

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

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

August 31, 2019 and 2018

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
CONSOLIDATED FINANCIAL STATEMENTS WITH COMPLIANCE
AND SINGLE AUDIT REPORTING
August 31, 2019 and 2018

Table of Contents

Certificate of Board	1
Independent Auditor’s Report	2-3
General-Purpose Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Financial Statements	8-19
Specific-Purpose Financial Statements	
Statements of Financial Position	20
Statement of Activities	21
Statements of Cash Flows	22
Schedule of Expenses	23
Schedule of Capital Assets	24
Budgetary Comparison Schedule	25
Supplementary Information	
Consolidating Statement of Financial Position	26
Consolidating Statement of Activities	27-28
Single Audit Section	
Schedule of Expenditures of Federal and State Awards	29
Notes to Schedule of Expenditures of Federal and State Awards	30
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	33-34
Schedule of Findings and Questioned Costs	35-36
Summary Schedule of Prior Audit Findings	37

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

Federal Employer Identification Number: 74-2869255

Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one) approved disapproved for the year ended August 31, 2019, at a meeting of the Board of Trustees of such charter holder on the 10th day of JANUARY, 2020.



Signature of Board Secretary



Signature of Board President

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Braination, Inc. and its affiliates, Inspire Academies and Educational Resource Center Foundation (non-profit organizations), which comprise the consolidated statements of financial position as of August 31, 2019 and 2018, and the related consolidated statements of activities (with comparative totals for 2018), consolidated functional expenses (with comparative totals for 2018), and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brination, Inc. and its affiliates as of August 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

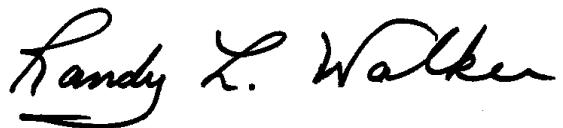
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The specific purpose financial statements on pages 20-25, the supplementary schedules on pages 26-28, and the accompanying schedule of expenditures of federal and state awards on page 29, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2020, on pages 31-32 on our consideration of Brination, Inc. and its affiliates' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Brination, Inc. and its affiliates' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a large, stylized initial "R".

San Antonio, Texas
January 10, 2020

GENERAL-PURPOSE FINANCIAL STATEMENTS

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,417,292	\$ 3,365,502
Due from State	695,054	715,604
Due from Federal Agencies	1,041,647	2,054,975
Other Receivables	155,199	337,999
Prepaid Expense	156,001	46,128
Total Current Assets	7,465,193	6,520,208
LONG-TERM ASSETS		
Restricted Cash	833,740	821,544
Property and Equipment, net	17,526,092	17,873,047
Total Long-Term Assets	18,359,832	18,694,591
TOTAL ASSETS	\$ 25,825,025	\$ 25,214,799
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 127,377	\$ 285,038
Accrued Expenses	1,456,534	1,440,554
Deferred Revenue	44,655	33,000
Bonds Payable - current	180,000	170,000
Total Current Liabilities	1,808,566	1,928,592
LONG-TERM LIABILITIES		
Bonds Payable - long-term, net	8,328,366	8,485,851
Total Long-Term Liabilities	8,328,366	8,485,851
TOTAL LIABILITIES	10,136,932	10,414,443
NET ASSETS		
Without Donor Restrictions	8,408,004	7,163,672
With Donor Restrictions	7,280,089	7,636,684
TOTAL NET ASSETS	15,688,093	14,800,356
TOTAL LIABILITIES AND NET ASSETS	\$ 25,825,025	\$ 25,214,799

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

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019
(with comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUES AND OTHER SUPPORT				
Local Support:				
Other Revenue from Local Sources	\$ 5,425,674	\$ -	\$ 5,425,674	\$ 5,845,216
Earnings from Temporary Deposits and Investments	16,028	-	16,028	7,185
Total Local Support	5,441,702	-	5,441,702	5,852,401
State Program Revenues:				
Foundation School Program Act Entitlements	-	10,182,808	10,182,808	10,136,392
Instructional Materials Allotment	-	77,295	77,295	122,430
State Program Revenues Distributed by TEA	-	-	-	2,859
Total State Program Revenues	-	10,260,103	10,260,103	10,261,681
Federal Program Revenues:				
Title I, Part A - Grants to Local Education Agencies	-	435,154	435,154	219,396
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	682,226	682,226	534,444
IDEA - Part B, Formula	-	305,203	305,203	248,682
National School Breakfast Program	-	171,597	171,597	184,646
National School Lunch Program	-	308,747	308,747	312,837
USDA Donated Food Commodities	-	38,019	38,019	63,498
Title II, Part A - Improving Teacher Quality State Grants	-	32,882	32,882	21,013
Title III ELA	-	922	922	3,510
Title I, Part C - Migrant	-	1,671	1,671	-
Title IV, Part A - SSAEP	-	19,318	19,318	-
IDEA - Part B, Discretionary Evaluation Capacity	-	7,000	7,000	-
School Health and Related Services	-	854,708	854,708	812,683
Total Federal Program Revenues	-	2,857,447	2,857,447	2,400,709
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	13,474,145	(13,474,145)	-	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	18,915,847	(356,595)	18,559,252	18,514,791
OPERATING EXPENSES				
Program	14,632,059	-	14,632,059	14,208,898
General and Administrative	3,005,932	-	3,005,932	2,724,755
Fundraising	33,524	-	33,524	51,939
TOTAL OPERATING EXPENSES	17,671,515	-	17,671,515	16,985,592
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY				
	1,244,332	(356,595)	887,737	1,529,199
NON-OPERATING ACTIVITY				
Insurance Proceeds on Roof Damage	-	-	-	93,388
TOTAL NON-OPERATING ACTIVITY	-	-	-	93,388
CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY				
	1,244,332	(356,595)	887,737	1,622,587
NET ASSETS, Beginning of Year	7,163,672	7,636,684	14,800,356	13,177,769
NET ASSETS, End of Year	\$ 8,408,004	\$ 7,280,089	\$ 15,688,093	\$ 14,800,356

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

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2019
(with comparative totals for 2018)

	2019			Total	2018 Total
	Program	General and Administrative	Fundraising		
OPERATING EXPENSES					
Salaries	\$ 9,687,063	\$ 1,197,277	\$ -	\$ 10,884,340	\$ 9,991,732
Benefits	1,115,931	152,172	-	1,268,103	1,157,942
Health Insurance	654,702	89,277	-	743,979	691,755
Total Payroll Expenses	11,457,696	1,438,726	-	12,896,422	11,841,429
Depreciation Expense	787,735	41,460	-	829,195	869,763
General Supplies	527,863	73,655	12,276	613,794	491,630
Interest Expense	-	582,044	-	582,044	589,537
Utilities	352,717	111,384	-	464,101	445,401
Food/Non-Food Expenses	444,955	-	-	444,955	489,139
Other Contract Labor	238,540	170,386	17,038	425,964	370,206
Maintenance and Repair	10,545	253,085	-	263,630	134,916
Rental Expense	186,626	49,610	-	236,236	136,304
Miscellaneous Expenses	197,866	8,450	4,210	210,526	966,081
Professional Services	195,579	-	-	195,579	150,601
Travel Expenses	125,931	64,873	-	190,804	175,519
Insurance and Bonding	52,247	111,025	-	163,272	167,273
Educational Service Center	42,669	15,782	-	58,451	62,754
Supplies for Maintenance and Repairs	278	27,492	-	27,770	16,099
Bond Amortization Expense	-	22,515	-	22,515	22,515
Accounting Fees	-	18,921	-	18,921	30,666
Legal Services	-	16,524	-	16,524	12,186
Instructional Materials	7,512	-	-	7,512	8,870
Tuition and Related Expenses	3,300	-	-	3,300	-
Other Debt Fees	-	-	-	-	4,701
TOTAL OPERATING EXPENSES	\$ 14,632,059	\$ 3,005,932	\$ 33,524	\$ 17,671,515	\$ 16,985,590

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

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets From Operations	\$ 887,737	\$ 1,622,587
Adjustments to Reconcile Net Excess to Net Cash		
Provided by Operations:		
Depreciation and Amortization	851,710	892,280
Decrease/(Increase) in Assets:		
Due from State	20,550	(11,299)
Due from Federal Agencies	1,013,328	(156,414)
Other Receivables	182,800	(337,999)
Prepaid Expense	(109,873)	36,754
(Decrease)/Increase in Liabilities:		
Accounts Payable	(157,661)	(182,254)
Accrued Expenses	15,980	(313,021)
Deferred Revenue	11,655	33,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,716,226	1,583,634
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(482,240)	(265,075)
NET CASH USED BY INVESTING ACTIVITIES	(482,240)	(265,075)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Bonds Payable	(170,000)	(160,000)
NET CASH USED BY FINANCING ACTIVITIES	(170,000)	(160,000)
NET INCREASE IN CASH FLOWS	2,063,986	1,158,559
CASH AND CASH EQUIVALENTS, Beginning of Year	3,365,502	2,212,209
RESTRICTED CASH, Beginning of Year	821,544	816,278
LESS RESTRICTED CASH, End of Year	(833,740)	(821,544)
CASH AND CASH EQUIVALENTS, End of Year	\$ 5,417,292	\$ 3,365,502
 Supplemental Disclosures:		
Interest	\$ 580,394	\$ 589,537

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

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2019 and 2018

Note 1 - Nature of Business and Significant Accounting Policies

Reporting Entity

Braination, Inc. is a not-for-profit 501(c)(3) organization incorporated in the state of Texas in 1998. Braination, Inc. does business as Inspire Academies and the Braination International Schools.

Braination, Inc. is governed by the Board which is comprised of four members. The Board is selected pursuant to the bylaws of Braination, Inc. and has the authority to make decisions, appoint the chief executive officer of Braination, Inc., and significantly influence operations. The Board has the primary accountability for the fiscal affairs of Braination, Inc.

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

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

Residential Schools

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

As of August 31, 2019, Inspire Academies operates seven residential campuses (Afton Oaks, Hays County, Bell County, Legacy Ranch, Meridell, Rockdale, and Williams House) in Bexar, Hays, Bell, Gonzalez, Williamson, Milam and Lampasas Counties. The campuses are located in Residential Treatment, Juvenile Detention, Foster and Emergency Shelter Centers operated by separate entities. All campuses serve open-enrollment students. Management and support of all campuses are executed at the central office.

Community-Based Schools

Also, under its charter school program, Inspire Academies opened a community-based middle, elementary, and high school in August 2014, 2015, and 2016, respectively. The name of the campus is the Anne Frank Inspire Academy. The schools currently serve students from Bexar County in grades K thru 12. This innovative school and instructional program represent a global learning environment coupled with a facilitated, student-led approach to learning.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2019 and 2018

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

Reporting Entity (continued)

Students from Bexar County *may* apply for open enrollment on a space-available basis, selected by numerical lottery, to attend a similar accelerated program in a self-contained classroom. The staff to student ratio varies from 6:1 to 10:1 depending on requisite level of care needed.

Braination International Schools

Braination, Inc. also operates an educational program for children of undocumented parents who crossed into the United States illegally. The Immigration and Customs Enforcement (ICE) division of Homeland Security operates a 537-bed facility (Karnes County Residential Facility) in Karnes City, Texas for these adults and their children. The residents are mostly from Honduras, El Salvador, and Guatemala. The school operates as a private, non-public school and serves up to 200 children from pre-K through 12th grade. All teachers are certified and bilingual, and the school follows state guidelines for instructional content, including special education.

Partnered Schools

Beginning with the 2017-2018 school year, Braination, Inc. partnered with the San Antonio Independent School District (the SAISD) to provide educational services to students in 6th to 12th grade with disabilities. These services are provided at the Brewer Academy, which was opened by the SAISD on the west side of San Antonio, Texas in the fall of 2017.

Charter Renewal

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

Educational Resource Center Foundation

Also affiliated with Braination, Inc. is the Educational Resource Center Foundation (the Foundation), a non-profit corporation. The Foundation is organized for the exclusive purpose of serving as a supporting organization for Braination, Inc. The Foundation board is comprised of five members which includes all four of the Braination, Inc. members.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2019 and 2018

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

Reporting Entity (continued)

Non-Charter Activities

Expenses related to non-charter activities at Braination, Inc. and its affiliates for the years ended August 31, 2019 and 2018 were \$4,841,561 and \$3,780,006, respectively. The non-charter activities include an agreement with The Geo Group, Inc./Karnes County Civil Detention Center to provide educational services to eligible residential students effective August 1, 2014, the Foundation's operating expenses, and the agreement with the SAISD to provide educational services to students at Brewer Academy.

Basis of Presentation

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

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

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

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Trustees are reported as net assets without donor restrictions, board-designated.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than Braination, Inc. and its affiliates' mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2019 and 2018

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

Grant Funds

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

Use of Estimates

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

Income Taxes

Braination, Inc. and its affiliates are not-for-profit organizations and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Braination, Inc. is also exempt from income, sales and hotel taxes in the State of Texas. As of August 31, 2019, the tax years that remain subject to examination by taxing authorities begin with 2016.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash represents remaining proceeds from a bond issuance (see Note 3) that are not available for operating purposes. Under the terms of the note trust indenture, restricted cash is limited as to use for bond-related costs. At August 31, 2019 and 2018, restricted cash totaled \$833,740 and \$821,544, respectively.

Property and Equipment

Property and equipment, which include leasehold improvements, are stated at historical cost. Property and equipment are defined as assets with an individual cost of more than \$5,000. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated at cost.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2019 and 2018

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

Property and Equipment (continued)

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

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

Contingencies

Certain conditions may exist as of August 31, 2019, which may result in a loss to Braination, Inc. and its affiliates, but which will only be resolved when one or more future events occur or fail to occur. Braination, Inc. and its affiliates' management and legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against Braination, Inc. or unasserted claims that may result in such proceedings, Braination, Inc. and its affiliates' legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

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

Braination, Inc. receives the majority of its state and federal (as pass-through) revenues from Texas Education Agency (TEA). These funds are governed by various statutes and regulations. State program funding is based primarily on Inspire Academies' student attendance data submitted to TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by Braination, Inc. have complex compliance requirements, and, should state or federal auditors discover areas of noncompliance, Braination, Inc.'s funds may be subject to refund if so determined by TEA or the grantor agency.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2019 and 2018

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

Functional Allocation of Expenses

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

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect this new standard will have on its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2020. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued Accounting Standard Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017 with early adoption encouraged. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expense by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. Braination, Inc. and its affiliates early adopted this new pronouncement effective September 1, 2017.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2019 and 2018

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

Contributions

Braination, Inc. and its affiliates account for contributions as support without donor restrictions or 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 consolidated statement of activities as net assets released from restrictions.

Note 2 - Property and Equipment

Property and equipment consisted of the following at August 31:

	2019	2018
Building and Improvements	\$ 18,538,975	\$ 18,438,097
Land and Improvements	877,925	877,925
Furniture and Equipment	3,238,768	2,864,336
Vehicles	74,157	74,157
Library Assets	87,103	87,103
Infrastructure - Sign	40,636	33,711
	22,857,564	22,375,329
Less Accumulated Depreciation	(5,331,472)	(4,502,282)
Total	\$17,526,092	\$ 17,873,047

Depreciation expense for the years ended August 31, 2019 and 2018 was \$829,195 and \$869,763, respectively.

Note 3 - Bonds Payable

Braination, Inc. and its affiliates' obligations under bonds payable consist of Education Revenue Bonds (Series 2013A) issued through Danbury Higher Education Authority, Inc. and dated June 1, 2013. All bonds were closed and funded on July 2, 2013, with proceeds being held by the U.S. Bank National Association. The bonds' proceeds will be used for property acquisition and construction at the Anne Frank Inspire Academy campus and were underwritten by Oppenheimer & Co., Inc. The interest rates on the bonds range from 5.25% to 6.50%, and the terms of the bonds range from ten to thirty years.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2019 and 2018

Note 3 - Bonds Payable (continued)

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

	2019	2018
Series 2013A	\$ 9,045,000	\$ 9,215,000
Less Current Maturities	(180,000)	(170,000)
Less Bond Discount, net	(209,371)	(218,155)
Less Bond Issuance Costs, net	(327,263)	(340,994)
Total	\$ 8,328,366	\$ 8,485,851

Section 5.9 of the Series 2013A bond covenants establishes a debt service coverage ratio, which stipulates that available revenues (i.e., the amount of excess (deficit) of adjusted revenues over expenses) for each fiscal year must be equal to at least 1.10 times the annual debt service requirements of Braination, Inc. as of the end of the first fiscal year after the date of issuance of the bonds and annually thereafter until the bonds have been paid in full. Expenses include all operating and non-operating expenses or losses incurred during the fiscal year other than (a) interest expense, (b) depreciation and amortization, (c) extraordinary losses and (d) capital expenditures. As of August 31, 2019 and 2018, Braination, Inc. was in compliance with this covenant and all applicable covenants contained in the loan agreement.

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

For the Year Ending August 31,	
2020	\$ 180,000
2021	185,000
2022	195,000
2023	205,000
2024	220,000
Thereafter	8,060,000
Total	\$ 9,045,000

Interest expense on bonds payable was \$580,394 and \$589,537 for the years ended August 31, 2019 and 2018, respectively.

Note 4 - Operating Leases

Braination, Inc. and its affiliates have various copier and printer leases that expire between July 2021 and August 2022. These lease expenses amounted to \$113,841 for the years ended August 31, 2019 and 2018.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2019 and 2018

Note 4 - Operating Leases (continued)

Braination, Inc. and its affiliates have leases for internet/telephone services and webhosting that will expire between May 2020 and June 2023. These lease expenses amounted to \$267,497 and \$273,154 for the years ended August 31, 2019 and 2018, respectively.

In July 2019, Braination, Inc. and its affiliates entered into a lease for a campus building that will expire in June 2024. This lease expense amounted to \$87,500 for the year ended August 31, 2019.

The following is a schedule of the operating lease obligations subsequent to August 31, 2019:

Year Ending August 31,	
2020	\$ 793,063
2021	699,984
2022	686,946
2023	531,800
2024	<u>442,300</u>
Total	<u>\$ 3,154,093</u>

Note 5 - Related Party Transactions

Inspire Academies had a net payable to Braination, Inc. and the Foundation of \$279,373 and \$361,183 for administrative services and miscellaneous purchases as of August 31, 2019 and 2018, respectively. This transaction is eliminated in the consolidated financial statements.

Note 6 - Fair Value of Financial Instruments

Braination, Inc. and its affiliates adopted the provisions of ASC 820, “*Fair Value Measurements and Disclosures*” (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect Braination, Inc. and its affiliates’ financial position or results of operations. The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

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

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2019 and 2018

Note 6 - Fair Value of Financial Instruments (continued)

Braination, Inc. and its affiliates have no Level 2 or Level 3 assets or liabilities.

Braination, Inc. and its affiliates' financial instruments (Level 1) were as follows at August 31:

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Cash Equivalents	\$ 5,417,292	\$ 5,417,292	\$ 3,365,502	\$ 3,365,502
Due from State	\$ 695,054	\$ 695,054	\$ 715,604	\$ 715,604
Due from Federal Agencies	\$ 1,041,647	\$ 1,041,647	\$ 2,054,975	\$ 2,054,975
Other Receivables	\$ 155,199	\$ 155,199	\$ 337,999	\$ 337,999
Prepaid Expense	\$ 156,001	\$ 156,001	\$ 46,128	\$ 46,128
Financial Liabilities:				
Accounts Payable	\$ 127,377	\$ 127,377	\$ 285,038	\$ 285,038
Accrued Expenses	\$ 1,456,534	\$ 1,456,534	\$ 1,440,554	\$ 1,440,554
Deferred Revenue	\$ 44,655	\$ 44,655	\$ 33,000	\$ 33,000
Bonds Payable - current	\$ 180,000	\$ 180,000	\$ 170,000	\$ 170,000

The carrying amounts reported in the consolidated statements of financial position approximate fair values because of the short maturities of those instruments.

Note 7 - Regulated Industry

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

Note 8 - Health Care Coverage

During the years ended August 31, 2019 and 2018, employees of Braination, Inc. and its affiliates were covered by a health insurance plan. Braination, Inc. and its affiliates contributed a maximum of \$346 per employee per month to the plan. All premiums were paid to licensed insurers. Braination, Inc. and its affiliates' contributions towards health insurance for the years ended August 31, 2019 and 2018 were \$743,979 and \$691,755, respectively.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2019 and 2018

Note 9 - Pension Plan Obligations

Plan Description

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

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

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

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

Total Plan Assets - \$176,942,454,000
Accumulated Benefit Obligations - \$181,752,796,715
The plan is 76.9% funded.

There are no collective-bargaining agreements.

Funding Policy

Under provisions in state law, plan members are required to contribute 6.7% of their annual covered salary, and the state of Texas contributes an amount equal to 6.0% of Inspire Academies' covered payroll. Inspire Academies' contributions to TRS for the years ended August 31, 2019 and 2018 were \$324,981 and \$296,917, respectively. There were no Non-OASDI participating surcharges. Inspire Academies' contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2019 and 2018

Note 10 - Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Foundation School Program	\$ 7,094,262	\$ 7,445,948
Food Service Program	83,827	88,736
College Scholarships/Fellowship Award	<u>102,000</u>	<u>102,000</u>
Total	<u>\$ 7,280,089</u>	<u>\$ 7,636,684</u>

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

Note 11 - Liquidity and Availability of Financial Resources

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

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 5,417,292	\$ 3,365,502
Due from State	695,054	715,604
Due from Federal Agencies	1,041,647	2,054,975
Other Receivables	<u>155,199</u>	<u>337,999</u>
Total Financial Assets	<u>7,309,192</u>	6,474,080
Donor Restrictions (net of Foundation School Program)	<u>(185,827)</u>	<u>(190,736)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 7,123,365</u>	<u>\$ 6,283,344</u>

Although some of the financial assets are subject to donor or other contractual restrictions, restrictions are part of the entity's mission that make them available for general expenditure within one year of the consolidated statement of financial position date. Braination, Inc. and its affiliates have a goal to maintain financial assets on hand to meet at least 90 days of normal operating expenses which are, on average, approximately \$1,401,000 per month, given full programmatic expenditures.

Note 12 - Subsequent Events

Braination, Inc. and its affiliates have evaluated subsequent events through January 10, 2020, which is the date the financial statements were available to be issued.

SPECIFIC-PURPOSE FINANCIAL STATEMENTS

INSPIRE ACADEMIES
STATEMENTS OF FINANCIAL POSITION
August 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,973,109	\$ 1,608,423
Due from State	695,054	715,604
Due from Federal Agencies	791,647	1,500,975
Due from Related Party	256,430	219,538
Other Receivables	15,396	-
Prepaid Expense	38,981	42,794
Total Current Assets	4,770,617	4,087,334
LONG-TERM ASSETS		
Restricted Cash	833,740	821,544
Property and Equipment, net	16,719,191	17,114,829
Total Long-Term Assets	17,552,931	17,936,373
TOTAL ASSETS	\$ 22,323,548	\$ 22,023,707
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 104,896	\$ 259,673
Accrued Expenses	1,037,935	1,010,366
Deferred Revenue	31,223	31,223
Due to Related Party	535,803	580,721
Bonds Payable - current	180,000	170,000
Total Current Liabilities	1,889,857	2,051,983
LONG-TERM LIABILITIES		
Bonds Payable - long-term, net	8,328,366	8,485,851
Total Long-Term Liabilities	8,328,366	8,485,851
TOTAL LIABILITIES	10,218,223	10,537,834
NET ASSETS		
Without Donor Restrictions	4,927,236	3,951,189
With Donor Restrictions	7,178,089	7,534,684
TOTAL NET ASSETS	12,105,325	11,485,873
TOTAL LIABILITIES AND NET ASSETS	\$ 22,323,548	\$ 22,023,707

See independent auditor's report.

INSPIRE ACADEMIES
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019
(with comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUES AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ 843,807	\$ -	\$ 843,807	\$ 585,994
5750 Food Service	1,751	-	1,751	-
Total Local Support	845,558	-	845,558	585,994
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	10,182,808	10,182,808	10,136,392
5820 State Program Revenues Distributed by TEA	-	77,295	77,295	125,289
Total State Program Revenues	-	10,260,103	10,260,103	10,261,681
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA and USDA	-	2,002,739	2,002,739	1,588,026
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	854,708	854,708	812,683
Total Federal Program Revenues	-	2,857,447	2,857,447	2,400,709
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	13,474,145	(13,474,145)	-	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	14,319,703	(356,595)	13,963,108	13,248,384
OPERATING EXPENSES				
11 Instruction	6,773,116	-	6,773,116	7,301,227
13 Curriculum Development and Instructional Staff Development	124,388	-	124,388	79,050
21 Instructional Leadership	249,241	-	249,241	247,678
23 School Leadership	1,625,737	-	1,625,737	1,452,491
31 Guidance, Counseling, and Evaluation Services	786,115	-	786,115	724,047
33 Health Services	2,550	-	2,550	4,129
34 Student Transportation	782	-	782	19,227
35 Food Services	566,738	-	566,738	578,404
36 Extracurricular Activities	16,970	-	16,970	11,194
41 General Administration	1,155,772	-	1,155,772	1,017,665
51 Plant Maintenance and Operations	895,195	-	895,195	661,110
52 Security and Monitoring	26,657	-	26,657	1,608
53 Data Processing	486,803	-	486,803	382,298
61 Community Services	3,958	-	3,958	79,961
62 School District Administrative Support Services	-	-	-	3,492
71 Debt Service	604,559	-	604,559	616,755
81 Fundraising	25,075	-	25,075	25,250
TOTAL OPERATING EXPENSES	13,343,656	-	13,343,656	13,205,586
CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITY	976,047	(356,595)	619,452	42,798
NON-OPERATING ACTIVITY				
Insurance Proceeds on Roof Damage	-	-	-	93,388
TOTAL NON-OPERATING ACTIVITY	-	-	-	93,388
CHANGE IN NET ASSETS AFTER NON- OPERATING ACTIVITY	976,047	(356,595)	619,452	136,186
NET ASSETS, Beginning of Year	3,951,189	7,534,684	11,485,873	11,349,687
NET ASSETS, End of Year	\$ 4,927,236	\$ 7,178,089	\$ 12,105,325	\$ 11,485,873

See independent auditor's report.

INSPIRE ACADEMIES
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program Payments	\$ 10,316,108	\$ 10,199,136
Grant Payments	3,520,653	2,540,061
Miscellaneous Sources	845,558	528,933
Payments to Vendors for Goods and Services Rendered	(4,553,597)	(4,593,375)
Payments to Charter School Personnel for Services Rendered	(7,620,390)	(7,430,682)
Interest Payments	(582,788)	(594,238)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,925,544	649,835
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(378,662)	(265,076)
NET CASH USED BY INVESTING ACTIVITIES	(378,662)	(265,076)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Bonds Payable	(170,000)	(160,000)
NET CASH USED BY FINANCING ACTIVITIES	(170,000)	(160,000)
NET INCREASE IN CASH FLOWS	1,376,882	224,759
CASH AND CASH EQUIVALENTS, Beginning of Year	1,608,423	1,388,930
RESTRICTED CASH, Beginning of Year	821,544	816,278
LESS RESTRICTED CASH, End of Year	(833,740)	(821,544)
CASH AND CASH EQUIVALENTS, End of Year	\$ 2,973,109	\$ 1,608,423
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operations:		
Change in Net Assets	\$ 619,452	\$ 136,186
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operations:		
Depreciation and Amortization	796,815	830,280
Decrease/(Increase) in Assets:		
Due from State	20,550	(11,299)
Due from Federal Agencies	709,328	33,386
Due from Related Party	(36,892)	(171,005)
Other Receivables	(15,396)	-
Prepaid Expense	3,813	31,671
(Decrease)/Increase in Liabilities:		
Accounts Payable	(154,777)	(153,536)
Accrued Expenses	27,569	(331,709)
Deferred Revenue	-	31,223
Due to Related Party	(44,918)	254,638
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,925,544	\$ 649,835

See independent auditor's report.

INSPIRE ACADEMIES
SCHEDULE OF EXPENSES
August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
6100 Payroll Costs	\$ 9,131,723	\$ 8,435,424
6200 Professional and Contracted Services	1,395,324	1,156,006
6300 Supplies and Materials	975,785	950,327
6400 Other Operating Costs	1,236,265	2,047,074
6500 Debt	604,559	616,755
TOTAL EXPENSES	<u>\$ 13,343,656</u>	<u>\$ 13,205,586</u>

See independent auditor's report.

INSPIRE ACADEMIES
SCHEDULE OF CAPITAL ASSETS
Year Ended August 31, 2019

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

	<u>Local</u>	<u>State</u>	<u>Federal</u>
1110 Cash	\$ -	\$ 2,973,109	\$ -
1510 Land and Improvements	-	877,925	-
1520 Buildings and Improvements	-	17,496,224	-
1530 Furniture and Equipment	-	2,249,766	231,714
1531 Vehicles	-	74,157	-
1550 Capital Leases	-	590,171	-
1560 Library Assets	-	87,103	-
1590 Infrastructure	-	40,636	-
Total Capital Assets	\$ -	\$ 24,389,091	\$ 231,714

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

Per Schedule of Capital Assets:

1510 Land and Improvements (State)	\$ 877,925
1520 Buildings and Improvements (State)	17,496,224
1530 Furniture and Equipment (State)	2,249,766
1530 Furniture and Equipment (Federal)	231,714
1531 Vehicles (State)	74,157
1550 Capital Leases (State)	590,171
1560 Library Assets (State)	87,103
1590 Infrastructure (State)	40,636

Plus Braination, Inc.:

Property and Equipment, gross	848,488
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Plus Educational Resource Center Foundation:

Property and Equipment, gross	361,380
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Less Accumulated Depreciation:

Inspire Academies	(4,928,505)
Braination, Inc.	(254,841)
Educational Resource Center Foundation	(148,126)

Total Property and Equipment per Notes to Financial Statements: \$ 17,526,092

See independent auditor's report.

INSPIRE ACADEMIES
BUDGETARY COMPARISON SCHEDULE
Year Ended August 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ 314,991	\$ 838,249	\$ 843,807	\$ 5,558
5750 Food Service	-	1,751	1,751	-
Total Local Support	<u>314,991</u>	<u>840,000</u>	<u>845,558</u>	<u>5,558</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	11,218,000	9,882,033	10,182,808	300,775
5820 State Program Revenues Distributed by TEA	41,145	75,000	77,295	2,295
Total State Program Revenues	<u>11,259,145</u>	<u>9,957,033</u>	<u>10,260,103</u>	<u>303,070</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	1,518,656	2,008,825	2,002,739	(6,086)
5930 Federal Revenues Distributed by Other State of Texas Government Agencies	700,000	821,000	854,708	33,708
Total Federal Program Revenues	<u>2,218,656</u>	<u>2,829,825</u>	<u>2,857,447</u>	<u>27,622</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>13,792,792</u>	<u>13,626,858</u>	<u>13,963,108</u>	<u>336,250</u>
EXPENSES				
11 Instructional	7,206,417	7,158,949	6,773,116	385,833
13 Curriculum Development and Instructional Staff Development	99,699	123,859	124,388	(529)
21 Instructional Leadership	96,412	247,609	249,241	(1,632)
23 School Leadership	1,611,552	1,626,055	1,625,737	318
31 Guidance, Counseling and Evaluation Services	856,272	758,879	786,115	(27,236)
33 Health Services	10,665	2,565	2,550	15
34 Student Transportation	17,402	750	782	(32)
35 Food Services	461,937	533,175	566,738	(33,563)
36 Extracurricular Activities	26,880	17,880	16,970	910
41 General Administration	1,191,271	1,159,854	1,155,772	4,082
51 Plant Maintenance and Operations	777,523	891,404	895,195	(3,791)
52 Security and Monitoring Services	2,000	25,869	26,657	(788)
53 Data Processing Services	504,920	479,279	486,803	(7,524)
61 Community Services	4,000	4,000	3,958	42
62 School District Administrative Support Services	2,445	-	-	-
71 Debt Service	615,516	605,516	604,559	957
81 Fundraising	31,000	25,000	25,075	(75)
TOTAL EXPENSES	<u>13,515,911</u>	<u>13,660,643</u>	<u>13,343,656</u>	<u>316,987</u>
CHANGE IN NET ASSETS	276,881	(33,785)	619,452	653,237
NET ASSETS, Beginning of Year	<u>11,485,873</u>	<u>11,485,873</u>	<u>11,485,873</u>	<u>-</u>
NET ASSETS, End of Year	<u>\$ 11,762,754</u>	<u>\$ 11,452,088</u>	<u>\$ 12,105,325</u>	<u>\$ -</u>

See independent auditor's report.

SUPPLEMENTARY INFORMATION

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
August 31, 2019
(with comparative totals for 2018)

	2019					2018 Total
	Braination, Inc.	Inspire Academies	Educational Resource Center Foundation	Eliminating Entries	Total	
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 2,343,109	\$ 2,973,109	\$ 101,074	\$ -	\$ 5,417,292	\$ 3,365,502
Due from State	-	695,054	-	-	695,054	715,604
Due from Federal Agencies	250,000	791,647	-	-	1,041,647	2,054,975
Due from Related Party	479,687	256,430	-	(736,117)	-	-
Other Receivables	139,803	15,396	-	-	155,199	337,999
Prepaid Expense	117,020	38,981	-	-	156,001	46,128
Total Current Assets	<u>3,329,619</u>	<u>4,770,617</u>	<u>101,074</u>	<u>(736,117)</u>	<u>7,465,193</u>	<u>6,520,208</u>
LONG-TERM ASSETS						
Restricted Cash	-	833,740	-	-	833,740	821,544
Property and Equipment, net	593,647	16,719,191	213,254	-	17,526,092	17,873,047
Total Long-Term Assets	<u>593,647</u>	<u>17,552,931</u>	<u>213,254</u>	<u>-</u>	<u>18,359,832</u>	<u>18,694,591</u>
TOTAL ASSETS	<u>\$ 3,923,266</u>	<u>\$ 22,323,548</u>	<u>\$ 314,328</u>	<u>\$ (736,117)</u>	<u>\$ 25,825,025</u>	<u>\$ 25,214,799</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 22,481	\$ 104,896	\$ -	\$ -	\$ 127,377	\$ 285,038
Accrued Expenses	415,818	1,037,935	2,781	-	1,456,534	1,440,554
Deferred Revenue	13,432	31,223	-	-	44,655	33,000
Due to Related Party	196,664	535,803	3,650	(736,117)	-	-
Bonds Payable - current	-	180,000	-	-	180,000	170,000
Total Current Liabilities	<u>648,395</u>	<u>1,889,857</u>	<u>6,431</u>	<u>(736,117)</u>	<u>1,808,566</u>	<u>1,928,592</u>
LONG-TERM LIABILITIES						
Bonds Payable - long-term, net	-	8,328,366	-	-	8,328,366	8,485,851
Total Long-Term Liabilities	<u>-</u>	<u>8,328,366</u>	<u>-</u>	<u>-</u>	<u>8,328,366</u>	<u>8,485,851</u>
TOTAL LIABILITIES	<u>648,395</u>	<u>10,218,223</u>	<u>6,431</u>	<u>(736,117)</u>	<u>10,136,932</u>	<u>10,414,443</u>
NET ASSETS						
Without Donor Restrictions	3,274,871	4,927,236	205,897	-	8,408,004	7,163,672
With Donor Restrictions	-	7,178,089	102,000	-	7,280,089	7,636,684
TOTAL NET ASSETS	<u>3,274,871</u>	<u>12,105,325</u>	<u>307,897</u>	<u>-</u>	<u>15,688,093</u>	<u>14,800,356</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,923,266</u>	<u>\$ 22,323,548</u>	<u>\$ 314,328</u>	<u>\$ (736,117)</u>	<u>\$ 25,825,025</u>	<u>\$ 25,214,799</u>

See independent auditor's report.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019
(with comparative totals for 2018)

	2019					2018 Total
	Braination, Inc.	Inspire Academies	Educational Resource Center Foundation	Eliminating Entries	Total	
OPERATING REVENUES AND OTHER SUPPORT						
Local Support:						
Other Revenue from Local Sources	\$ 5,109,846	\$ 829,530	\$ -	\$ (513,702)	\$ 5,425,674	\$ 5,845,216
Earnings from Temporary Deposits and Investments	-	16,028	-	-	16,028	7,185
Total Local Support	5,109,846	845,558	-	(513,702)	5,441,702	5,852,401
State Program Revenues:						
Foundation School Program Act Entitlements	-	10,182,808	-	-	10,182,808	10,136,392
Instructional Materials Allotment	-	77,295	-	-	77,295	122,430
State Program Revenues Distributed by TEA	-	-	-	-	-	2,859
Total State Program Revenues	-	10,260,103	-	-	10,260,103	10,261,681
Federal Program Revenues:						
Title I, Part A - Grants to Local Education Agencies	-	435,154	-	-	435,154	219,396
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	682,226	-	-	682,226	534,444
IDEA - Part B, Formula	-	305,203	-	-	305,203	248,682
National School Breakfast Program	-	171,597	-	-	171,597	184,646
National School Lunch Program	-	308,747	-	-	308,747	312,837
USDA Donated Food Commodities	-	38,019	-	-	38,019	63,498
Title II, Part A - Improving Teacher Quality State Grants	-	32,882	-	-	32,882	21,013
Title III ELA	-	922	-	-	922	3,510
Title I, Part C - Migrant	-	1,671	-	-	1,671	-
Title IV, Part A - SSAEP	-	19,318	-	-	19,318	-
IDEA - Part B, Discretionary Evaluation Capacity	-	7,000	-	-	7,000	-
School Health and Related Services	-	854,708	-	-	854,708	812,683
Total Federal Program Revenues	-	2,857,447	-	-	2,857,447	2,400,709
TOTAL OPERATING REVENUES AND OTHER SUPPORT	\$ 5,109,846	\$ 13,963,108	\$ -	\$ (513,702)	\$ 18,559,252	\$ 18,514,791

See independent auditor's report.

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019
(with comparative totals for 2018)

(continued)

	2019				Total	2018 Total
	Braination, Inc.	Inspire Academies	Educational Resource Center Foundation	Eliminating Entries		
OPERATING EXPENSES						
Salaries	\$ 3,172,932	\$ 7,711,408	\$ -	\$ -	\$ 10,884,340	\$ 9,991,732
Payroll Taxes and Benefits	397,550	870,553	-	-	1,268,103	1,157,942
Depreciation Expense	42,849	774,300	12,046	-	829,195	869,763
Health Insurance	194,217	549,762	-	-	743,979	691,755
General Supplies	116,903	496,891	-	-	613,794	491,630
Interest Expense	-	582,044	-	-	582,044	589,537
Utilities	18,933	445,168	-	-	464,101	445,401
Food/Non-Food Expenses	-	444,955	-	-	444,955	489,139
Other Contract Labor	157,953	268,011	-	-	425,964	370,206
Maintenance and Repair	-	263,630	-	-	263,630	134,916
Rental Expense	103,980	132,256	-	-	236,236	136,304
Miscellaneous Expenses	575,006	149,222	-	(513,702)	210,526	966,081
Professional Services	-	195,579	-	-	195,579	150,601
Travel Expenses	16,552	174,252	-	-	190,804	175,519
Insurance and Bonding	24,781	138,491	-	-	163,272	167,273
Educational Service Center	1,659	56,792	-	-	58,451	62,754
Supplies for Maintenance and Repairs	-	27,770	-	-	27,770	16,099
Bond Amortization Expense	-	22,515	-	-	22,515	22,517
Accounting Fees	1,284	14,831	2,806	-	18,921	30,666
Legal Services	767	15,757	-	-	16,524	12,186
Instructional Materials	1,343	6,169	-	-	7,512	8,870
Tuition and Related Expenses	-	3,300	-	-	3,300	-
Other Debt Fees	-	-	-	-	-	4,701
TOTAL OPERATING EXPENSES	4,826,709	13,343,656	14,852	(513,702)	17,671,515	16,985,592
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY	283,137	619,452	(14,852)	-	887,737	1,529,199
NON-OPERATING ACTIVITY						
Insurance Proceeds on Roof Damage	-	-	-	-	-	93,388
TOTAL NON-OPERATING ACTIVITY	-	-	-	-	-	93,388
CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY	283,137	619,452	(14,852)	-	887,737	1,622,587
NET ASSETS, Beginning of Year	2,991,734	11,485,873	322,749	-	14,800,356	13,177,769
NET ASSETS, End of Year	\$ 3,274,871	\$ 12,105,325	\$ 307,897	\$ -	\$ 15,688,093	\$ 14,800,356

See independent auditor's report.

SINGLE AUDIT SECTION

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
August 31, 2019

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Texas Education Agency:			
Title I Grants to Local Educational Agencies	84.010A	19610101015808	\$ 435,154
Title I Grants to Local Educational Agencies	84.010A	19610103015808	682,226
			<u>1,117,380</u>
Supporting Effective Instruction State Grants	84.367A	19694501015808	32,882
English Language Acquisition State Grants	84.365A	19671001015950	853
English Language Acquisition State Grants	84.365A	18671001015950	69
			<u>922</u>
Student Support and Academic Enrichment Program	84.424A	19680101015808	19,319
Migrant Education State Grant Program	84.011A	19615001015950	1,671
Special Education Grants to States	84.027A	186600010158086600	67,760
Special Education Grants to States	84.027A	196600010158086600	237,443
			<u>305,203</u>
			<u>1,477,377</u>
Passed Through Region 20:			
IDEA, Part B – Discretionary Evaluation Capacity	84.027A	TEA	7,000
Total U.S. Department of Education			<u>1,484,377</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Texas Department of Agriculture:			
National Child Nutrition Cluster:			
School Breakfast Program	10.553	71401801	171,599
National School Lunch Program	10.555	71301801	308,746
USDA Commodities – Noncash Award	10.555	N/A	38,019
Total Child Nutrition Cluster			<u>518,364</u>
Total U.S. Department of Agriculture			<u>518,364</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>2,002,741</u>
<u>TEXAS EDUCATION AGENCY</u>			
School Lunch Matching	N/A	030019	2,235
Instructional Materials Allotment	N/A	N/A	77,295
TOTAL EXPENDITURES OF STATE AWARDS			<u>79,530</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 2,082,271</u>

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
August 31, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) summarizes the expenditures of Braination, Inc. and its affiliates, Inspire Academies and Educational Resource Center Foundation, under programs of the federal government for the year ended August 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Braination, Inc. and its affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Braination, Inc. and its affiliates.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Other Disclosures

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

Braination, Inc. and its affiliates have not elected to use the 10 percent *de minimis* indirect cost rate for the year ended August 31, 2019.

Braination, Inc. and its affiliates did not pass any awards through to subrecipients for the year ended August 31, 2019.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Braination, Inc. and its affiliates, Inspire Academies and Educational Resource Center Foundation, (nonprofit organizations), which comprise the consolidated statement of financial position as of August 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Braination, Inc. and its affiliates' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Braination, Inc. and its affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Braination, Inc. and its affiliates' internal control.

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

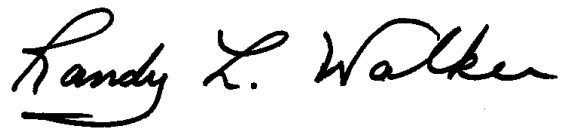
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Braination, Inc. and its affiliates' consolidated 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 consolidated 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 Braination, Inc. and its affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline under the first letter of the last name.

San Antonio, Texas
January 10, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited Braination, Inc. and its affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Braination, Inc. and its affiliates' major federal programs for the year ended August 31, 2019. Braination, Inc. and its affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Braination, Inc. and its affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Braination, Inc. and its affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Braination, Inc. and its affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, Braination, Inc. and its affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control Over Compliance

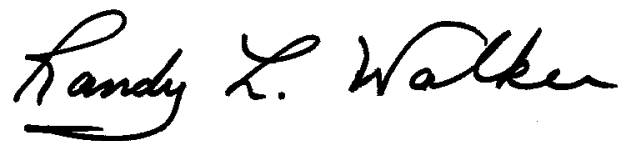
Management of Braination, Inc. and its affiliates are responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Braination, Inc. and its affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Braination, Inc. and its affiliates' internal control over compliance.

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

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

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

San Antonio, Texas
January 10, 2020



BRAINATON, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2019

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

Major Programs

Federal

84.010A Title I Grants to Local Educational Agencies	
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Audit qualified as low-risk auditee	Yes

BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2019

SUMMARY OF AUDITOR'S RESULTS (continued)

Findings - Financial Statements Audit	None
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Findings and Questioned Costs - Major Federal Award Programs Audit	None
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BRAINATION, INC. AND AFFILIATES
(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2019

I. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

- None -

II. PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- None -