

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

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

**August 31, 2022 and 2021**

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATED FINANCIAL STATEMENTS WITH COMPLIANCE**  
**AND SINGLE AUDIT REPORTING**  
**August 31, 2022 and 2021**

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

Federal Employer Identification Number: 74-2869255

Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one)  approved  disapproved for the year ended August 31, 2022, at a meeting of the Board of Trustees of such charter holder on the 17<sup>th</sup> day of January, 2023.

  
Signature of Board Secretary

  
Signature of Board President

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

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Braination, Inc. and its affiliates (Inspire Academies and Braination Foundation), non-profit organizations, which comprise the consolidated statement of financial position as of August 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Braination, Inc. and its affiliates (collectively, the Organization) as of August 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The specific-purpose financial statements on pages 22-32, the consolidating financial statements on pages 33-35, and the accompanying schedule of expenditures of federal and state awards on page 36, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023 on pages 38-39 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited the Organization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Randy Walker & Co.*

San Antonio, Texas  
January 17, 2023

# **GENERAL-PURPOSE FINANCIAL STATEMENTS**

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 10,399,792	\$ 6,556,073
Due from State	1,614,131	2,817,987
Due from Federal Agencies	450,197	1,014,509
Employee Retention Credit Receivable	-	1,453,976
Other Receivables	2,532	19,384
Prepaid Expense	95,143	398,317
Total Current Assets	12,561,795	12,260,246
<b>LONG-TERM ASSETS</b>		
Restricted Cash	55,492	55,461
Deferred Charges on Refunding, net	1,701,886	1,782,297
Property and Equipment, net	17,447,039	17,526,320
Total Long-Term Assets	19,204,417	19,364,078
<b>TOTAL ASSETS</b>	<b>\$ 31,766,212</b>	<b>\$ 31,624,324</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 212,802	\$ 190,337
Accrued Expenses	1,003,787	1,098,416
Bonds Payable - current	375,000	370,000
Total Current Liabilities	1,591,589	1,658,753
<b>LONG-TERM LIABILITIES</b>		
Bonds Payable - long-term, net	9,070,500	9,412,186
Total Long-Term Liabilities	9,070,500	9,412,186
<b>TOTAL LIABILITIES</b>	<b>10,662,089</b>	<b>11,070,939</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	13,191,623	11,741,686
With Donor Restrictions	7,912,500	8,811,699
<b>TOTAL NET ASSETS</b>	<b>21,104,123</b>	<b>20,553,385</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 31,766,212</b>	<b>\$ 31,624,324</b>

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



**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2022**  
**(with comparative totals for 2021)**

	<b>2022</b>		<b>Total</b>	<b>2021 Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		
<b>OPERATING REVENUES AND OTHER SUPPORT</b>				
Local Support:				
Other Revenue from Local Sources	\$ 1,638,908	\$ 18,734	\$ 1,657,642	\$ 3,099,659
Food Service Revenue	12,561	-	12,561	25,418
Earnings from Temporary Deposits and Investment:	7,166	-	7,166	3,201
Total Local Support	<u>1,658,635</u>	<u>18,734</u>	<u>1,677,369</u>	<u>3,128,278</u>
State Program Revenues:				
Foundation School Program Act Entitlements	-	7,406,343	7,406,343	8,519,596
Other State Program Revenue	-	84,884	84,884	38,934
Total State Program Revenues	<u>-</u>	<u>7,491,227</u>	<u>7,491,227</u>	<u>8,558,530</u>
Federal Program Revenues:				
Title I, Part A - Grants to Local Education Agencies	-	525,117	525,117	460,825
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	321,560	321,560	486,780
IDEA - Part B, Formula	-	231,172	231,172	230,636
National School Breakfast Program	-	145,048	145,048	97,677
National School Lunch Program	-	404,570	404,570	174,691
Title II, Part A - Improving Teacher Quality State Grant:	-	20,050	20,050	43,918
Title IV, Part A - SSAEP	-	47,696	47,696	33,590
Education Stabilization Fund - COVID-19	-	2,187,664	2,187,664	382,115
School Health and Related Services	-	485,113	485,113	514,595
Other Federal Revenues Distributed by TEA	-	-	-	45,246
TDEM COVID-19 Grant	-	-	-	20,064
Other Federal Revenues Distributed by Federal Governmen	-	-	-	2,732
Total Federal Program Revenues	<u>-</u>	<u>4,367,990</u>	<u>4,367,990</u>	<u>2,492,869</u>
Net Assets Released From Restrictions:				
Restrictions Satisfied By Payments	12,777,150	(12,777,150)	-	-
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<u>14,435,785</u>	<u>(899,199)</u>	<u>13,536,586</u>	<u>14,179,677</u>
<b>OPERATING EXPENSES</b>				
Program	10,949,603	-	10,949,603	10,606,408
General and Administrative	2,356,625	-	2,356,625	2,194,995
<b>TOTAL OPERATING EXPENSES</b>	<u>13,306,228</u>	<u>-</u>	<u>13,306,228</u>	<u>12,801,403</u>
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY</b>	<u>1,129,557</u>	<u>(899,199)</u>	<u>230,358</u>	<u>1,378,274</u>
<b>NON-OPERATING ACTIVITY</b>				
Employee Retention Credit Income	320,380	-	320,380	2,248,235
PPP Loan Forgiveness	-	-	-	681,810
<b>TOTAL NON-OPERATING ACTIVITY</b>	<u>320,380</u>	<u>-</u>	<u>320,380</u>	<u>2,930,045</u>
<b>CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY</b>	<u>1,449,937</u>	<u>(899,199)</u>	<u>550,738</u>	<u>4,308,319</u>
<b>NET ASSETS, Beginning of Year</b>	<u>11,741,686</u>	<u>8,811,699</u>	<u>20,553,385</u>	<u>16,245,066</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 13,191,623</u>	<u>\$ 7,912,500</u>	<u>\$ 21,104,123</u>	<u>\$ 20,553,385</u>

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2022**  
**(with comparative totals for 2021)**

	<b>2022</b>			2021
	<b>Program</b>	<b>General and Administrative</b>	<b>Total</b>	Total
<b>OPERATING EXPENSES</b>				
Salaries	\$ 6,323,908	\$ 792,305	\$ 7,116,213	\$ 7,350,243
Payroll Taxes and Benefits	984,640	134,269	1,118,909	975,970
Health Insurance	403,272	54,993	458,265	366,970
Total Payroll Expenses	<u>7,711,820</u>	<u>981,567</u>	<u>8,693,387</u>	<u>8,693,183</u>
Depreciation Expense	876,001	46,106	922,107	820,037
Rental Expense	548,564	145,821	694,385	696,228
General Supplies	546,713	73,953	620,666	631,335
Other Contract Labor	213,756	142,503	356,259	270,428
Utilities	228,299	71,350	299,649	315,917
Interest Expense	-	295,975	295,975	299,377
Food/Non-Food Expenses	255,101	-	255,101	196,601
Maintenance and Repair	8,865	168,420	177,285	115,032
Professional Services	126,938	46,847	173,785	126,938
Travel Expenses	112,405	57,904	170,309	69,089
Miscellaneous Expenses	154,318	12,973	167,291	108,179
Insurance and Bonding	45,022	95,670	140,692	120,514
Bond Amortization Expense	-	113,725	113,725	114,071
Educational Service Center	61,374	22,700	84,074	82,749
Accounting Fees	9,732	29,195	38,927	38,735
Supplies for Maintenance and Repairs	358	35,467	35,825	45,472
Tuition and Related Expenses	23,251	-	23,251	2,300
Legal Services	5,483	16,449	21,932	48,912
Instructional Materials	21,603	-	21,603	6,306
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 10,949,603</u>	<u>\$ 2,356,625</u>	<u>\$ 13,306,228</u>	<u>\$ 12,801,403</u>

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2022 and 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 550,738	\$ 4,308,319
Adjustments to Reconcile Net Excess to Net Cash		
Provided by Operations:		
Depreciation and Amortization	1,035,832	934,108
Forgiveness of PPP Loan	-	(681,810)
Decrease (Increase) in Assets:		
Due from State	1,203,856	(2,260,033)
Due from Federal Agencies	564,312	162,677
Employee Retention Credit Receivable	1,453,976	(1,453,976)
Other Receivables	16,852	118,429
Prepaid Expense	303,174	(308,116)
Increase (Decrease) in Liabilities:		
Accounts Payable	22,465	95,642
Accrued Expenses	(94,629)	193,188
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>5,056,576</b>	<b>1,108,428</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(842,826)	(1,322,355)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(842,826)</b>	<b>(1,322,355)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Bonds Payable	(370,000)	(365,000)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(370,000)</b>	<b>(365,000)</b>
<b>NET INCREASE (DECREASE) IN CASH FLOWS</b>	<b>3,843,750</b>	<b>(578,927)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>6,556,073</b>	<b>7,135,067</b>
<b>RESTRICTED CASH, Beginning of Year</b>	<b>55,461</b>	<b>55,394</b>
<b>LESS RESTRICTED CASH, End of Year</b>	<b>(55,492)</b>	<b>(55,461)</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 10,399,792</b>	<b>\$ 6,556,073</b>
 Supplemental Disclosures:		
Interest	<b>\$ 295,975</b>	<b>\$ 299,377</b>

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

**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 five members. The Board is selected pursuant to the bylaws of Braination, Inc. and has the authority to make decisions, appoint the chief executive officer and superintendent of Braination, Inc., and significantly influence operations. The Board has the primary accountability for the fiscal affairs of Braination, Inc.

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

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

**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, 2022, 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 Anne Frank Inspire Academy. In the 2021-2022 school year, Anne Frank Inspire Academy expanded to a second location in San Antonio, Texas starting with an elementary school with the goal to expand to high school adding a grade level each year.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

**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. These schools offer a rigorous and innovative curricula, creative collaboration, guided learning, and an inquiry-driven model. 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 operated 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 operated as a private, non-public school and served up to 200 children from pre-K through 12<sup>th</sup> grade. All teachers were certified and bilingual, and the school followed state guidelines for instructional content, including special education. The contract for this education program ended on February 28, 2022.

*Charter Renewal*

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

*Braination Foundation*

Also affiliated with Braination, Inc. is the Braination Foundation (the Foundation), a 501(c)(3) non-profit corporation. The Foundation is organized for the exclusive purpose of serving as a supporting organization for Braination, Inc. The Foundation's Board of Trustees is comprised of six members which includes all five 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, 2022 and 2021 were \$1,323,041 and \$3,479,694, 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. The agreement with The Geo Group, Inc./Karnes County Civil Detention Center was no longer in effect as of February 28, 2022.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

**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, 2022 and 2021, include the financial statements of Braination, Inc., Inspire Academies, and Braination Foundation. Intercompany transactions and balances have been eliminated in the consolidation.

***Grant Funds***

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

**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, 2022, the tax years that remain subject to examination by taxing authorities begin with 2019.

*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, 2022 and 2021, restricted cash totaled \$55,492 and \$55,461, 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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

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

***Contingencies***

Certain conditions may exist as of August 31, 2022, 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 BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

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

***Contributions and Grants***

Braination, Inc. and its affiliates record contributions and grants in accordance with Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Braination, Inc. and its affiliates account for contributions and grants as support with or without 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 without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (when a stipulated time restriction ends or purpose restriction is fulfilled), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

***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. Braination and its affiliates will implement this pronouncement on September 1, 2022. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

***Recently Adopted Accounting Pronouncements***

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 pronouncement effective September 1, 2020.

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 pronouncement effective September 1, 2020.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

**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, 2022 and 2021. For the years ended August 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Building and Improvements	\$ 20,184,592	\$ 19,516,722
Land and Improvements	883,025	877,925
Furniture and Equipment	4,136,799	3,971,355
Vehicles	74,157	74,157
Library Assets	87,103	87,103
Infrastructure - Sign	40,636	40,636
	<u>25,406,312</u>	<u>24,567,898</u>
Less Accumulated Depreciation	<u>(7,959,273)</u>	<u>(7,041,578)</u>
Total	<u>\$ 17,447,039</u>	<u>\$ 17,526,320</u>

Depreciation expense for the years ended August 31, 2022 and 2021 was \$922,107 and \$820,037, 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 Pottsboro 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 BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

**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, \$1,701,886 and \$1,782,297 in net deferred charges were reported in the consolidated statements of financial position at August 31 2022 and 2021, respectively.

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

	<b>2022</b>
Series 2020	<b>\$ 10,145,000</b>
Less Current Maturities	<b>(375,000)</b>
Less Bond Discount, net	<b>(59,531)</b>
Less Bond Issuance Costs, net	<b>(639,969)</b>
Total	<b>\$ 9,070,500</b>
	2021
Series 2020	\$ 10,515,000
Less Current Maturities	(370,000)
Less Bond Discount, net	(62,366)
Less Bond Issuance Costs, net	(670,448)
Total	\$ 9,412,186

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 Braination, Inc. and its affiliates as of the end of the first fiscal year after the date of issuance of the bonds and annually thereafter until the bonds have been paid in full. Expenses include all operating and non-operating expenses or losses incurred during the fiscal year other than (a) interest expense, (b) depreciation and amortization, (c) extraordinary losses and (d) capital expenditures. As of August 31, 2022 and 2021, Braination, 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 \$295,144 and \$299,377 for the years ended August 31, 2022 and 2021, respectively.

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

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

For the Year Ending August 31,	
2023	\$ 375,000
2024	385,000
2025	385,000
2026	395,000
2027	405,000
Thereafter	<u>8,200,000</u>
Total	<u>\$ 10,145,000</u>

**Note 4 - Operating Leases**

Braination, Inc. and its affiliates have various copier and printer leases that expired in August 2022. These lease expenses amounted to \$109,551 and \$116,190 for the years ended August 31, 2022 and 2021, 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 \$101,249 and \$76,087 for the years ended August 31, 2022 and 2021, 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, 2022 and 2021.

The following is a schedule of the operating lease obligations subsequent to August 31, 2022:

For the Year Ending August 31,	
2023	\$ 615,045
2024	495,162
2025	35,237
2026	<u>9,986</u>
Total	<u>\$ 1,155,430</u>

**Note 5 - Related Party Transactions**

Intercompany transactions related to receivables and payables between Braination Inc. and its affiliates were \$79,606 and \$4,256 for the years ended August 31, 2022 and 2021, respectively. These transactions were for administrative services and miscellaneous purchases. Furthermore, management fees charged to Braination, Inc. from Inspire Academies amounted to \$172,500 and \$480,000 for the years ended August 31, 2022 and 2021, respectively. All related party transactions are eliminated in the consolidated financial statements.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

**Note 6 - Health Care Coverage**

During the years ended August 31, 2022 and 2021, employees of Braination, Inc. and its affiliates were covered by a health insurance plan. Braination, Inc. and its affiliates contributed a maximum of \$467 and \$367, respectively per employee per month to the plan for the years ended August 31, 2022 and 2021. All premiums were paid to licensed insurers. Braination, Inc. and its affiliates' contributions towards health insurance for the years ended August 31, 2022 and 2021 were \$452,750 and \$366,970, 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 BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

**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 8% of their annual covered salary, and the state of Texas contributes an amount equal to 7.75% of Braination, Inc. and its affiliates' covered payroll. Braination, Inc. and its affiliates' contributions to TRS for the years ended August 31, 2022 and 2021 were \$442,102 and \$281,940, respectively. Non-OASDI participating surcharges for the years ended August 31, 2022 and 2021 were \$101,772 and \$78,743, 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 BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

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

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

	<u>2022</u>	<u>2021</u>
Foundation School Program	\$ 7,802,941	\$ 8,709,699
College Scholarships/Fellowship Award	<u>109,559</u>	<u>102,000</u>
Total	<u>\$ 7,912,500</u>	<u>\$ 8,811,699</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>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 10,399,792	\$ 6,556,073
Due from State	1,614,131	2,817,987
Due from Federal Agencies	450,197	1,014,509
Employee Retention Credit Receivable	-	1,453,976
Other Receivables	<u>2,532</u>	<u>19,384</u>
Total Financial Assets	<u>12,466,652</u>	11,861,929
Donor Restrictions (net of Foundation School Program)	<u>(109,559)</u>	<u>(102,000)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 12,357,093</u>	<u>\$ 11,759,929</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 BRAINATION FOUNDATION)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2022 and 2021**

**Note 12 - Paycheck Protection Program Loan**

During the year ended August 31, 2020, Braination, Inc. received a Paycheck Protection Program (PPP) loan of \$681,810 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 13 - Employee Retention Credit**

Braination, Inc. and its affiliates applied for the Employee Retention Credit (ERC) for the first three calendar quarters of 2021 ending September 30, 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 \$320,380 and \$2,248,235 for the years ended August 31, 2022 and 2021, respectively. The amount due from this credit was \$-0- and \$1,453,976 at August 31, 2022 and 2021, respectively.

**Note 14 - Subsequent Events**

Braination, Inc. and its affiliates have not experienced a significant decline in enrollment in fiscal year 2023 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 17, 2023, which is the date the financial statements were available to be issued.



# **SPECIFIC-PURPOSE FINANCIAL STATEMENTS**

**INSPIRE ACADEMIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2022 and 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 7,380,728	\$ 4,747,422
Due from State	1,614,131	2,817,987
Due from Federal Agencies	450,197	514,509
Due from Related Party	7,581	4,187
Employee Retention Credit Receivable	-	1,104,190
Other Receivables	2,532	740
Prepaid Expense	67,390	61,839
Total Current Assets	9,522,559	9,250,874
<b>LONG-TERM ASSETS</b>		
Restricted Cash	55,492	55,461
Deferred Charges on Refunding, net	1,701,886	1,782,297
Property and Equipment, net	16,743,833	16,817,146
Total Long-Term Assets	18,501,211	18,654,904
<b>TOTAL ASSETS</b>	<b>\$ 28,023,770</b>	<b>\$ 27,905,778</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 212,070	\$ 181,641
Accrued Expenses	997,300	917,292
Due to Related Party	78,009	4,061
Bonds Payable - current	375,000	370,000
Total Current Liabilities	1,662,379	1,472,994
<b>LONG-TERM LIABILITIES</b>		
Bonds Payable - long-term, net	9,070,500	9,412,186
Total Long-Term Liabilities	9,070,500	9,412,186
<b>TOTAL LIABILITIES</b>	<b>10,732,879</b>	<b>10,885,180</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	9,487,950	8,310,899
With Donor Restrictions	7,802,941	8,709,699
<b>TOTAL NET ASSETS</b>	<b>17,290,891</b>	<b>17,020,598</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 28,023,770</b>	<b>\$ 27,905,778</b>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2022**  
**(with comparative totals for 2021)**

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>OPERATING REVENUES AND OTHER SUPPORT</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 291,822	\$ 11,175	\$ 302,997	\$ 582,706
5750 Food Service	12,561	-	12,561	25,418
Total Local Support	304,383	11,175	315,558	608,124
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	7,406,343	7,406,343	8,519,596
5820 State Program Revenues Distributed by TEA	-	84,884	84,884	38,934
Total State Program Revenues	-	7,491,227	7,491,227	8,558,530
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA and USDA	-	3,882,877	3,882,877	1,955,478
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	-	485,113	485,113	534,659
5940 Federal Revenues Distributed by Federal Government	-	-	-	2,732
Total Federal Program Revenues	-	4,367,990	4,367,990	2,492,869
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	12,777,150	(12,777,150)	-	-
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<b>13,081,533</b>	<b>(906,758)</b>	<b>12,174,775</b>	<b>11,659,523</b>
<b>OPERATING EXPENSES</b>				
11 Instruction	5,951,782	-	5,951,782	4,575,286
13 Curriculum Development and Instructional Staff Development	273,120	-	273,120	363,076
21 Instructional Leadership	238,386	-	238,386	137,720
23 School Leadership	1,491,298	-	1,491,298	957,943
31 Guidance, Counseling, and Evaluation Services	623,118	-	623,118	569,795
33 Health Services	19,842	-	19,842	3,579
35 Food Services	585,708	-	585,708	464,494
36 Extracurricular Activities	32,550	-	32,550	14,822
41 General Administration	881,111	-	881,111	707,071
51 Plant Maintenance and Operations	1,012,321	-	1,012,321	1,020,621
52 Security and Monitoring	17,048	-	17,048	48,493
53 Data Processing	609,583	-	609,583	520,151
61 Community Services	4,596	-	4,596	444
71 Debt Service	412,900	-	412,900	416,448
81 Fundraising	2,324	-	2,324	1,766
<b>TOTAL OPERATING EXPENSES</b>	<b>12,155,687</b>	<b>-</b>	<b>12,155,687</b>	<b>9,801,709</b>
<b>CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITY</b>	<b>925,846</b>	<b>(906,758)</b>	<b>19,088</b>	<b>1,857,814</b>
<b>NON-OPERATING ACTIVITY</b>				
Employee Retention Credit Income	251,205	-	251,205	1,706,302
<b>TOTAL NON-OPERATING ACTIVITY</b>	<b>251,205</b>	<b>-</b>	<b>251,205</b>	<b>1,706,302</b>
<b>CHANGE IN NET ASSETS AFTER NON- OPERATING ACTIVITY</b>	<b>1,177,051</b>	<b>(906,758)</b>	<b>270,293</b>	<b>3,564,116</b>
<b>NET ASSETS, Beginning of Year</b>	<b>8,310,899</b>	<b>8,709,699</b>	<b>17,020,598</b>	<b>13,456,482</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 9,487,950</b>	<b>\$ 7,802,941</b>	<b>\$ 17,290,891</b>	<b>\$ 17,020,598</b>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2022 and 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program Payments	\$ 8,919,348	\$ 6,503,305
Grant Payments	1,355,395	2,430,677
Miscellaneous Sources	2,502,398	1,912,110
Payments to Vendors for Goods and Services Rendered	(3,011,163)	(2,924,976)
Payments to Charter School Personnel for Services Rendered	(5,665,038)	(5,556,036)
Interest Payments	(295,144)	(299,377)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,805,796</b>	<b>2,065,703</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(802,459)	(1,322,355)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(802,459)</b>	<b>(1,322,355)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Bonds Payable	(370,000)	(365,000)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(370,000)</b>	<b>(365,000)</b>
<b>NET INCREASE IN CASH FLOWS</b>	<b>2,633,337</b>	<b>378,348</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>4,747,422</b>	<b>4,369,141</b>
<b>RESTRICTED CASH, Beginning of Year</b>	<b>55,461</b>	<b>55,394</b>
<b>LESS RESTRICTED CASH, End of Year</b>	<b>(55,492)</b>	<b>(55,461)</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 7,380,728</b>	<b>\$ 4,747,422</b>
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operations:		
Change in Net Assets	\$ 270,293	\$ 3,564,116
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operations:		
Depreciation and Amortization	989,497	856,977
Decrease (Increase) in Assets:		
Due from State	1,203,856	(2,351,587)
Due from Federal Agencies	64,312	162,677
Due from Related Party	(3,394)	(1,104,190)
Employee Retention Credit Receivable	1,104,190	1,444,301
Other Receivables	(1,792)	(100)
Prepaid Expense	(5,551)	(28,881)
Increase (Decrease) in Liabilities:		
Accounts Payable	30,429	91,356
Accrued Expenses	80,008	216,882
Due to Related Party	73,948	(785,848)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 3,805,796</b>	<b>\$ 2,065,703</b>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**SCHEDULE OF EXPENSES**  
**For the Years Ended August 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>EXPENSES</b>		
6100 Payroll Costs	\$ 7,788,220	\$ 6,610,327
6200 Professional and Contracted Services	1,718,522	939,992
6300 Supplies and Materials	908,812	831,630
6400 Other Operating Costs	1,327,233	1,003,312
6500 Debt	412,900	416,448
<b>TOTAL EXPENSES</b>	<b>\$ 12,155,687</b>	<b>\$ 9,801,709</b>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**SCHEDULE OF CAPITAL ASSETS**  
**August 31, 2022**

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	\$ -	\$ 7,380,728	\$ -
1510 Land and Improvements	-	883,025	-
1520 Buildings and Improvements	-	19,096,228	-
1530 Furniture and Equipment	-	3,082,417	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>\$ 31,234,465</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)	\$ 883,025
1520 Buildings and Improvements (State)	19,096,228
1530 Furniture and Equipment (State)	3,082,417
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 Brination, Inc.:*

Building and Improvements, gross	726,984
Furniture and Equipment, gross	232,497

*Plus Brination Foundation:*

Building and Improvements, gross	361,380
----------------------------------	---------

*Less Accumulated Depreciation:*

Inspire Academies	(7,341,618)
Brination, Inc.	(433,391)
Brination Foundation	(184,264)

**Total Property and Equipment per Consolidated Statements of Financial Position:** **\$ 17,447,039**

See independent auditor's report.

**INSPIRE ACADEMIES**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended August 31, 2012**

	Budgeted Amounts		Variance From Original to Final Budget	Actual Amounts	Variance From Final Budget Favorable (Unfavorable)
	Original	Final			
<b>REVENUES AND OTHER SUPPORT</b>					
Local Support:					
5740 Other Revenues from Local Sources	\$ 1,178,672	\$ 600,000	\$ (578,672) [1]	\$ 554,202	\$ (45,798)
5750 Food Service	90,791	13,000	(77,791) [2]	12,561	(439)
<b>Total Local Support</b>	<u>1,269,463</u>	<u>613,000</u>	<u>(656,463)</u>	<u>566,763</u>	<u>(46,237)</u>
State Program Revenues:					
5810 Foundation School Program Act Revenues	8,720,303	8,000,000	(720,303)	7,406,343	(593,657)
5820 State Program Revenues Distributed by TEA	80,057	84,000	3,943	84,884	884
<b>Total State Program Revenues</b>	<u>8,800,360</u>	<u>8,084,000</u>	<u>(716,360)</u>	<u>7,491,227</u>	<u>(592,773)</u>
Federal Program Revenues:					
5920 Federal Revenues Distributed by TEA and USDA	2,502,654	3,800,000	1,297,346 [3]	3,882,877	82,877
5930 Federal Revenues Distributed by Other State of Texas Government Agencies (Other than TEA)	359,859	485,000	125,141 [4]	485,113	113
<b>Total Federal Program Revenues</b>	<u>2,862,513</u>	<u>4,285,000</u>	<u>1,422,487</u>	<u>4,367,990</u>	<u>82,990</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>12,932,336</u>	<u>12,982,000</u>	<u>49,664</u>	<u>12,425,980</u>	<u>(556,020)</u>
<b>EXPENSES</b>					
11 Instructional	5,738,257	5,900,000	(161,743)	5,951,782	(51,782)
13 Curriculum Development and Instructional Staff Development	149,300	273,000	123,700 [13]	273,120	(120)
21 Instructional Leadership	314,706	240,000	(74,706) [13]	238,386	1,614
23 School Leadership	1,195,020	1,500,000	304,980 [5]	1,491,298	8,702
31 Guidance, Counseling and Evaluation Services	611,449	590,000	(21,449)	623,118	(33,118)
33 Health Services	4,295	19,000	14,705 [6]	19,842	(842)
35 Food Services	518,670	565,000	46,330	585,708	(20,708)
36 Extracurricular Activities	26,550	33,000	6,450 [7]	32,550	450
41 General Administration	916,964	850,000	(66,964)	881,111	(31,111)
51 Plant Maintenance and Operations	1,064,304	1,020,600	(43,704)	1,012,321	8,279
52 Security and Monitoring	27,265	17,000	(10,265) [8]	17,048	(48)
53 Data Processing	490,881	609,000	118,119 [9]	609,583	(583)
61 Community Services	14,226	4,600	(9,626) [10]	4,596	4
71 Debt Service	789,255	420,000	(369,255) [11]	412,900	7,100
81 Fundraising	22,066	2,300	(19,766) [12]	2,324	(24)
<b>TOTAL EXPENSES</b>	<u>11,883,208</u>	<u>12,043,500</u>	<u>(163,194)</u>	<u>12,155,687</u>	<u>(112,187)</u>
<b>CHANGE IN NET ASSETS</b>	1,049,128	938,500	(113,530)	270,293	(668,207)
<b>NET ASSETS, Beginning of Year</b>	17,020,598	17,020,598	17,020,598	17,020,598	-
<b>NET ASSETS, End of Year</b>	<u>\$ 18,069,726</u>	<u>\$ 17,959,098</u>	<u>\$ 16,907,068</u>	<u>\$ 17,290,891</u>	<u>\$ (668,207)</u>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended August 31, 2022**

- [1] Variance is due to the original budget including Employer Retention Credit revenue expected for the fourth quarter of 2021; however, the program was cancelled by the federal government, thus not received as expected.
- [2] Variance is due to the original budget including food and a la carte sales; however, the school was approved for the Summer Seamless waiver for the 21-22 school year, which allowed students to eat free thus, reducing the amount of food sales.
- [3] Variance is due to the utilization of more ESSER funding than originally budgeted for at the beginning of the school year for revenue and expenses.
- [4] Variance is due to the original budget assuming a lower reimbursement from the SHARS cost report, but was adjusted to reflect the actual amount that was submitted in April 2022.
- [5] Variance is due to various unbudgeted items identified as a need during the year such as federal program contractor support, software conversion and additional staff training costs.
- [6] Variance is due to receiving a nurse grant which paid for a nurse FTE for part of the 21-22 school year.
- [7] Variance is due to adding extra duty stipends to teachers sponsoring the different sport activities for the students throughout the year.
- [8] Variance is due to lower depreciation expense as majority of the items were fully depreciated in the prior fiscal year thus less expense in the 21-22 school year.
- [9] Variance is due to higher-than-expected IT equipment needs and increased amount of depreciation due to the purchase of more computers for students.
- [10] Variance is due to less community involvement in in-person activities due to COVID-19 pandemic.
- [11] Variance is due to the original budget including both interest and principal as an expense. Principal payments are posted against the bond liability on the statement of financial position instead of in function 71 on the statement of activities. This was adjusted on the final budget.
- [12] Variance is due to the fundraising activity being moved from school-related activity to Braination Foundation. Braination Foundation is a separate 501(c) 3 whose sole purpose is to support the charter school.
- [13] Variance is due to original budget including an employee in function 21 that was reclassified to function 13 during the year.

See independent auditor's report.



**INSPIRE ACADEMIES**  
**USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS**  
**August 31, 2022**

**Section A: Compensatory Education Programs**

Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.104.

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 582,733
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 376,844

**Section B: Bilingual Education Programs**

Districts are required to spend at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.105.

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ 7,625
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$ 21,230

See independent auditor's report.

**INSPIRE ACADEMIES**  
**SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST**  
**August 31, 2022**

<u>Description</u>	<u>Property Address</u>	<u>Total Assessed Value</u>	<u>Ownership Interest Local</u>	<u>Ownership Interest State</u>	<u>Ownership Interest Federal</u>
Land & 3 Building	11216 Bandera Rd. San Antonio, Texas 78250	\$ 1,571,560	\$ -	\$ 1,571,560	\$ -
<b>Total Real Property Ownership Interest</b>		<u>\$ 1,571,560</u>	<u>\$ -</u>	<u>\$ 1,571,560</u>	<u>\$ -</u>

See independent auditor's report.

**INSPIRE ACADEMIES**  
**SCHEDULE OF RELATED PARTY TRANSACTIONS**  
**For the Year Ended August 31, 2022**

<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, 2022**

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

See independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**August 31, 2022**  
**(with comparative totals for 2021)**

	<b>2022</b>					
	<b>Braination, Inc.</b>	<b>Inspire Academies</b>	<b>Braination Foundation</b>	<b>Eliminating Entries</b>	<b>Total</b>	<b>2021 Total</b>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 2,923,203	\$ 7,380,728	\$ 95,861	\$ -	\$ 10,399,792	\$ 6,556,073
Due from State	-	1,614,131	-	-	1,614,131	2,817,987
Due from Federal Agencies	-	450,197	-	-	450,197	1,014,509
Due from Related Party	72,025	7,581	-	(79,606)	-	-
Employee Retention Credit Receivable	-	-	-	-	-	1,453,976
Other Receivables	-	2,532	-	-	2,532	19,384
Prepaid Expense	27,753	67,390	-	-	95,143	398,317
Total Current Assets	<u>3,022,981</u>	<u>9,522,559</u>	<u>95,861</u>	<u>(79,606)</u>	<u>12,561,795</u>	<u>12,260,246</u>
<b>LONG-TERM ASSETS</b>						
Restricted Cash	-	55,492	-	-	55,492	55,461
Deferred Charges on Refunding, net	-	1,701,886	-	-	1,701,886	1,782,297
Property and Equipment, net	526,090	16,743,833	177,116	-	17,447,039	17,526,320
Total Long-Term Assets	<u>526,090</u>	<u>18,501,211</u>	<u>177,116</u>	<u>-</u>	<u>19,204,417</u>	<u>19,364,078</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,549,071</u>	<u>\$ 28,023,770</u>	<u>\$ 272,977</u>	<u>\$ (79,606)</u>	<u>\$ 31,766,212</u>	<u>\$ 31,624,324</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	\$ 732	\$ 212,070	\$ -	\$ -	\$ 212,802	\$ 190,337
Accrued Expenses	6,487	997,300	-	-	1,003,787	1,098,416
Due to Related Party	1,207	78,009	390	(79,606)	-	-
Bonds Payable - current	-	375,000	-	-	375,000	370,000
Total Current Liabilities	<u>8,426</u>	<u>1,662,379</u>	<u>390</u>	<u>(79,606)</u>	<u>1,591,589</u>	<u>1,658,753</u>
<b>LONG-TERM LIABILITIES</b>						
Bonds Payable - long-term, net	-	9,070,500	-	-	9,070,500	9,412,186
Total Long-Term Liabilities	<u>-</u>	<u>9,070,500</u>	<u>-</u>	<u>-</u>	<u>9,070,500</u>	<u>9,412,186</u>
<b>TOTAL LIABILITIES</b>	<u>8,426</u>	<u>10,732,879</u>	<u>390</u>	<u>(79,606)</u>	<u>10,662,089</u>	<u>11,070,939</u>
<b>NET ASSETS</b>						
Without Donor Restrictions	3,540,645	9,487,950	163,028	-	13,191,623	11,741,686
With Donor Restrictions	-	7,802,941	109,559	-	7,912,500	8,811,699
<b>TOTAL NET ASSETS</b>	<u>3,540,645</u>	<u>17,290,891</u>	<u>272,587</u>	<u>-</u>	<u>21,104,123</u>	<u>20,553,385</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,549,071</u>	<u>\$ 28,023,770</u>	<u>\$ 272,977</u>	<u>\$ (79,606)</u>	<u>\$ 31,766,212</u>	<u>\$ 31,624,324</u>

See independent auditor's report.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2022**  
**(with comparative totals for 2021)**

	2022				Total	2021 Total
	Braination, Inc.	Inspire Academies	Braination Foundation	Eliminating Entries		
<b>OPERATING REVENUES AND OTHER SUPPORT</b>						
Local Support:						
Other Revenue from Local Sources	\$ 1,525,181	\$ 297,402	\$ 7,559	\$ (172,500)	\$ 1,657,642	\$ 3,099,659
Food Service Revenue	-	12,561	-	-	12,561	25,418
Earnings from Temporary Deposits and Investments	1,541	5,595	30	-	7,166	3,201
Total Local Support	<u>1,526,722</u>	<u>315,558</u>	<u>7,589</u>	<u>(172,500)</u>	<u>1,677,369</u>	<u>3,128,278</u>
State Program Revenues:						
Foundation School Program Act Entitlements	-	7,406,343	-	-	7,406,343	8,519,596
Other State Program Revenue	-	84,884	-	-	84,884	38,934
Total State Program Revenues	<u>-</u>	<u>7,491,227</u>	<u>-</u>	<u>-</u>	<u>7,491,227</u>	<u>8,558,530</u>
Federal Program Revenues:						
Title I, Part A - Grants to Local Education Agencies	-	525,117	-	-	525,117	460,825
Title I, Part D, Subpart 2 - Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk	-	321,560	-	-	321,560	486,780
IDEA - Part B, Formula	-	231,172	-	-	231,172	230,636
National School Breakfast Program	-	145,048	-	-	145,048	97,677
National School Lunch Program	-	404,570	-	-	404,570	174,691
Title II, Part A - Improving Teacher Quality State Grants	-	20,050	-	-	20,050	43,918
Title IV, Part A - SSAEP	-	47,696	-	-	47,696	33,590
Education Stabilization Fund - COVID-19	-	2,187,664	-	-	2,187,664	382,115
School Health and Related Services	-	485,113	-	-	485,113	514,595
Other Federal Revenues Distributed by TEA	-	-	-	-	-	45,246
TDEM COVID-19 Grant	-	-	-	-	-	20,064
Other Federal Revenues Distributed by Federal Government	-	-	-	-	-	2,732
Total Federal Program Revenues	<u>-</u>	<u>4,367,990</u>	<u>-</u>	<u>-</u>	<u>4,367,990</u>	<u>2,492,869</u>
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<u>\$ 1,526,722</u>	<u>\$ 12,174,775</u>	<u>\$ 7,589</u>	<u>\$ (172,500)</u>	<u>\$ 13,536,586</u>	<u>\$ 14,179,677</u>

See independent auditor's report.

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2022**  
**(with comparative totals for 2021)**

(continued)

	2022				Total	2021 Total
	Braination, Inc.	Inspire Academies	Braination Foundation	Eliminating Entries		
<b>OPERATING EXPENSES</b>						
Salaries	\$ 783,618	\$ 6,332,595	\$ -	\$ -	\$ 7,116,213	\$ 7,350,243
Payroll Taxes and Benefits	79,296	1,039,613	-	-	1,118,909	975,970
Depreciation Expense	34,289	875,772	12,046	-	922,107	820,037
Rental Expense	8,244	686,141	-	-	694,385	696,228
General Supplies	24,340	596,326	-	-	620,666	631,335
Health Insurance	42,253	416,012	-	-	458,265	366,970
Other Contract Labor	72,806	283,453	-	-	356,259	270,428
Utilities	41,326	258,323	-	-	299,649	315,917
Interest Expense	831	295,144	-	-	295,975	299,377
Food/Non-Food Expenses	-	255,101	-	-	255,101	196,601
Maintenance and Repair	24,227	153,058	-	-	177,285	115,032
Professional Services	-	173,785	-	-	173,785	126,938
Travel Expenses	3,222	167,087	-	-	170,309	69,089
Miscellaneous Expenses	178,091	161,310	390	(172,500)	167,291	108,179
Insurance and Bonding	13,597	127,095	-	-	140,692	120,514
Bond Amortization Expense	-	113,725	-	-	113,725	114,071
Educational Service Center	2,472	81,602	-	-	84,074	82,749
Accounting Fees	-	36,977	1,950	-	38,927	38,735
Supplies for Maintenance and Repairs	43	35,782	-	-	35,825	45,472
Tuition and Related Expenses	-	23,251	-	-	23,251	2,300
Legal Services	-	21,932	-	-	21,932	48,912
Instructional Materials	-	21,603	-	-	21,603	6,306
<b>TOTAL OPERATING EXPENSES</b>	<b>1,308,655</b>	<b>12,155,687</b>	<b>14,386</b>	<b>(172,500)</b>	<b>13,306,228</b>	<b>12,801,403</b>
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY</b>	<b>218,067</b>	<b>19,088</b>	<b>(6,797)</b>	<b>-</b>	<b>230,358</b>	<b>1,378,274</b>
<b>NON-OPERATING ACTIVITY</b>						
Employee Retention Credit Income	69,175	251,205	-	-	320,380	2,248,235
PPP Revenue	-	-	-	-	-	681,810
<b>TOTAL NON-OPERATING ACTIVITY</b>	<b>69,175</b>	<b>251,205</b>	<b>-</b>	<b>-</b>	<b>320,380</b>	<b>2,930,045</b>
<b>CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY</b>	<b>287,242</b>	<b>270,293</b>	<b>(6,797)</b>	<b>-</b>	<b>550,738</b>	<b>4,308,319</b>
<b>NET ASSETS, Beginning 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>
<b>NET ASSETS, End of Year</b>	<b>\$ 3,540,645</b>	<b>\$ 17,290,891</b>	<b>\$ 272,587</b>	<b>\$ -</b>	<b>\$ 21,104,123</b>	<b>\$ 20,553,385</b>

See independent auditor's report.



# **SINGLE AUDIT SECTION**

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**August 31, 2022**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed Through Texas Education Agency:			
Title I Grants to Local Education Agencies	84.010A	22610101015808	\$ 474,675
Title I Grants to Local Education Agencies	84.010A	23610101015808	50,442
Title I Grants to Local Education Agencies	84.010A	22610103015808	295,476
Title I Grants to Local Education Agencies	84.010A	21610103015808	26,084
			<u>846,677</u>
Supporting Effective Instruction State Grants	84.367A	22694501015808	20,050
Student Support and Academic Enrichment Program	84.424A	2380101015808	39,056
Student Support and Academic Enrichment Program	84.424A	2068011015808	8,640
			<u>47,696</u>
Education Stabilization Fund - COVID-19	84.425D	20521001015808	265,396
Education Stabilization Fund - COVID-19	84.425D	21521001015808	1,693,259
Education Stabilization Fund - COVID-19	84.425U	21528001015808	229,009
			<u>2,187,664</u>
Special Education Grants to States	84.027A	225350010158085350	25,495
Special Education Grants to States	84.027A	226600010158086600	205,677
			<u>231,172</u>
<b>Total U.S. Department of Education</b>			<u>3,333,259</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	145,048
National School Lunch Program	10.555	71301801	404,570
National School Lunch Program	10.555	N/A	11,175
Total Child Nutrition Cluster			<u>560,793</u>
<b>Total U.S. Department of Agriculture</b>			<u>560,793</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>3,894,052</u>
<b><u>TEXAS EDUCATION AGENCY</u></b>			
Mathematics Achievement	N/A	N/A	19,855
School Lunch Matching	N/A	030019	5,090
Instructional Materials Allotment	N/A	N/A	59,939
			<u>84,884</u>
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<u>84,884</u>
<b>TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS</b>			<u>\$ 3,978,936</u>

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

**BRAINATION, INC. AND AFFILIATES**  
**(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**August 31, 2022**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (the Schedule) summarizes the expenditures of Braination, Inc. and its affiliates (Inspire Academies and Braination Foundation) under programs of the federal government for the year ended August 31, 2022. 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 5 - 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, 2022.

Braination, Inc. and its affiliates did not disburse any federal or state awards to subrecipients for the year ended August 31, 2022.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Braination, Inc. and its affiliates (Inspire Academies and Braination Foundation), nonprofit organizations, which comprise the consolidated statement of financial position as of August 31, 2022, 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 17, 2023.

**Report on 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.

## **Report on 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 their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Braination, Inc. 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 17, 2023

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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Braination, Inc. 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, 2022. Braination, Inc. and its affiliates’ major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Braination, Inc. and its affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Braination, Inc. and its affiliates and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Braination, Inc. and its affiliates’ compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Braination, Inc. and its affiliates’ federal programs.

### ***Auditor's Responsibility***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Braination, Inc. and its affiliates' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Braination, Inc. and its affiliates' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Braination, Inc. and its affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Braination, Inc. and its affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Braination, Inc. and its affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Randy Walker & Co*

San Antonio, Texas  
January 17, 2023



**BRAINATION, INC. AND AFFILIATES  
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2022**

**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**

84.425 Education Stabilization Fund	
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Audit qualified as low-risk auditee	Yes

**BRAINATION, INC. AND AFFILIATES  
(INSPIRE ACADEMIES AND BRAINATION FOUNDATION)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2022**

**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 BRAINATION FOUNDATION)**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended August 31, 2022**

I. PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

- None -

II. PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- None -