, 2025, 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 \$310,984, and the bank balance was \$327,796. The charter holder's cash deposits at August 31, 2025, and during the year ended August 31, 2025, were adequately covered by FDIC insurance and by pledged collateral held by the corporation's agent bank in the corporation's name.

At August 31, 2024, 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 \$909,667, and the bank balance was \$989,097. The charter holder's cash deposits at August 31, 2024, and during the year ended August 31, 2024, were adequately covered by FDIC insurance and 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 \$1,404,852.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$1,023,502 and occurred during the month of September 2024.

MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

3. **DEFINED BENEFIT PENSION PLAN**

A. *Plan Description*

Mid-Cities Learning Center, Inc. participates in a multiple-employer, cost-sharing, 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at attention Finance Division, PO Box 149676, Austin, TX 78714-0185, or by calling 1-800-223-8778.

The information provided in the Notes to the Financial Statements in the 2024 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2024.

<u>Components of Net Position Liability</u>	Total
Total Pension Liability	\$271,627,434,294
Less: Plan Fiduciary Net Position	<u>(210,543,258,495)</u>
Net Pension Liability	<u>\$ 61,084,175,799</u>
Net Position as Percentage of Total Pension Liability	77.51%

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

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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. Accordingly, the 2023 Texas Legislature passed Senate Bill 10 and House Joint Resolution 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living adjustment.

One-Time Stipends

Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time \$2,400 stipend to eligible annuitants age 70 to 74.

Cost-of-Living Adjustment

A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment:

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

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.

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Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 thru 2025. Contribution rates can be found in the TRS 2024 ACFR, Note 11, on page 87.

Contribution Rates		
	2025	2024
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Charter Holder's Employer Contributions	\$118,373	\$102,289
Charter Holder's Member Contributions	\$232,484	\$211,187
Measurement Year	2024	2023
Charter Holder's NECE On-Behalf Contributions	\$ 151,815	\$ 143,079

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.9 percent of the member's salary beginning in fiscal year 2024, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

E. Actuarial Assumptions

The total pension liability in the August 31, 2023, actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2024 TRS ACFR, Note 11, page 89.

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Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-Term Expected Rate	7.00%
Municipal Bond Rate	3.87%*
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc Post Employment Benefit Changes	None

**Source: Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders as of August 2024.*

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions, please see the actuarial valuation report dated November 21, 2023.

F. Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employers and state contributions will be 9.54 percent of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 (see page 56 of the 2024 TRS ACFR) are summarized below:

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Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.A.	18%	4.4%	1.0%
Non-U.S. Developed	13%	4.2%	0.8%
Emerging Markets	9%	5.2%	0.7%
Private Equity	14%	6.7%	1.2%
Stable Value			
Government Bonds	16%	1.9%	0.4%
Stable Value Hedge Funds	5%	3.0%	0.2%
Absolute Return*	0%	4.0%	0.0%
Real Return			
Real Estate	15%	6.6%	1.2%
Energy, Natural Resources, and Infrastructure	6%	5.6%	0.4%
Commodities	0%	2.5%	0.0%
Risk Parity			
Risk Parity	8%	4.0%	0.4%
Asset Allocation Leverage			
Cash	2%	1.0%	0.0%
Asset Allocation Leverage	-6%	1.3%	-0.1%
Inflation Expectation			2.4%
Volatility Drag****			-0.7%
Total	100%		7.9%

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2024 policy model.

*** Capital Market Assumptions come from 2024 SAA Study CMA Survey (as of 12/31/2023)

**** The volatility drag results 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% point lower than and 1% point higher than the discount rate of 7% that was used in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Mid-Cities Learning Center, Inc.'s proportionate share of the net pension liability	\$1,778,104	\$1,113,226	\$562,327

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H. *Pension Liabilities*

On August 31, 2024, Mid-Cities Learning Center, Inc. disclosed a liability of \$1,113,226 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	\$1,113,226
State's proportionate share that is associated with the charter school	<u>1,645,595</u>
Total	<u>\$2,758,821</u>

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024, 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, 2023 through August 31, 2024. On August 31, 2024, the employer's proportion of the collective net pension liability was .001822446% which was an increase from its proportion of .0015738859% measured as of August 31, 2023.

I. *Changes Since the Prior Actuarial Valuation*

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

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.

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4. 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 benefit Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature. The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code, Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

B. *OPEB Plan Fiduciary Net Position*

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at PO Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778. Components of the Net OPEB liability of the TRS-Care plan as of August 31, 2024 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 35,168,178,563
Less: Plan Fiduciary Net Position	<u>(4,816,646,311)</u>
Net OPEB Liability	<u>\$ 30,351,532,252</u>
Net Position as a Percentage of Total OPEB Liability	13.70%

C. *Benefits Provided*

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee. Eligible non-Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs. The premium rates for retirees are reflected in the following table.

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

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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 participating employers based on active employee compensation. The TRS Board does not have the authority to set or amend contribution rates.

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of salary. Section 1575.204 establishes a public school 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 employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates				
	2025		2024	
Active Employee	0.65%		0.65%	
State	1.25%		1.25%	
Employers	0.75%		0.75%	
Federal/Private Funding	1.25%		1.25%	
Employer Contributions	2025	\$ 21,515	2024	\$19,926
Member Contributions	2025	\$ 18,312	2024	\$16,639
NECE On-Behalf Contributions	2024	\$ 24,929	2023	\$21,691

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

E. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions: *Actuarial assumptions can be found in the 2024 TRS ACFR, Note 9, page 78.*

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs – From Birth to Death"
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% - 8.95%, including inflation
Ad-hoc Post Employment Benefit Changes	None

F. *Discount Rate*

A single discount rate of 3.87% was used to measure the total OPEB liability. There was a decrease of .26 percent in the discount rate since the previous year. The Discount Rate can be found in the 2024 TRS ACFR on page 79.

Because the investments are held in cash, and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Bond Buyer's "20-Bond GO Index" as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

G. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the Net OPEB Liability.

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	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
Mid-Cities Learning Center, Inc.'s proportionate share of the Net OPEB Liability:	\$789,819	\$664,805	\$563,791

H. *OPEB Liabilities and OPEB Expense*

At August 31, 2024, Mid-Cities Learning Center, Inc. disclosed a liability of \$664,805 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	\$ 664,805
State's proportionate share that is associated with the School	<u>832,992</u>
Total	<u>\$ 1,497,797</u>

The Net OPEB Liability was measured as of August 31, 2023 and rolled forward to August 31, 2024, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024. On August 31, 2024, the employer's proportion of the collective Net OPEB Liability was 0.0021903506% compared to 0.0020722217% at August 31, 2023.

I. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following schedule shows the impact of the Net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Mid-Cities Learning Center, Inc.'s proportionate share of the Net OPEB Liability:	\$541,385	\$664,805	\$825,634

J. *Changes Since the Prior Actuarial Valuation*

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period: *These can be found in the 2024 TRS ACFR on page 79.*

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- The single discount rate changed from 4.13 percent as of August 31, 2023 to 3.87 percent as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

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

5. ON-BEHALF PAYMENTS

Mid-Cities Learning Center, Inc. recorded on-behalf payments from the State of Texas to be used for Teacher Retirement in the amount of \$208,982 and \$189,924 for the year ended August 31, 2025 and 2024, respectively.

6. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2025 and 2024, the charter holder had no material liability for accrued sick leave or vacation leave.

7. HEALTH CARE COVERAGE

During the year ended August 31, 2025 and 2024, employees of the charter school were covered by a health insurance plan (the Plan). The charter school contributed \$450 per month per employee in 2024-25 and \$450 per month in 2023-24 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.

8. 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.

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9. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions for the years ending August 31, 2025 and 2024, consisted of the following:

	<u>2024</u>	<u>2024</u>
Foundation School Program	\$ 2,056,159	\$ 2,822,660
Safe Cycle 2 State Grant	69,762	10,298
School Safety and Security	134,681	145,997
Safelite Donation	1,477	-
Sid Richardson Donation	18,706	-
Campus Activity	<u>7,657</u>	<u>7,657</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,288,442</u>	<u>\$ 2,986,612</u>

10. ECONOMIC DEPENDENCY

During the year ended August 31, 2025, the charter school earned revenue of \$3,411,546 from the Texas Education Agency (TEA). This constitutes approximately 94.64% of total revenue earned. Any unforeseen loss of this charter agreement with TEA or changes in legislative funding 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. CAPITAL ASSETS

Capital assets at August 31, 2025 and 2024, were as follows:

	Balance 8/31/2024	Additions	Deletions	Balance 8/31/2025
Land	\$ 191,700	\$ -	\$ -	\$ 191,700
Buildings & Improvements	4,466,511	91,264	-	4,557,775
Furniture & Equipment	176,749	-	-	176,749
Accumulated Depreciation	<u>(2,475,712)</u>	<u>(181,882)</u>	<u>-</u>	<u>(2,657,594)</u>
Property & Equipment, Net	<u>\$ 2,359,248</u>	<u>\$ (90,618)</u>	<u>\$ -</u>	<u>\$ 2,268,630</u>

	Balance 8/31/2023	Additions	Deletions	Balance 8/31/2024
Land & Improvements	\$ 191,700	\$ -	\$ -	\$ 191,700
Buildings & Improvements	4,236,682	229,829	-	4,466,511
Furniture & Equipment	176,749	-	-	176,749
Accumulated Depreciation	<u>(2,308,205)</u>	<u>(167,507)</u>	<u>-</u>	<u>(2,475,712)</u>
Property & Equipment, Net	<u>\$ 2,296,926</u>	<u>\$ 62,322</u>	<u>\$ -</u>	<u>\$ 2,359,248</u>

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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 Assets.

12. LEASES

No capital leases were recorded due to immateriality. Rent expense was \$6,351 and \$6,351 for the years ended August 31, 2025 and 2024, respectively. A copier lease agreement that was entered into with Xerox for \$529 a month for 36 months beginning November 17, 2021 ended on November 17, 2024. The school is currently in negotiations for a new lease agreement with Xerox.

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, 2025, 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 except for the school is switching from serving grades K-12 to only serving K-6 next year.

15. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 63,592
Fixed assets	<u>218,939</u>
	<u>\$282,531</u>

Except for the financial assets listed above, Mid-Cities Learning Center Inc.'s cash, due from TEA, and fixed assets' use are restricted by the Texas Education Agency, federal agencies, and donors for charter school operations. As part of the corporation's liquidity management plan, \$141,600 of cash is invested in a certificate of deposit.

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**Specific-Purpose
Financial Statements**

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TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 290,801	\$ 909,667
Restricted cash	20,183	-
Due from TEA	209,117	259,392
Total Current Assets	<u>520,101</u>	<u>1,169,059</u>
Property and Equipment		
Land and improvements	191,700	191,700
Buildings and improvements	4,557,775	4,466,511
Furniture and equipment	176,749	176,749
Less accumulated depreciation	<u>(2,657,594)</u>	<u>(2,475,712)</u>
Total Property and Equipment	<u>2,268,630</u>	<u>2,359,248</u>
Total Assets	<u>\$ 2,788,731</u>	<u>\$ 3,528,307</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 24,540	\$ 1,442
Accrued wages payable	186,478	226,209
Accrued expenses	15,457	18,714
Due to student groups	11,466	12,145
Total Current Liabilities	<u>237,941</u>	<u>258,510</u>
Total Liabilities	<u>\$ 237,941</u>	<u>\$ 258,510</u>
Net Assets		
Without donor restrictions	262,348	283,185
With donor restrictions	<u>2,288,442</u>	<u>2,986,612</u>
Total Net Assets	<u>\$ 2,550,790</u>	<u>\$ 3,269,797</u>
Total Liabilities and Net Assets	<u>\$ 2,788,731</u>	<u>\$ 3,528,307</u>

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, 2025 AND 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2025 Totals</u>
Revenues			
Local Support:			
5730 Tuition and Fees	\$ 48,414	\$ -	\$ 48,414
5740 Other Revenues from Local Sources	39,362	35,000	74,362
5750 Cocurricular, Enterprising Activities	-	-	-
Total Local Support	<u>87,776</u>	<u>35,000</u>	<u>122,776</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	3,065,966	3,065,966
5820 State Program Revenues Distributed by TEA	-	136,598	136,598
5830 State Revenues from State of TX Agencies	-	208,982	208,982
Total State Program Revenues	<u>-</u>	<u>3,411,546</u>	<u>3,411,546</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	61,050	61,050
5930 Federal Revenues Distributed by Other State Agencies	-	9,450	9,450
Total Federal Program Revenues	<u>-</u>	<u>70,500</u>	<u>70,500</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>4,215,216</u>	<u>(4,215,216)</u>	<u>-</u>
Total Revenues	<u>\$ 4,302,992</u>	<u>\$ (698,170)</u>	<u>\$ 3,604,822</u>
Expenses			
11 Instruction	\$ 2,975,847	\$ -	\$ 2,975,847
13 Curriculum and Instructional Staff Development	22,071	-	22,071
21 Instructional Leadership	17,981	-	17,981
23 School Leadership	233,857	-	233,857
31 Guidance, Counseling, and Evaluation Services	82,088	-	82,088
33 Health Services	2,119	-	2,119
35 Food Services	189	-	189
41 General Administration	352,738	-	352,738
51 Plant Maintenance and Operations	391,516	-	391,516
52 Security and Monitoring Services	19,214	-	19,214
53 Data Processing Services	177,645	-	177,645
61 Community Services	48,564	-	48,564
Total Expenses	<u>\$ 4,323,829</u>	<u>\$ -</u>	<u>\$ 4,323,829</u>
Change in Net Assets	<u>(20,837)</u>	<u>(698,170)</u>	<u>(719,007)</u>
Net Assets, Beginning of Year	<u>283,185</u>	<u>2,986,612</u>	<u>3,269,797</u>
Net Assets, End of Year	<u>\$ 262,348</u>	<u>\$ 2,288,442</u>	<u>\$ 2,550,790</u>

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, 2025 AND 2024

	Without Donor Restrictions	With Donor Restrictions	2024 Totals
Revenues			
Local Support:			
5730 Tuition and Fees	\$ 49,421	\$ -	\$ 49,421
5740 Other Revenues from Local Sources	36,769	-	36,769
5750 Cocurricular, Enterprising Activities	-	-	-
Total Local Support	86,190	-	86,190
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	3,181,324	3,181,324
5820 State Program Revenues Distributed by TEA	-	171,721	171,721
5830 State Revenues from State of TX Agencies	-	189,924	189,924
Total State Program Revenues	-	3,542,969	3,542,969
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	61,152	61,152
5930 Federal Revenues Distributed by Other State Agencies	-	-	-
Total Federal Program Revenues	-	61,152	61,152
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	3,887,949	(3,887,949)	-
Total Revenues	\$ 3,974,139	\$ (283,828)	\$ 3,690,311
Expenses			
11 Instruction	\$ 2,750,173	\$ -	\$ 2,750,173
13 Curriculum and Instructional Staff Development	2,977	-	2,977
21 Instructional Leadership	11,273	-	11,273
23 School Leadership	224,710	-	224,710
31 Guidance, Counseling, and Evaluation Services	77,995	-	77,995
33 Health Services	1,087	-	1,087
35 Food Services	489	-	489
41 General Administration	321,169	-	321,169
51 Plant Maintenance and Operations	369,947	-	369,947
52 Security and Monitoring Services	14,860	-	14,860
53 Data Processing Services	185,189	-	185,189
61 Community Services	3,962	-	3,962
Total Expenses	\$ 3,963,831	\$ -	\$ 3,963,831
Change in Net Assets	10,308	(283,828)	(273,520)
Net Assets, Beginning of Year	272,877	3,270,440	3,543,317
Net Assets, End of Year	\$ 283,185	\$ 2,986,612	\$ 3,269,797

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, 2025 AND 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (719,007)	\$ (273,520)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	181,882	167,507
(Increase) Decrease in due from TEA	50,275	19,707
(Increase) Decrease in due from federal agencies	-	3,105
Increase (Decrease) in accounts payable	23,098	(13,627)
Increase (Decrease) in accrued wages payable	(39,731)	28,335
Increase (Decrease) in accrued expenses	(3,257)	2,928
Increase (Decrease) in due to student groups	(679)	(569)
Net cash provided (used) by operating activities	(507,419)	(66,134)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land Improvements, Buildings, and Equipment	(91,264)	(229,829)
Disposal of Land Improvements, Buildings, and Equipment	-	-
Net cash provided (used) by investing activities	(91,264)	(229,829)
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	(598,683)	(295,963)
Cash and cash equivalents, beginning of year	909,667	1,205,630
Cash and cash equivalents, end of year	\$ 310,984	\$ 909,667
Reconciliation of cash balances:		
Cash and cash equivalents	\$ 290,801	\$ 909,667
Restricted cash	20,183	-
	\$ 310,984	\$ 909,667
Interest paid during the period ended August 31, 2025 and 2024	\$ -	\$ -
Income taxes paid during the period ended August 31, 2025 and 2024	None	None

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

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

**TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

	Totals	
	2025	2024
Expenses		
6100 Payroll Costs	\$ 3,498,554	\$ 3,219,737
6200 Professional and Contracted Services	445,461	339,398
6300 Supplies and Materials	126,884	179,340
6400 Other Operating Costs	252,930	225,356
6500 Debt	-	-
Total Expenses	\$ 4,323,829	\$ 3,963,831

The accompanying notes are an integral part of these statements

**TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
SCHEDULE OF ASSETS
FOR THE YEAR ENDED AUGUST 31, 2025**

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 75,058	\$ 235,926	\$ -
1510 Land and Improvements	81,385	110,315	-
1520 Buildings and Improvements	759,104	3,798,671	-
1539 Furniture and Equipment	15,301	161,448	-
Total Cash and Capital Assets	<u>\$ 930,848</u>	<u>\$ 4,306,360</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025**

Note: All variances over \$10,000 and 10% will be explained on following page.

Note: All variances over \$10,000 and 1% will be explained on following page.

	Budgeted Amounts		%	Actual	Variance	%
	Original	Final	Change	Amounts	from Final Budget	Change
REVENUES						
Local Support:						
5730 Tuition and Fees	\$ 50,000	\$ 50,000	0.00%	\$ 48,414	\$ (1,586)	-3.17%
5740 Other Revenues from Local Sources	53,300	93,414	75.26% (6)	74,362	(19,052) (1)	-20.40%
5750 Cocurricular, Enterprising Activities	-	-		-	-	
Total Local Support	103,300	143,414		122,776	(20,638)	
State Program Revenues:						
5810 Foundation School Program Act Revenues	3,415,781	3,538,698	3.60%	3,065,966	(472,732) (2)	-13.36%
5820 State Program Revenues Distributed by TEA	188,169	188,169	0.00%	136,598	(51,571) (3)	-27.41%
5830 State Revenues from State of TX Agencies	192,592	192,592	0.00%	208,982	16,390	8.51%
Total State Program Revenues	3,796,542	3,919,459		3,411,546	(507,913)	
Federal Program Revenues:						
5920 Federal Revenues Distributed by TEA	57,310	61,050	6.53%	61,050	-	0.00%
5930 Federal Revenues Distributed by Other State Agencies	-	-		9,450	9,450	
	57,310	61,050		70,500	9,450	
Total Revenues	\$ 3,957,152	\$ 4,123,923		\$ 3,604,822	\$ (519,101)	
EXPENSES						
11 Instruction	\$ 2,685,925	\$ 2,881,677	7.29%	\$ 2,975,847	\$ (94,170)	-3.27%
13 Curriculum and Instructional Staff Development	5,000	22,302	346.04% (7)	22,071	231	1.04%
21 Instructional Leadership	7,805	16,907	116.62%	17,981	(1,074)	-6.35%
23 School Leadership	233,641	222,894	-4.60%	233,857	(10,963)	-4.92%
31 Guidance, Counseling, and Evaluation Services	105,504	70,640	-33.05% (8)	82,088	(11,448) (4)	-16.21%
33 Health Services	1,250	2,286	82.88%	2,119	167	7.31%
35 Food Services	300	190	-36.67%	189	1	0.53%
41 General Administration	307,224	309,927	0.88%	352,738	(42,811) (5)	-13.81%
51 Plant Maintenance and Operations	282,992	393,532	39.06% (9)	391,516	2,016	0.51%
52 Security and Monitoring Services	16,865	18,551	10.00%	19,214	(663)	-3.57%
53 Data Processing Services	179,573	162,017	-9.78%	177,645	(15,628)	-9.65%
61 Community Services	-	44,000		48,564	(4,564)	-10.37%
Total Expenses	\$ 3,826,079	\$ 4,144,923		\$ 4,323,829	\$ (178,906)	
Change in Net Assets	131,073	(21,000)		(719,007)	(698,007)	
Net Assets, Beginning of Year	3,269,797	3,269,797		3,269,797	-	
Net Assets, End of Year	\$ 3,400,870	\$ 3,248,797		\$ 2,550,790	\$ (698,007)	

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

**TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
MATERIAL BUDGET VARIANCE EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025**

Material Budget Variance Expenditures

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

- (1) \$6,000 less than expected in donations on North Texas Giving Day, and \$14,000 less than expected in Chromebook fees due to downsizing from K-12 in the 2024-25 year to K-6 in the 2025-26 year. Chromebook fees were collected in August 2025.
- (2) Lower student enrollment than expected which reduced state program revenue.
- (3) Intended to spend more in EMAT for textbooks and chromebooks and more for safety and security but delayed those purchases which reduced revenue.

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

- (4) Spent more on occupational therapy than budgeted for.
- (5) Spent more on payroll benefits than budgeted.

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

- (6) Increased the donations budget for the Sid Richardson Foundation grant.

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

- (7) Increased budgeted expenditures for the Sid Richardson Foundation grant money expended.
- (8) Switched to a part-time counselor, so the budget was reduced.
- (9) Had to increase budgeted expenditures for the Safe Cycle Grant.

**TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
USE OF FUNDS REPORT – SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2025**

Section A. Compensatory Education Programs

AP1	Did the charter school expend any state compensatory education program state allotment funds during the charter school's fiscal year?	Yes
AP2	Does the charter school have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the charter school's fiscal year.	\$ 36,113
AP4	Actual direct program expenditures for state compensatory education programs during the charter school's fiscal year.	\$ 89,753

Section B. Bilingual Education Allotment Programs

AP5	Did the charter school expend any bilingual education program state allotment funds during the charter school's fiscal year?	Yes
AP6	Does the charter school have written policies and procedures for its bilingual education allotment program?	Yes
AP7	Total state allotment funds received for bilingual education allotment programs during the charter school's fiscal year.	\$1,732
AP8	Actual direct program expenditures for bilingual education allotment programs during the charter school's fiscal year.	\$25,559

**TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
FOR THE YEAR ENDED AUGUST 31, 2025**

Description	Property Address	Total Assessed Value	Local	Ownership Interest		
				State	Federal	
Lot 1, Block 1	12500 S. Pipeline Rd.	\$2,861,039	\$ 590,804	\$ 2,270,235	\$ -	
Treetop School	Eules, TX 76040		-	-	-	
			-	-	-	
			-	-	-	
			<u>\$ 590,804</u>	<u>\$ 2,270,235</u>	<u>\$ -</u>	

The accompanying notes are an integral part of these statements.

**TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED AUGUST 31, 2025**

Related Party Name	Relation Name	Relationship	Type of Transaction	Terms	Source of Funds	Payment Frequency	Total Paid	Balance Due
None							\$ -	\$ -
							-	-
							-	-
							<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**TREETOPS SCHOOL INTERNATIONAL CHARTER SCHOOL
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
FOR THE YEAR ENDED AUGUST 31, 2025**

Related Party Name	Relation Name	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds	Total Paid
None						\$	-
							-
							-
						\$	-

The accompanying notes are an integral part of these statements.

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Compliance and Internal Control

FREEMON, SHAPARD & STORY

Certified Public Accountants

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

Board of Directors
Mid-Cities Learning Center, Inc.
12500 S. Pipeline
Eules, 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, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2025.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,



Freemon, Shapard, & Story
Windthorst, TX
November 7, 2025

MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2025

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

Material weakness identified?

☐ Yes ☒ No

Significant deficiencies identified that are not considered
to be material weaknesses?

☐ Yes ☒ No

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Not Applicable – Under the guidelines of OMB Uniform Guidance, a Single Audit was not required for the year ended August 31, 2025.

II. Financial Statement Findings

None identified

III. Findings and Questioned Costs for Federal Awards

None identified

**MID-CITIES LEARNING CENTER, INC. (THE CHARTER HOLDER)
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025**

N/A No prior audit findings.

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