

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

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

**August 31, 2021 and 2020**

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**CONSOLIDATED FINANCIAL STATEMENTS WITH COMPLIANCE**  
**AND SINGLE AUDIT REPORTING**  
**August 31, 2021 and 2020**

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**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, 2021, at a meeting of the Board of Trustees of such charter holder on the 18 day of January, 2022.

  
\_\_\_\_\_  
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, 2021 and 2020, and the related consolidated statements of activities (with comparative totals for 2020), functional expenses (with comparative totals for 2020), and 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, 2021 and 2020, 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 21-29, the supplementary schedules on pages 30-32, and the accompanying schedule of expenditures of federal and state awards on page 33, 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 18, 2022, on pages 35-36 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.

***Randy Walker & Co.***

San Antonio, Texas  
January 18, 2022

# **GENERAL-PURPOSE FINANCIAL STATEMENTS**

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 6,556,073	\$ 7,135,067
Due from State	2,817,987	557,954
Due from Federal Agencies	1,014,509	1,177,186
Employee Retention Credit Receivable	1,453,976	-
Other Receivables	19,384	137,813
Prepaid Expense	398,317	90,201
Total Current Assets	12,260,246	9,098,221
<b>LONG-TERM ASSETS</b>		
Restricted Cash	55,461	55,394
Deferred Charges on Refunding, net	1,782,297	1,862,953
Property and Equipment, net	17,526,320	17,024,002
Total Long-Term Assets	19,364,078	18,942,349
<b>TOTAL ASSETS</b>	<b>\$ 31,624,324</b>	<b>\$ 28,040,570</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 190,337	\$ 94,695
Accrued Expenses	1,098,416	905,228
Bonds Payable - current	370,000	365,000
PPP Loan Payable - current	-	378,783
Total Current Liabilities	1,658,753	1,743,706
<b>LONG-TERM LIABILITIES</b>		
Bonds Payable - long-term, net	9,412,186	9,748,771
PPP Loan Payable - long-term	-	303,027
Total Long-Term Liabilities	9,412,186	10,051,798
<b>TOTAL LIABILITIES</b>	<b>11,070,939</b>	<b>11,795,504</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	11,741,686	7,755,426
With Donor Restrictions	8,811,699	8,489,640
<b>TOTAL NET ASSETS</b>	<b>20,553,385</b>	<b>16,245,066</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 31,624,324</b>	<b>\$ 28,040,570</b>

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, 2021**  
**(with comparative totals for 2020)**

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>OPERATING REVENUES AND OTHER SUPPORT</b>				
Local Support:				
Other Revenue from Local Sources	\$ 3,088,140	\$ 11,519	\$ 3,099,659	\$ 4,838,783
Food Service Revenue	25,418	-	25,418	-
Earnings from Temporary Deposits and Investments	3,201	-	3,201	6,597
Total Local Support	<u>3,116,759</u>	<u>11,519</u>	<u>3,128,278</u>	<u>4,845,380</u>
State Program Revenues:				
Foundation School Program Act Entitlements	-	8,519,596	8,519,596	10,855,303
Other State Program Revenue	-	38,934	38,934	54,490
Total State Program Revenues	<u>-</u>	<u>8,558,530</u>	<u>8,558,530</u>	<u>10,909,793</u>
Federal Program Revenues:				
Title I, Part A - Grants to Local Education Agencies	-	460,825	460,825	395,100
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	486,780	486,780	574,896
IDEA - Part B, Formula	-	230,636	230,636	241,359
National School Breakfast Program	-	97,677	97,677	166,751
National School Lunch Program	-	174,691	174,691	298,447
USDA Donated Food Commodities	-	-	-	4,669
Title II, Part A - Improving Teacher Quality State Grants	-	43,918	43,918	11,451
Title III ELA	-	-	-	946
Title I, Part C - Migrant	-	-	-	38
Title IV, Part A - SSAEP	-	33,590	33,590	25,702
Education Stabilization Fund - COVID-19	-	382,115	382,115	-
Other Federal Revenues Distributed by TEA	-	45,246	45,246	-
School Health and Related Services	-	514,595	514,595	652,559
TDEM COVID-19 Grant	-	20,064	20,064	-
Other Federal Revenues Distributed by Federal Government	-	2,732	2,732	-
Total Federal Program Revenues	<u>-</u>	<u>2,492,869</u>	<u>2,492,869</u>	<u>2,371,918</u>
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	10,740,859	(10,740,859)	-	-
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<u>13,857,618</u>	<u>322,059</u>	<u>14,179,677</u>	<u>18,127,091</u>
<b>OPERATING EXPENSES</b>				
Program	10,606,408	-	10,606,408	14,463,542
General and Administrative	2,194,995	-	2,194,995	3,174,184
Fundraising	-	-	-	29,892
<b>TOTAL OPERATING EXPENSES</b>	<u>12,801,403</u>	<u>-</u>	<u>12,801,403</u>	<u>17,667,618</u>
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY</b>				
	<u>1,056,215</u>	<u>322,059</u>	<u>1,378,274</u>	<u>459,473</u>
<b>NON-OPERATING ACTIVITY</b>				
Employee Retention Credit Income	2,248,235	-	2,248,235	-
PPP Loan Forgiveness	681,810	-	681,810	-
Insurance Proceeds on Roof Damage	-	-	-	97,500
<b>TOTAL NON-OPERATING ACTIVITY</b>	<u>2,930,045</u>	<u>-</u>	<u>2,930,045</u>	<u>97,500</u>
<b>CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY</b>				
	<u>3,986,260</u>	<u>322,059</u>	<u>4,308,319</u>	<u>556,973</u>
<b>NET ASSETS, Beginning of Year</b>				
	<u>7,755,426</u>	<u>8,489,640</u>	<u>16,245,066</u>	<u>15,688,093</u>
<b>NET ASSETS, End of Year</b>				
	<u>\$ 11,741,686</u>	<u>\$ 8,811,699</u>	<u>\$ 20,553,385</u>	<u>\$ 16,245,066</u>

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, 2021**  
**(with comparative totals for 2020)**

	<b>2021</b>			2020 Total
	<b>Program</b>	<b>General and Administrative</b>	<b>Total</b>	
<b>OPERATING EXPENSES</b>				
Salaries	\$ 6,531,881	\$ 818,362	\$ 7,350,243	\$ 10,441,101
Benefits	858,854	117,116	975,970	1,409,854
Health Insurance	322,933	44,037	366,970	711,605
Total Payroll Expenses	<u>7,713,668</u>	<u>979,515</u>	<u>8,693,183</u>	<u>12,562,560</u>
Depreciation Expense	779,035	41,002	820,037	890,071
Rental Expense	550,020	146,208	696,228	710,611
General Supplies	556,111	75,224	631,335	454,845
Utilities	240,693	75,224	315,917	395,880
Interest Expense	-	299,377	299,377	319,421
Other Contract Labor	162,257	108,171	270,428	467,348
Food/Non-Food Expenses	196,601	-	196,601	384,953
Professional Services	126,938	-	126,938	256,393
Insurance and Bonding	38,565	81,949	120,514	117,187
Maintenance and Repair	5,752	109,280	115,032	168,191
Bond Amortization Expense	-	114,071	114,071	542,185
Miscellaneous Expenses	99,790	8,389	108,179	95,253
Educational Service Center	60,407	22,342	82,749	86,382
Travel Expenses	45,599	23,490	69,089	86,191
Legal Services	12,228	36,684	48,912	44,836
Supplies for Maintenance and Repairs	454	45,018	45,472	27,413
Accounting Fees	9,684	29,051	38,735	29,151
Instructional Materials	6,306	-	6,306	5,903
Tuition and Related Expenses	2,300	-	2,300	22,844
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 10,606,408</u>	<u>\$ 2,194,995</u>	<u>\$ 12,801,403</u>	<u>\$ 17,667,618</u>

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, 2021 and 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 4,308,319	\$ 556,973
Adjustments to Reconcile Net Excess to Net Cash		
Provided by Operations:		
Depreciation and Amortization	934,108	1,432,256
Forgiveness of PPP Loan	(681,810)	-
(Increase) Decrease in Assets:		
Due from State	(2,260,033)	137,100
Due from Federal Agencies	162,677	(135,539)
Employee Retention Credit Receivable	(1,453,976)	-
Other Receivables	118,429	17,386
Prepaid Expense	(308,116)	65,800
Increase (Decrease) in Liabilities:		
Accounts Payable	95,642	(32,682)
Accrued Expenses	193,188	(551,306)
Deferred Revenue	-	(44,655)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,108,428</b>	<b>1,445,333</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(1,322,355)	(387,981)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(1,322,355)</b>	<b>(387,981)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on PPP Loan	-	681,810
Deferred Charges on Refunding	-	(1,862,953)
Disposal of Refunded Bonds	-	(9,050,551)
Proceeds from Refunding Bonds	-	10,921,453
Payment of Bond Issue Costs	-	(767,682)
Payments on Bonds Payable	(365,000)	(40,000)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(365,000)</b>	<b>(117,923)</b>
<b>NET (DECREASE) INCREASE IN CASH FLOWS</b>	<b>(578,927)</b>	<b>939,429</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>7,135,067</b>	<b>5,417,292</b>
<b>RESTRICTED CASH, Beginning of Year</b>	<b>55,394</b>	<b>833,740</b>
<b>LESS RESTRICTED CASH, End of Year</b>	<b>(55,461)</b>	<b>(55,394)</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 6,556,073</b>	<b>\$ 7,135,067</b>
 Supplemental Disclosures:		
Interest	<b>\$ 299,377</b>	<b>\$ 319,421</b>

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, 2021 and 2020**

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

***Reporting Entity***

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

Braination, Inc. is governed by the Board of Trustees (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 and superintendent of Braination, Inc., and significantly influence operations. The Board has the primary accountability for the fiscal affairs of Braination, Inc.

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

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

**Residential Schools**

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

As of August 31, 2021, Inspire Academies operates four residential campuses (Hays County, Bell County, Legacy Ranch, and Rockdale) in Hays, Bell, Gonzales, and Milam Counties. The campuses are located in Juvenile Detention and Foster 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.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

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

***Reporting Entity (continued)***

*Community-Based Schools (continued)*

The schools currently serve students from Bexar County in grades K thru 12. This innovative school and instructional program represent a global learning environment coupled with a teacher-facilitated, student-led approach to learning. Students from Bexar County may apply for open enrollment on a space-available basis, selected by numerical lottery. The staff to student ratio varies depending on requisite level of care needed.

*Braination Newcomers School*

Braination, Inc. also 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 from countries all over the world excluding Mexico. The school operates as a private, non-public school and serves up to 200 children from pre-K through 12<sup>th</sup> grade. All teachers are certified and bilingual, and the school follows state guidelines for instructional content, including special education.

*Charter Renewal*

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

*Educational Resource Center Foundation*

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

*Non-Charter Activities*

Expenses related to non-charter activities at Braination, Inc. and its affiliates for the years ended August 31, 2021 and 2020 were \$3,479,694 and \$5,474,632, respectively. The non-charter activities include the Foundation's operating expenses and an agreement with The Geo Group, Inc./Karnes County Civil Detention Center to provide educational services to eligible residential students effective August 1, 2014.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

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

***Basis of Presentation***

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

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

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

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

***Cash and Cash Equivalents***

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

***Principles of Consolidation***

The accompanying consolidated financial statements as of August 31, 2021 and 2020, include the financial statements of Braination, Inc., Inspire Academies, and Educational Resource Center Foundation. Intercompany transactions and balances have been eliminated in the consolidation.

***Grant Funds***

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

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

***Use of Estimates***

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

***Income Taxes***

Braination, Inc. and its affiliates are not-for-profit organizations and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Braination, Inc. is also exempt from income, sales and hotel taxes in the State of Texas. As of August 31, 2021, the tax years that remain subject to examination by taxing authorities begin with 2018.

***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, 2021 and 2020, restricted cash totaled \$55,461 and \$55,394, respectively.

***Property and Equipment***

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

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

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

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

***Contingencies***

Certain conditions may exist as of August 31, 2021, 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 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.

***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.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**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.

***New Accounting Pronouncements***

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

***Recently Adopted Accounting Pronouncements***

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for periods beginning after December 15, 2018. This pronouncement clarifies and improves the scope and the accounting guidance for contributions received and contributions made in order to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. Braination, Inc. and its affiliates adopted this pronouncement effective September 1, 2019.

In 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*, effective for periods beginning after December 15, 2019. This pronouncement improves the effectiveness of fair value measurement disclosures in the notes to the financial statements. Braination, Inc. and its affiliates adopted this new pronouncement effective September 1, 2020. The change was applied retrospectively, but there was no effect on beginning net assets as of this date.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This pronouncement provides guidance regarding revenue recognition effective for reporting periods beginning after December 15, 2019. The pronouncement affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets. The core principle of this update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. Braination, Inc. and its affiliates adopted this new pronouncement effective September 1, 2020. The change was applied retrospectively, but there was no cumulative effect on beginning net assets as of this date.



**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

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

***Revenue – Exchange Transactions***

Braination, Inc. and its affiliates receive fundraising revenues considered to be exchange transactions. The amount of consideration received from these transactions is variable. Revenue from these transactions is recorded as an increase in net assets without donor restrictions to the extent that the earnings process is complete. Performance obligations are satisfied at a point in time when the event is held. There were no receivables, contract assets, or contract liabilities related to these exchange transactions at August 31, 2021 and 2020. For the years ended August 31, 2021 and 2020, substantially all fundraising revenue consisted of contributions (non-exchange) which are recognized as revenue when received and are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restriction.

**Note 2 - Property and Equipment**

Property and equipment consisted of the following at August 31:

	<u>2021</u>	<u>2020</u>
Building and Improvements	\$ 19,516,722	\$ 18,562,101
Land and Improvements	877,925	877,925
Furniture and Equipment	3,971,355	3,537,982
Vehicles	74,157	74,157
Library Assets	87,103	87,103
Infrastructure - Sign	40,636	106,280
	<u>24,567,898</u>	<u>23,245,548</u>
Less Accumulated Depreciation	<u>(7,041,578)</u>	<u>(6,221,546)</u>
Total	<u>\$ 17,526,320</u>	<u>\$ 17,024,002</u>

Depreciation expense for the years ended August 31, 2021 and 2020 was \$820,037 and \$890,071, respectively. Fixed asset additions are included in net assets released from restrictions in the consolidated statement of activities.

**Note 3 - Bonds Payable**

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

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

The Series 2020 bonds were issued to provide resources to defease the Series 2013A bonds on the call date of August 15, 2023. The refunding resulted in an economic gain of \$983,210 and a reduction of \$2,302,710 in future debt payments. Additionally, \$1,782,297 and \$1,862,953 in net deferred charges were reported in the consolidated statements of financial position at August 31 2021 and 2020, respectively.

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

	<b>2021</b>
Series 2020	<b>\$ 10,515,000</b>
Less Current Maturities	<b>(370,000)</b>
Less Bond Discount, net	<b>(62,366)</b>
Less Bond Issuance Costs, net	<b>(670,448)</b>
Total	<b>\$ 9,412,186</b>
	2020
Series 2020	\$ 10,880,000
Less Current Maturities	(365,000)
Less Bond Discount, net	(65,210)
Less Bond Issuance Costs, net	(701,019)
Total	\$ 9,748,771

Series 2020 bond covenants include a debt service coverage ratio requirement, which stipulates that available revenues (i.e., the amount of excess (deficit) of adjusted revenues over expenses) for each fiscal year must be equal to at least 1.10 times the annual debt service requirements of Brination, Inc. and its affiliates as of the end of the first fiscal year after the date of issuance of the bonds and annually thereafter until the bonds have been paid in full. Expenses include all operating and non-operating expenses or losses incurred during the fiscal year other than (a) interest expense, (b) depreciation and amortization, (c) extraordinary losses and (d) capital expenditures. As of August 31, 2021 and 2020, Brination, Inc. and its affiliates were in compliance with this covenant and all applicable covenants contained in the loan agreement.

Interest expense on bonds payable was \$299,377 and \$319,421 for the years ended August 31, 2021 and 2020, respectively.

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

**BRAINATION, INC. AND AFFILIATES**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

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

For the Year Ending August 31,	
2022	\$ 370,000
2023	375,000
2024	385,000
2025	385,000
2026	395,000
Thereafter	<u>8,605,000</u>
Total	<u>\$ 10,515,000</u>

**Note 4 - Operating Leases**

Braination, Inc. and its affiliates have various copier and printer leases that expire in August 2022. These lease expenses amounted to \$116,190 and \$113,841 for the years ended August 31, 2021 and 2020, respectively.

Braination, Inc. and its affiliates have leases for internet/telephone services and webhosting that will expire between June 2022 and February 2026. These lease expenses amounted to \$76,087 and \$152,089 for the years ended August 31, 2021 and 2020, 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 \$525,000 for the years ended August 31, 2021 and 2020.

The following is a schedule of the operating lease obligations subsequent to August 31, 2021:

For the Year Ending August 31,	
2022	\$ 711,585
2023	574,365
2024	457,472
2025	19,972
2026	<u>9,986</u>
Total	<u>\$ 1,773,380</u>

**Note 5 - Related Party Transactions**

Intercompany transactions related to receivables and payables between Braination Inc. and its affiliates were \$4,256 and \$1,997,878 for the years ended August 31, 2021 and 2020, respectively. These transactions were for administrative services and miscellaneous purchases. All related party transactions are eliminated in the consolidated financial statements.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**Note 6 - Health Care Coverage**

During the years ended August 31, 2021 and 2020, employees of Braination, Inc. and its affiliates were covered by a health insurance plan. Braination, Inc. and its affiliates contributed a maximum of \$367 per employee per month to the plan for the years ended August 31, 2021 and 2020. All premiums were paid to licensed insurers. Braination, Inc. and its affiliates' contributions towards health insurance for the years ended August 31, 2021 and 2020 were \$366,970 and \$711,605, respectively.

**Note 7 - 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 its affiliates' current assets and liabilities as presented in the consolidated statements of financial position are Level 1. Braination, Inc. and its affiliates have no Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the consolidated statements of financial position approximate fair values because of the short maturities of those instruments.

**Note 8 - Regulated Industry**

The majority of Braination, Inc. and its affiliates' activities and revenues are a result of contracts with 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.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**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 - \$223,172,755,000  
Accumulated Benefit Obligations - \$218,037,583,497  
The plan is 79.1% funded.

There are no collective-bargaining agreements.

***Funding Policy***

Under provisions in state law, plan members are required to contribute 7.7% of their annual covered salary, and the state of Texas contributes an amount equal to 7.5% of Braination, Inc. and its affiliates' covered payroll. Braination, Inc. and its affiliates' contributions to TRS for the years ended August 31, 2021 and 2020 were \$281,940 and \$469,962, respectively. Non-OASDI participating surcharges for the years ended August 31, 2021 and 2020 were \$78,743 and \$124,158, respectively. Braination, Inc. and its affiliates' contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**Note 10 - Net Assets with Donor Restrictions**

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

	<u>2021</u>	<u>2020</u>
Foundation School Program	\$ 8,709,699	\$ 8,387,640
College Scholarships/Fellowship Award	<u>102,000</u>	<u>102,000</u>
Total	<u>\$ 8,811,699</u>	<u>\$ 8,489,640</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>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 6,556,073	\$ 7,135,067
Due from State	2,817,987	557,954
Due from Federal Agencies	1,014,509	1,177,186
Employee Retention Credit Receivable	1,453,976	-
Other Receivables	<u>19,384</u>	<u>137,813</u>
Total Financial Assets	11,861,929	9,008,020
Donor Restrictions (net of Foundation School Program)	<u>(102,000)</u>	<u>(102,000)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 11,759,929</u>	<u>\$ 8,906,020</u>

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2021 and 2020**

**Note 12 - Subsequent Events**

Braination, Inc. and its affiliates have not experienced a significant decline in enrollment in fiscal year 2022 as a result of the ongoing COVID-19 pandemic. However, Braination, Inc. and its affiliates continue to evaluate current economic conditions, and any potential financial impact cannot be reasonably estimated at this time.

Braination, Inc. and its affiliates have evaluated subsequent events through January 18, 2022, which is the date the financial statements were available to be issued.

**Note 13 - Paycheck Protection Program Loan**

During the year ended August 31, 2020, Braination, Inc. and its affiliates received a Paycheck Protection Program (PPP) loan of \$681,180 from the Small Business Administration as part of the Coronavirus Aid, Relief, and Economic Securities (CARES) Act passed during the year to assist small businesses and non-profits affected by measures instituted in response to the COVID-19 pandemic. The amount was forgiven on March 30, 2021. Therefore, the loan forgiveness was recognized as revenue for the year ended August 31, 2021.

**Note 14 - Employee Retention Credit**

Braination, Inc. and its affiliates applied for the Employee Retention Credit (ERC) for the first three quarters of fiscal year 2021. The ERC is a payroll credit enacted under the CARES Act to encourage businesses to keep employees on their payroll. The calculated credit totaled \$2,248,235 and \$-0- for the years ended August 31, 2021 and 2020, respectively. The amount due from this credit was \$1,453,976 and \$-0- at August 31, 2021 and 2020, respectively.

# **SPECIFIC-PURPOSE FINANCIAL STATEMENTS**



**INSPIRE ACADEMIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2021 and 2020**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,747,422	\$ 4,369,141
Due from State	2,817,987	557,954
Due from Federal Agencies	514,509	677,186
Due from Related Party	4,187	1,448,488
Employee Retention Credit Receivable	1,104,190	-
Other Receivables	740	640
Prepaid Expense	61,839	32,958
Total Current Assets	9,250,874	7,086,367
<b>LONG-TERM ASSETS</b>		
Restricted Cash	55,461	55,394
Deferred Charges on Refunding	1,782,297	1,862,953
Property and Equipment, net	16,817,146	16,160,041
Total Long-Term Assets	18,654,904	18,078,388
<b>TOTAL ASSETS</b>	<b>\$ 27,905,778</b>	<b>\$ 25,164,755</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 181,641	\$ 90,285
Accrued Expenses	917,292	714,308
Due to Related Party	4,061	789,909
Bonds Payable - current	370,000	365,000
Total Current Liabilities	1,472,994	1,959,502
<b>LONG-TERM LIABILITIES</b>		
Bonds Payable - long-term, net	9,412,186	9,748,771
Total Long-Term Liabilities	9,412,186	9,748,771
<b>TOTAL LIABILITIES</b>	<b>10,885,180</b>	<b>11,708,273</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	8,310,899	5,068,842
With Donor Restrictions	8,709,699	8,387,640
<b>TOTAL NET ASSETS</b>	<b>17,020,598</b>	<b>13,456,482</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 27,905,778</b>	<b>\$ 25,164,755</b>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2021**  
**(with comparative totals for 2020)**

	2021		Total	2020 Total
	Without Donor Restrictions	With Donor Restrictions		
<b>OPERATING REVENUES AND OTHER SUPPORT</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 571,187	\$ 11,519	\$ 582,706	\$ 713,951
5750 Food Service	25,418	-	25,418	37,016
Total Local Support	596,605	11,519	608,124	750,967
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	8,519,596	8,519,596	10,823,503
5820 State Program Revenues Distributed by TEA	-	38,934	38,934	54,490
5830 State Revenues from State of Texas Government Agencies (Other than TEA)	-	-	-	31,800
Total State Program Revenues	-	8,558,530	8,558,530	10,909,793
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA and USDA	-	1,955,478	1,955,478	1,719,359
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	534,659	534,659	652,559
5940 Federal Revenues Distributed by Federal Government	-	2,732	2,732	-
Total Federal Program Revenues	-	2,492,869	2,492,869	2,371,918
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	10,740,859	(10,740,859)	-	-
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<b>11,337,464</b>	<b>322,059</b>	<b>11,659,523</b>	<b>14,032,678</b>
<b>OPERATING EXPENSES</b>				
11 Instruction	4,575,286	-	4,575,286	6,214,572
13 Curriculum Development and Instructional Staff Development	363,076	-	363,076	97,194
21 Instructional Leadership	137,720	-	137,720	228,992
23 School Leadership	957,943	-	957,943	1,531,422
31 Guidance, Counseling, and Evaluation Services	569,795	-	569,795	872,803
33 Health Services	3,579	-	3,579	5,382
35 Food Services	464,494	-	464,494	623,710
36 Extracurricular Activities	14,822	-	14,822	19,794
41 General Administration	707,071	-	707,071	1,121,715
51 Plant Maintenance and Operations	1,020,621	-	1,020,621	598,161
52 Security and Monitoring	48,493	-	48,493	36,111
53 Data Processing	520,151	-	520,151	559,824
61 Community Services	444	-	444	2,320
71 Debt Service	416,448	-	416,448	862,156
81 Fundraising	1,766	-	1,766	4,865
<b>TOTAL OPERATING EXPENSES</b>	<b>9,801,709</b>	<b>-</b>	<b>9,801,709</b>	<b>12,779,021</b>
<b>CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITY</b>	<b>1,535,755</b>	<b>322,059</b>	<b>1,857,814</b>	<b>1,253,657</b>
<b>NON-OPERATING ACTIVITY</b>				
Employee Retention Credit Income	1,706,302	-	1,706,302	-
Insurance Proceeds on Roof Damage	-	-	-	97,500
<b>TOTAL NON-OPERATING ACTIVITY</b>	<b>1,706,302</b>	<b>-</b>	<b>1,706,302</b>	<b>97,500</b>
<b>CHANGE IN NET ASSETS AFTER NON- OPERATING ACTIVITY</b>	<b>3,242,057</b>	<b>322,059</b>	<b>3,564,116</b>	<b>1,351,157</b>
<b>NET ASSETS, Beginning of Year</b>	<b>5,068,842</b>	<b>8,387,640</b>	<b>13,456,482</b>	<b>12,105,325</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 8,310,899</b>	<b>\$ 8,709,699</b>	<b>\$ 17,020,598</b>	<b>\$ 13,456,482</b>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program Payments	\$ 6,503,305	\$ 10,897,113
Grant Payments	2,430,677	2,679,283
Miscellaneous Sources	1,912,110	848,690
Payments to Vendors for Goods and Services Rendered	(2,924,976)	(4,814,510)
Payments to Charter School Personnel for Services Rendered	(5,556,036)	(7,620,141)
Interest Payments	(299,377)	(319,421)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,065,703</b>	<b>1,671,014</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(1,322,355)	(237,697)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(1,322,355)</b>	<b>(237,697)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of Bond Issuance Costs	-	(775,631)
Payments on Bonds Payable	(365,000)	(40,000)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(365,000)</b>	<b>(815,631)</b>
<b>NET INCREASE IN CASH FLOWS</b>	<b>378,348</b>	<b>617,686</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>4,369,141</b>	<b>2,973,109</b>
<b>RESTRICTED CASH, Beginning of Year</b>	<b>55,394</b>	<b>833,740</b>
<b>LESS RESTRICTED CASH, End of Year</b>	<b>(55,461)</b>	<b>(55,394)</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 4,747,422</b>	<b>\$ 4,369,141</b>
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operations:		
Change in Net Assets	\$ 3,564,116	\$ 1,351,157
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operations:		
Depreciation and Amortization	856,977	1,341,032
(Increase) Decrease in Assets:		
Due from State	(2,351,587)	137,100
Due from Federal Agencies	162,677	114,461
Due from Related Party	(1,104,190)	-
Employee Retention Credit Receivable	1,444,301	(1,192,058)
Other Receivables	(100)	14,756
Prepaid Expense	(28,881)	6,023
Increase (Decrease) in Liabilities:		
Accounts Payable	91,356	(14,611)
Accrued Expenses	216,882	(309,729)
Deferred Revenue	-	(31,223)
Due to Related Party	(785,848)	254,106
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 2,065,703</b>	<b>\$ 1,671,014</b>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**SCHEDULE OF EXPENSES**  
**For the Years Ended August 31, 2021 and 2020**

<b>EXPENSES</b>	<u>2021</u>	<u>2020</u>
6100 Payroll Costs	\$ 6,610,327	\$ 8,852,630
6200 Professional and Contracted Services	939,992	1,210,449
6300 Supplies and Materials	831,630	795,197
6400 Other Operating Costs	1,003,312	1,058,589
6500 Debt	416,448	862,156
<b>TOTAL EXPENSES</b>	<b>\$ 9,801,709</b>	<b>\$ 12,779,021</b>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**SCHEDULE OF CAPITAL ASSETS**  
**August 31, 2021**

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

	<b>Ownership Interest</b>		
	<b>Local</b>	<b>State</b>	<b>Federal</b>
1110 Cash	\$ -	\$ 4,747,422	\$ -
1510 Land and Improvements	-	877,925	-
1520 Buildings and Improvements	-	18,468,723	-
1530 Furniture and Equipment	-	2,916,973	231,714
1531 Vehicles	-	74,157	-
1550 Capital Leases	-	590,171	-
1560 Library Assets	-	87,103	-
1590 Infrastructure	-	40,636	-
<b>Total Capital Assets</b>	<b>\$ -</b>	<b>\$ 27,803,110</b>	<b>\$ 231,714</b>

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

*Per Schedule of Capital Assets:*

1510 Land and Improvements (State)	\$ 877,925
1520 Buildings and Improvements (State)	18,468,723
1530 Furniture and Equipment (State)	2,916,973
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	919,116
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*Plus Educational Resource Center Foundation:*

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

Inspire Academies	(6,470,256)
Braination, Inc.	(399,104)
Educational Resource Center Foundation	(172,218)

**Total Property and Equipment per Consolidated Statements of Financial Position:** **\$ 17,526,320**

See independent auditor's report.

**INSPIRE ACADEMIES**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended August 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES AND OTHER SUPPORT</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 563,714	\$ 2,280,000	\$ 2,289,008	\$ 9,008
5750 Food Service	55,000	25,500	25,418	(82)
<b>Total Local Support</b>	<u>618,714</u>	<u>2,305,500</u>	<u>2,314,426</u>	<u>8,926</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	6,562,862	8,520,000	8,519,596	(404)
5820 State Program Revenues Distributed by TEA	64,203	38,900	38,934	34
<b>Total State Program Revenues</b>	<u>6,627,065</u>	<u>8,558,900</u>	<u>8,558,530</u>	<u>(370)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA and USDA	1,240,511	1,956,000	1,955,478	(522)
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	555,500	535,000	534,659	(341)
5940 Federal Revenues Distributed by Federal Government	-	2,800	2,732	(68)
<b>Total Federal Program Revenues</b>	<u>1,796,011</u>	<u>2,493,800</u>	<u>2,492,869</u>	<u>(931)</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>9,041,790</u>	<u>13,358,200</u>	<u>13,365,825</u>	<u>7,625</u>
<b>EXPENSES</b>				
11 Instructional	4,287,188	4,500,000	4,575,286	(75,286)
13 Curriculum Development and Instructional Staff Development	261,499	363,000	363,076	(76)
21 Instructional Leadership	142,506	137,000	137,720	(720)
23 School Leadership	871,074	958,000	957,943	57
31 Guidance, Counseling and Evaluation Services	521,473	570,000	569,795	205
33 Health Services	75,155	3,600	3,579	21
35 Food Services	368,364	465,000	464,494	506
36 Extracurricular Activities	11,606	15,000	14,822	178
41 General Administration	923,873	712,000	707,071	4,929
51 Plant Maintenance and Operations	703,884	1,020,600	1,020,621	(21)
52 Security and Monitoring	25,932	48,500	48,493	7
53 Data Processing	483,268	520,200	520,151	49
61 Community Services	8,820	445	444	1
71 Debt Service	539,382	420,000	416,448	3,552
81 Fundraising	18,697	1,800	1,766	34
<b>TOTAL EXPENSES</b>	<u>9,242,721</u>	<u>9,735,145</u>	<u>9,801,709</u>	<u>(66,564)</u>
<b>CHANGE IN NET ASSETS</b>	(200,931)	3,623,055	3,564,116	(58,939)
<b>NET ASSETS, Beginning of Year</b>	<u>13,456,482</u>	<u>13,456,482</u>	<u>13,456,482</u>	<u>-</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 13,255,551</u>	<u>\$ 17,079,537</u>	<u>\$ 17,020,598</u>	<u>\$ (58,939)</u>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST**  
**August 31, 2021**

<u>Description</u>	<u>Property Address</u>	<u>Total Assessed Value</u>	<u>Ownership Interest Local</u>	<u>Ownership Interest State</u>	<u>Ownership Interest Federal</u>
Land & 1 Building	10325 Bandera Rd. San Antonio, Texas 78250	\$ 1,427,450	\$ -	\$ 1,427,450	\$ -
Land & 3 Building	11216 E Bandera Rd. San Antonio, Texas 78250	<u>1,386,590</u>	<u>-</u>	<u>1,386,590</u>	<u>-</u>
<b>Total Real Property Ownership Interest</b>		<u>\$ 2,814,040</u>	<u>\$ -</u>	<u>\$ 2,814,040</u>	<u>\$ -</u>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**SCHEDULE OF RELATED PARTY TRANSACTIONS**  
**For the Year Ended August 31, 2021**

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

See independent auditor's report.



**INSPIRE ACADEMIES**  
**SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS**  
**For the Year Ended August 31, 2021**

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

See independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**August 31, 2021**  
**(with comparative totals for 2020)**

	2021					2020 Total
	Braination, Inc.	Inspire Academies	Educational Resource Center Foundation	Eliminating Entries	Total	
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 1,718,429	\$ 4,747,422	\$ 90,222	\$ -	\$ 6,556,073	\$ 7,135,067
Due from State	-	2,817,987	-	-	2,817,987	557,954
Due from Federal Agencies	500,000	514,509	-	-	1,014,509	1,177,186
Due from Related Party	69	4,187	-	(4,256)	-	-
Employee Retention Credit Receivable	349,786	1,104,190	-	-	1,453,976	-
Other Receivables	18,644	740	-	-	19,384	137,813
Prepaid Expense	336,478	61,839	-	-	398,317	90,201
Total Current Assets	<u>2,923,406</u>	<u>9,250,874</u>	<u>90,222</u>	<u>(4,256)</u>	<u>12,260,246</u>	<u>9,098,221</u>
<b>LONG-TERM ASSETS</b>						
Restricted Cash	-	55,461	-	-	55,461	55,394
Deferred Charges on Refunding	-	1,782,297	-	-	1,782,297	1,862,953
Property and Equipment, net	520,012	16,817,146	189,162	-	17,526,320	17,024,002
Total Long-Term Assets	<u>520,012</u>	<u>18,654,904</u>	<u>189,162</u>	<u>-</u>	<u>19,364,078</u>	<u>18,942,349</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,443,418</u>	<u>\$ 27,905,778</u>	<u>\$ 279,384</u>	<u>\$ (4,256)</u>	<u>\$ 31,624,324</u>	<u>\$ 28,040,570</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	\$ 8,696	\$ 181,641	\$ -	\$ -	\$ 190,337	\$ 94,695
Accrued Expenses	181,124	917,292	-	-	1,098,416	905,228
Due to Related Party	195	4,061	-	(4,256)	-	-
Bonds Payable - current	-	370,000	-	-	370,000	365,000
PPP Loan Payable - current	-	-	-	-	-	378,783
Total Current Liabilities	<u>190,015</u>	<u>1,472,994</u>	<u>-</u>	<u>(4,256)</u>	<u>1,658,753</u>	<u>1,743,706</u>
<b>LONG-TERM LIABILITIES</b>						
Bonds Payable - long-term, net	-	9,412,186	-	-	9,412,186	9,748,771
PPP Loan Payable - long-term	-	-	-	-	-	303,027
Total Long-Term Liabilities	<u>-</u>	<u>9,412,186</u>	<u>-</u>	<u>-</u>	<u>9,412,186</u>	<u>10,051,798</u>
<b>TOTAL LIABILITIES</b>	<u>190,015</u>	<u>10,885,180</u>	<u>-</u>	<u>(4,256)</u>	<u>11,070,939</u>	<u>11,795,504</u>
<b>NET ASSETS</b>						
Without Donor Restrictions	3,253,403	8,310,899	177,384	-	11,741,686	7,755,426
With Donor Restrictions	-	8,709,699	102,000	-	8,811,699	8,489,640
<b>TOTAL NET ASSETS</b>	<u>3,253,403</u>	<u>17,020,598</u>	<u>279,384</u>	<u>-</u>	<u>20,553,385</u>	<u>16,245,066</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,443,418</u>	<u>\$ 27,905,778</u>	<u>\$ 279,384</u>	<u>\$ (4,256)</u>	<u>\$ 31,624,324</u>	<u>\$ 28,040,570</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, 2021**  
**(with comparative totals for 2020)**

	2021					2020 Total
	Braination, Inc.	Inspire Academies	Educational Resource Center Foundation	Eliminating Entries	Total	
<b>OPERATING REVENUES AND OTHER SUPPORT</b>						
Local Support:						
Other Revenue from Local Sources	\$ 2,999,322	\$ 580,337	\$ -	\$ (480,000)	\$ 3,099,659	\$ 4,838,783
Food Service Revenue	-	25,418	-	-	25,418	-
Earnings from Temporary Deposits and Investments	832	2,369	-	-	3,201	6,597
Total Local Support	3,000,154	608,124	-	(480,000)	3,128,278	4,845,380
State Program Revenues:						
Foundation School Program Act Entitlements	-	8,519,596	-	-	8,519,596	10,855,303
Other State Program Revenue	-	38,934	-	-	38,934	54,490
Total State Program Revenues	-	8,558,530	-	-	8,558,530	10,909,793
Federal Program Revenues:						
Title I, Part A - Grants to Local Education Agencies	-	460,825	-	-	460,825	395,100
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	486,780	-	-	486,780	574,896
IDEA - Part B, Formula	-	230,636	-	-	230,636	241,359
National School Breakfast Program	-	97,677	-	-	97,677	166,751
National School Lunch Program	-	174,691	-	-	174,691	298,447
USDA Donated Food Commodities	-	-	-	-	-	4,669
Title II, Part A - Improving Teacher Quality State Grants	-	43,918	-	-	43,918	11,451
Title III ELA	-	-	-	-	-	946
Title I, Part C - Migrant	-	-	-	-	-	38
Title IV, Part A - SSAEP	-	33,590	-	-	33,590	25,702
Education Stabilization Fund - COVID-19	-	382,115	-	-	382,115	-
Other Federal Revenues Distributed by TEA	-	45,246	-	-	45,246	-
School Health and Related Services	-	514,595	-	-	514,595	652,559
TDEM COVID-19 Grant	-	20,064	-	-	20,064	-
Other Federal Revenues Distributed by Federal Government	-	2,732	-	-	2,732	-
Total Federal Program Revenues	-	2,492,869	-	-	2,492,869	2,371,918
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<b>\$ 3,000,154</b>	<b>\$ 11,659,523</b>	<b>\$ -</b>	<b>\$ (480,000)</b>	<b>\$ 14,179,677</b>	<b>\$ 18,127,091</b>

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, 2021**  
**(with comparative totals for 2020)**

(continued)

	2021				Total	2020 Total
	Braination, Inc.	Inspire Academies	Educational Resource Center Foundation	Eliminating Entries		
<b>OPERATING EXPENSES</b>						
Salaries	\$ 1,846,506	\$ 5,503,737	\$ -	\$ -	\$ 7,350,243	\$ 10,441,101
Payroll Taxes and Benefits	149,438	826,532	-	-	975,970	1,409,854
Depreciation Expense	65,085	742,906	12,046	-	820,037	890,071
Rental Expense	533,066	163,162	-	-	696,228	710,611
General Supplies	46,926	584,409	-	-	631,335	454,845
Health Insurance	86,912	280,058	-	-	366,970	711,605
Utilities	81,624	234,293	-	-	315,917	395,880
Interest Expense	-	299,377	-	-	299,377	319,421
Other Contract Labor	124,896	145,532	-	-	270,428	467,348
Food/Non-Food Expenses	-	196,601	-	-	196,601	384,953
Professional Services	-	126,938	-	-	126,938	256,393
Insurance and Bonding	26,892	93,622	-	-	120,514	117,187
Maintenance and Repair	-	115,032	-	-	115,032	168,191
Bond Amortization Expense	-	114,071	-	-	114,071	542,185
Miscellaneous Expenses	484,971	102,208	1,000	(480,000)	108,179	95,253
Educational Service Center	8,748	74,001	-	-	82,749	86,382
Travel Expenses	1,447	67,642	-	-	69,089	86,191
Legal Services	7,063	41,849	-	-	48,912	44,836
Supplies for Maintenance and Repairs	1,224	44,248	-	-	45,472	27,413
Accounting Fees	-	36,885	1,850	-	38,735	29,151
Instructional Materials	-	6,306	-	-	6,306	5,903
Tuition and Related Expenses	-	2,300	-	-	2,300	22,844
<b>TOTAL OPERATING EXPENSES</b>	<b>3,464,798</b>	<b>9,801,709</b>	<b>14,896</b>	<b>(480,000)</b>	<b>12,801,403</b>	<b>17,667,618</b>
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY</b>	<b>(464,644)</b>	<b>1,857,814</b>	<b>(14,896)</b>	<b>-</b>	<b>1,378,274</b>	<b>459,473</b>
<b>NON-OPERATING ACTIVITY</b>						
Employee Retention Credit Income	541,933	1,706,302	-	-	2,248,235	-
PPP Revenue	681,810	-	-	-	681,810	-
Insurance Proceeds on Roof Damage	-	-	-	-	-	97,500
<b>TOTAL NON-OPERATING ACTIVITY</b>	<b>1,223,743</b>	<b>1,706,302</b>	<b>-</b>	<b>-</b>	<b>2,930,045</b>	<b>97,500</b>
<b>CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY</b>	<b>759,099</b>	<b>3,564,116</b>	<b>(14,896)</b>	<b>-</b>	<b>4,308,319</b>	<b>556,973</b>
<b>NET ASSETS, Beginning of Year</b>	<b>2,494,304</b>	<b>13,456,482</b>	<b>294,280</b>	<b>-</b>	<b>16,245,066</b>	<b>15,688,093</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 3,253,403</b>	<b>\$ 17,020,598</b>	<b>\$ 279,384</b>	<b>\$ -</b>	<b>\$ 20,553,385</b>	<b>\$ 16,245,066</b>

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, 2021**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed Through Texas Education Agency:			
Title I Grants to Local Education Agencies	84.010A	20610101015808	\$ 40,919
Title I Grants to Local Education Agencies	84.010A	21610101015808	419,907
Title I Grants to Local Education Agencies	84.010A	20610103015808	113,577
Title I Grants to Local Education Agencies	84.010A	21610103015808	373,202
			<u>947,605</u>
Supporting Effective Instruction State Grants	84.367A	20694501015808	13,993
Supporting Effective Instruction State Grants	84.367A	21694501015808	29,925
			<u>43,918</u>
Student Support and Academic Enrichment Program	84.424A	20680101015808	33,590
Education Stabilization Fund - COVID-19	84.425D	20521001015808	88,235
Education Stabilization Fund - COVID-19	84.425D	21521001015808	87,514
Education Stabilization Fund - COVID-19	84.425U	21528001015808	206,366
			<u>382,115</u>
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	N/A	20,064
Special Education Grants to States	84.027A	216600010158086600	230,635
<b>Total U.S. Department of Education</b>			<u>1,657,927</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through Texas Department of Agriculture:			
National Child Nutrition Cluster:			
School Breakfast Program	10.553	71401801	97,677
National School Lunch Program	10.555	71301801	174,691
TDA Grant	N/A	N/A	2,732
Total Child Nutrition Cluster			<u>275,100</u>
<b>Total U.S. Department of Agriculture</b>			<u>275,100</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>1,933,027</u>
<b><u>TEXAS EDUCATION AGENCY</u></b>			
School Safety and Security Grant	N/A	19055301015808	14,050
School Lunch Matching	N/A	030019	3,085
Instructional Materials Allotment	N/A	N/A	21,799
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<u>38,934</u>
<b>TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS</b>			<u>\$ 1,971,961</u>

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**August 31, 2021**

**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, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Braination, Inc. and its affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Braination, Inc. and its affiliates.

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

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

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

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

**Note 4 - Other Disclosures**

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

Braination, Inc. and its affiliates have not elected to use the 10 percent *de minimis* indirect cost rate for the year ended August 31, 2021.

Braination, Inc. and its affiliates did not disburse any federal or state awards to subrecipients for the year ended August 31, 2021.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Braination, Inc. and its affiliates, Inspire Academies and Educational Resource Center Foundation (nonprofit organizations), which comprise the consolidated statement of financial position as of August 31, 2021, 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 18, 2022.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Braination, Inc. 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Randy Walker & Co.*

San Antonio, Texas  
January 18, 2022

**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, 2021. 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, 2021.

### **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.

*Randy Walker & Co*

San Antonio, Texas  
January 18, 2022

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2021**

**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, 2021**

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

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND EDUCATIONAL RESOURCE CENTER FOUNDATION)**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended August 31, 2021**

I. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

- None -

II. PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- None -