

GENESIS SCHOOLS

DBA Pegasus School of
Liberal Arts and Sciences

For the Years Ended
August 31, 2022

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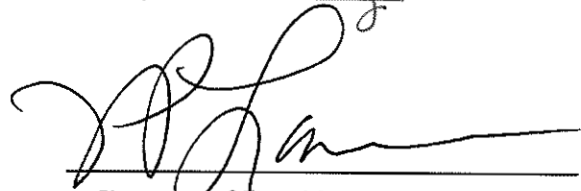
GENESIS SCHOOLS (Charter Holder)
(Federal Employer Identification Number 75-2640636)
CDN 057-802

CERTIFICATE OF BOARD

We, the undersigned, certify that the attached annual Financial and Compliance Report of the above Genesis Schools (Charter Holder) was reviewed and approved () disapproved for the year ended August 31, 2022, at a meeting of the governing body of the charter holder on the 24th day of January, 2023.



Signature of Board Secretary



Signature of Board President

NOTE: If the governing body of the Charter Holder does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Genesis Schools
Dallas, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Genesis Schools (Charter Holder) DBA Pegasus School of Liberal Arts and Sciences (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of August 31, 2022, and the changes in its net assets and its 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 opinions.

Other Matter

The financial statements of the Organization for the year ended August 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on January 18, 2022.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt the Organization's ability to continue as a going concern within one year after the date that the 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 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2023, 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.

A handwritten signature in black ink that reads "Vail + Park, P.C." The signature is written in a cursive, slightly slanted style.

Richardson, Texas

January 23, 2023

FINANCIAL STATEMENTS

GENESIS SCHOOLS
Statement of Financial Position
August 31, 2022

	2022	2021
ASSETS		
Current Assets:		
Cash & Cash Equivalents	\$ 770,046	\$ 1,360,134
Investments	64,677	64,677
Due from State	1,821,211	1,152,864
Receivables	97,480	251,438
Total Current Assets	2,753,414	2,829,113
Property & Equipment, Net	14,425	16,348
Total Assets	\$ 2,767,839	\$ 2,845,461
 LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 120,728	\$ 228,514
Accrued Wages	29,719	29,719
Total Current Liabilities	150,447	258,233
Total Liabilities	150,447	258,233
Net Assets:		
Without Donors Restrictions	1,399,444	1,276,612
With Donors Restrictions	1,217,948	1,310,616
Total Net Assets	2,617,392	2,587,228
Total Liabilities & Net Assets	\$ 2,767,839	\$ 2,845,461

The notes to the financial Statements are an integral part of this statement.

GENESIS SCHOOLS
Statement of Financial Activities
For the Years Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 122,832	\$ -	\$ 122,832	\$ 177,482
Total Local Support	<u>122,832</u>	<u>-</u>	<u>122,832</u>	<u>177,482</u>
State Program Revenues:				
5810 Foundation School Program Revenues	-	5,073,504	5,073,504	5,401,051
5820 State Program Revenues Distributed by Texas Education Agency	-	69,306	69,306	2,920
5830 Other State Program Revenues	-	-	-	184,374
Total State Program Revenues	<u>-</u>	<u>5,142,810</u>	<u>5,142,810</u>	<u>5,588,345</u>
5920 Federal Program Revenues:				
Title I - Improving Basic Programs	-	299,865	299,865	270,835
Title II - Supporting Effective Instruction	-	55,873	55,873	6,896
Title III - English Language Acquisition	-	23,651	23,651	14,467
Title IV - Academic Enrichment	-	33,019	33,019	24,094
IDEA, Part B, Special Education Grants	-	116,995	116,995	99,067
National School Lunch/Breakfast Program	-	305,220	305,220	257,485
ESSER I Fund	-	-	-	257,164
ESSER II Fund	-	651,102	651,102	312,838
ESSER III ARP	-	314,400	314,400	-
ESSER III Fund	-	1,399,046	1,399,046	115,570
Other Federal Program Revenues	-	19,516	19,516	10,761
Total Federal Program Revenues	<u>-</u>	<u>3,218,687</u>	<u>3,218,687</u>	<u>1,369,177</u>
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	<u>8,454,165</u>	<u>(8,454,165)</u>	<u>-</u>	<u>-</u>
 Total Revenues	 <u>\$ 8,576,997</u>	 <u>\$ (92,668)</u>	 <u>\$ 8,484,329</u>	 <u>\$ 7,135,004</u>

The notes to the financial Statements are an integral part of this statement.

GENESIS SCHOOLS
Statement of Financial Activities
For the Years Ended August 31, 2022
Continued

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
EXPENSES				
11 Instruction	\$ 4,536,908	\$ -	\$ 4,536,908	\$ 2,931,813
12 Instructional Resources & Media Services	221	-	221	206
13 Curriculum Development & Instructional Staff Development	518,309	-	518,309	409,187
21 Instructional Leadership	257,281	-	257,281	174,316
23 School Leadership	560,435	-	560,435	513,604
31 Guidance, Counseling & Evaluation Services	102,711	-	102,711	81,653
33 Health Services	-	-	-	587
34 Student (Pupil) Transportation	60,384	-	60,384	41,577
35 Food Service	434,960	-	434,960	254,985
36 Co-curricular/Extracurricular Activities	96,343	-	96,343	4,005
41 General Administrative	479,473	-	479,473	624,912
51 Facilities Maintenance & Operations	1,067,484	-	1,067,484	1,505,880
52 Security and Monitoring Service	184,647	-	184,647	14,696
53 Data Processing Service	155,009	-	155,009	86,251
61 Community Services	-	-	-	119
Total Expenses	<u>8,454,165</u>	<u>-</u>	<u>8,454,165</u>	<u>6,643,791</u>
Change in Net Assets	122,832	(92,668)	30,164	491,213
Net Assets - Beginning of Year	<u>1,276,612</u>	<u>1,310,616</u>	<u>2,587,228</u>	<u>2,096,015</u>
Net Assets - End of Year	<u>\$ 1,399,444</u>	<u>\$ 1,217,948</u>	<u>\$ 2,617,392</u>	<u>\$ 2,587,228</u>

The notes to the financial Statements are an integral part of this statement.

GENESIS SCHOOLS
Statement of Cash Flows
For the Years Ended August 31, 2022

	2022	2021
Cash Flows from Operating Activities:		
Local Support	\$ 122,832	\$ 177,482
State Program Payments	5,222,461	5,451,701
Federal Program Payments	2,624,647	709,232
Payments to Vendors for Goods and Services Rendered	(3,020,271)	(2,464,072)
Payments to Charter School Personnel for Services Rendered	(5,539,757)	(4,049,896)
Net Cash Provided by Operating Activities	(590,088)	(175,553)
 Net Change in Cash & Cash Equivalents	 (590,088)	 (175,553)
 Cash & Equivalents at Beginning of Year	 <u>1,360,134</u>	 <u>1,535,687</u>
 Cash & Equivalents at End of Year	 <u>\$ 770,046</u>	 <u>\$ 1,360,134</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase/(Decrease) in Net Assets	\$ 30,164	\$ 491,213
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,923	1,923
(Increase)/Decrease in:		
Due from State	(668,347)	(578,199)
Receivables	153,958	(204,854)
Increase/(Decrease) in:		
Accounts Payable	(107,786)	117,425
Accrued Wages	-	10,475
Unearned Revenue	-	(13,536)
Net Cash Provided by Operating Activities	\$ (590,088)	\$ (175,553)

The notes to the financial Statements are an integral part of this statement.

GENESIS SCHOOLS
Notes to Financial Statements
For the Years Ended August 31, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of Genesis Schools (the "Charter Holder") dba Pegasus School of Liberal Arts and Sciences (a non-profit corporation) were prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The Charter Holder is a not-for-profit organization incorporated in the State of Texas in 1996 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter Holder is governed by a Board of Directors comprised of five members. The Board of Directors is selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions, appoint the chief executive officer of the Charter Holder, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Charter Holders.

Since the Charter Holder received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

The Charter Holder is designed for the serious student, is an interdisciplinary public school serving grades kindergarten through twelve, and is located in downtown Dallas, Texas. The Charter Holder was formed on March 11, 1996. The Charter Holder operates under an open enrollment charter granted by the Texas State Board of Education. This charter was originally issued for a period of five years and is subject to review and renewal prior to the expiration date of the original charter. The Charter Holder renewed the original charter in 2012 for a period of ten years. The Charter Holder is part of the public charter school system of the State of Texas and is therefore entitled to distribution from the Texas Education Agency's ("TEA") available school fund. The Charter Holder does not have the authority to impose ad valorem taxes or to charge tuition. During this fiscal year, the Charter Holder renewed the Charter with the state of Texas for an additional ten years.

Basis of Presentation

In order to comply with accounting principles generally accepted in the United States of America, the School must prepare its external financial statements in accordance with statements issued by the Financial Accounting Standard Board as described in the AICPA Audit and Accounting Guide for not-for-profit organizations. The Audit Guide requires classification of the School's net assets and its revenues, expenses, gains, and losses based on the existence or absences of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets – without donor restrictions and with donor restrictions - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Charter Holder, the charter school and/or the passage of time. When a restriction expires, with donor restrictions net assets are reclassified to without donor restrictions and reported in the Statement of Activities as net assets released from donor restrictions.

GENESIS SCHOOLS
Notes to Financial Statements
For the Years Ended August 31, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash & Cash Equivalents

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

Capital Assets

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

Contributions

The Charter Holder accounts for contributions as without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in with donor restrictions net assets in the reporting period in which the support is recognized. When a restriction expires, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the Statement of Activities as net assets released from donor restrictions.

Use of Estimates

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

INVESTMENTS

Investments are stated at fair value and are as follows:

	2022	2021
Certificates of Deposit	<u>\$ 64,677</u>	<u>\$ 64,677</u>

Disclosures about Fair Value of Financial Instruments

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments – Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of investments with similar characteristics or discounted cash flows. The School does not have, at August 31, 2022, or at any time during the year, any investments classified as Level 2 or Level 3.

GENESIS SCHOOLS
Notes to Financial Statements
For the Years Ended August 31, 2022

INVESTMENTS *(continued)*

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2022.

	Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 64,677	\$ 64,677	\$ -	\$ -

LIQUIDITY & AVAILABILITY

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

Cash & Cash Equivalents	\$ 770,046
Investments	64,677
Due from State	1,821,211
Receivables	97,480
Total Financial Assets	\$ 2,753,414
Less: Donor Restrictions	(1,217,948)
	\$ 1,535,466

As of August 31, 2022, the School maintained \$2,513,594 in total financial assets, of which \$593,472 was considered restricted. The remaining \$1,920,122 is available for general expenditure.

DUE FROM STATE

As of August 31, 2022, the Charter Holder had earned the following revenues which were not received until after the fiscal year end:

	2022	2021
(211) Title I - Improving Basic Programs	\$ 74,078	42,322
(224) IDEA - Part B, Special Education Grants	-	14,682
(225) IDEA - Part B, PreSchool	-	629
(240) Child Nutrition Program	23,878	65,124
(255) Title II - Supporting Effective Instructor	25,998	6,174
(263) Title III - English Language Acquisition	2,110	2,904
(266) ESSER I	-	77,800
(281) ESSER II	161,742	312,838
(282) ESSER III	936,211	115,570
(285) IDEA-B Preschool ARP	567	-
(289) Title IV - Academic Enrichment	11,520	4,021
(410) State Textbook Fund	-	-
(420) State Foundation Program	585,107	510,800
Total	\$ 1,821,211	\$ 1,152,864

GENESIS SCHOOLS
Notes to Financial Statements
For the Years Ended August 31, 2022

CAPITAL ASSETS

Capital assets at August 31, 2022 were as follows:

	<u>2022</u>	<u>2021</u>
Building Improvements	\$ 859,264	\$ 859,264
Equipment	106,523	106,523
Total Property & Equipment	<u>965,787</u>	<u>965,787</u>
Less: Accumulated Depreciation	<u>(951,362)</u>	<u>(949,439)</u>
Total Property & Equipment, Net	<u>\$ 14,425</u>	<u>\$ 16,348</u>

Depreciation expense for the years ended August 31, 2022 was \$1,923.

OPERATING LEASES

On May 11, 2018, The Charter Holder amended a lease with Brama Commerce Street, Ltd. for space known as the Manor House. The lease amendment extends the lease period an additional seven years and expires December 31, 2025.

On February 6, 2019, the Charter Holder entered into a copier lease agreement with the Documentworks of DFW, LLC, by cancelling the copier lease early with the EverBank (TIAA Commercial Finance). The new copier lease term extends through March 31, 2024, for the use of seven copy machines.

The Charter Holder amended an operating lease on September 1, 2021, with Canton Main Properties, Ltd, for office space. The lease amendment extends the lease period through August 31, 2024, at which point the lease will convert to a month-to-month basis, unless renewed.

Future minimum lease payments for fiscal years ended August 31st are as follows:

<u>Period Ending</u> <u>August 31</u>	<u>Amount</u>
2023	\$ 758,495
2024	760,603
2025	706,511
2026	236,845
2027	-
Thereafter	-
Total	<u>\$ 2,462,454</u>

NET ASSETS WITH DONOR RESTRICTIONS

The School reports gifts of cash and other assets as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are classified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions support.

GENESIS SCHOOLS
Notes to Financial Statements
For the Years Ended August 31, 2022

NET ASSETS WITH DONOR RESTRICTIONS *(continued)*

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the following restricted purposes:

State Funded Educational Programs	\$ 5,235,478
Federally Funded Educational Programs	<u>3,218,687</u>
Total	<u>\$ 8,454,165</u>

At August 31, 2022, net assets with donor restrictions, are available for the following purposes:

State Funded Educational Programs	<u>\$ 1,217,948</u>
Total	<u>\$ 1,217,948</u>

GENESIS SCHOOLS
Notes to Financial Statements
For the Years Ended August 31, 2022

DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/Pages/aboutpublications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity, except for members who are grandfathered, when the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity of \$2,000, whichever was less.

GENESIS SCHOOLS
Notes to Financial Statements
For the Years Ended August 31, 2022

DEFINED BENEFIT PENSION PLAN *(continued)*

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 thru 2025. Charter Schools are legally separate entities from the State and each other. Assets contributed by one Charter School may be used for the benefit of another Charter School. Unfunded pension obligations get passed along to other plan participants. There is no penalty for leaving the TRS system.

	2022	2021
Member	8.0%	7.7%
Non-Employer Contributing Entity (State)	7.75%	7.5%
Employers	7.75%	7.5%
Employer Contributions	\$ 234,066	\$ 142,483
Member Contributions	\$ 362,896	\$ 250,844

The Charter School's contributions did not represent more than 5% of the total contributions to the plan.

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

GENESIS SCHOOLS
Notes to Financial Statements
For the Years Ended August 31, 2022

DEFINED BENEFIT PENSION PLAN *(continued)*

Contributions *(continued)*

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.
- When the employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2021, actuarial was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	1.95%
Inflation Rate	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

Discount Rate

A single discount rate of 7.25% used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

GENESIS SCHOOLS
Notes to Financial Statements
For the Years Ended August 31, 2022

DEFINED BENEFIT PENSION PLAN *(continued)*

Discount Rate *(continued)*

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2021 are summarized below:

<u>Asset Class</u>	<u>Target Allocation % (1)</u>	<u>Long-Term Expected Arithmetic Real Rate of Return (2)</u>	<u>Expected Contribution to Long-Term Portfolio</u>
Global Equity			
U.S.	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	-0.7%	0.01%
Absolute Return	0.00%	1.1%	0.00%
Stable Value Hedge	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy & Natural Resources	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity			
Risk Parity	8.0%	2.8%	0.28%
Leverage			
Cash	2.0%	-0.7%	-0.01%
Asset Allocation Leverage	-6.00%	-0.5%	0.03%
Inflation Expectation			2.2%
Volatility Drag (3)			-0.95%
Total	<u>100.00%</u>		<u>6.90%</u>

(1) Target allocations are based on the FY2021 policy model.

(2) Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).

(3) The volatility drag results from the conversion between arithmetic and geometric mean returns.

GENESIS SCHOOLS
Notes to Financial Statements
For the Years Ended August 31, 2022

HEALTH CARE COVERAGE

During the year ended August 31, 2022, employees of the Charter Holder were covered by a health insurance plan (the "Plan"). The Charter Holder contributes \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

COMMITMENTS & CONTINGENCIES

The Charter Holder receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the Charter Holder have complex compliance requirements and should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so, determined by the Texas Education Agency or the grantor agency.

CHARTER HOLDER OPERATIONS

The Charter Holder operated one charter school, Pegasus School of Liberal Arts and Sciences, and did not conduct any other charter or non-charter activities.

EVALUATION OF SUBSEQUENT EVENTS

The Charter Holder has evaluated subsequent events through January 23, 2023, the date which the financial statements were available to be issued.

T. E. A. REQUIRED SCHEDULES

GENESIS SCHOOLS
Schedule of Expenses
For the Years Ended August 31, 2022 and 2021

EXPENSES	2022	2021
6100 Payroll Cost	5,433,894	\$ 4,179,719
6200 Professional and Contracted Services	2,268,712	1,927,500
6300 Supplies and Materials	457,300	379,791
6400 Other Operating Costs	263,267	156,781
6600 Capital Outlay	30,992	-
Total Expenses	\$ 8,454,165	\$ 6,643,791

GENESIS SCHOOLS
Statement of Capital Assets
As of August 31, 2022

CAPITAL ASSETS	Ownership Interest		
	<u>Local</u>	<u>State</u>	<u>Federal</u>
1110 Cash and Investments	\$ -	\$ 834,723	\$ -
1520 Building and Improvements	-	859,264	-
1539 Furniture and Equipment	-	106,523	-
Total Capital Assets	\$ -	\$ 1,800,510	\$ -

GENESIS SCHOOLS
 Budgetary Comparison Schedule
 For the Year Ended August 31, 2022

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final		
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ -	\$ 122,832	\$ 122,832	\$ -
Total Local Support	-	122,832	122,832	-
State Program Revenues:				
5810 Foundation School Program Revenues	5,808,628	5,073,504	5,073,504	-
5820 State Program Revenues Distributed by Texas Education Agency	-	69,306	69,306	-
5830 Other State Program Revenues	-	-	-	-
Total State Program Revenues	5,808,628	5,142,810	5,142,810	-
Federal Program Revenues:				
5920 Federal Revenues Distributed by the Texas Education Agency	325,000	3,218,687	3,218,687	-
Total Federal Program Revenues	325,000	3,218,687	3,218,687	-
 Total Revenues	 6,133,628	 8,484,329	 8,484,329	 -
EXPENSES:				
Program Services:				
11 Instruction	2,599,958	4,536,908	4,536,908	-
12 Instructional Resources & Media Services	500	221	221	-
13 Curriculum Development & Instructional Staff Development	375,191	518,309	518,309	-
21 Instructional Leadership	146,687	257,281	257,281	-
23 School Leadership	670,556	560,435	560,435	-
31 Guidance, Counseling & Evaluation Services	31,458	102,711	102,711	-
33 Health Services	750	-	-	-
34 Student (Pupil) Transportation	125,490	60,384	60,384	-
35 Food Service	328,420	434,960	434,960	-
36 Co-curricular/Extracurricular Activities	89,641	96,343	96,343	-
41 General Administration	525,587	479,473	479,473	-
51 Plant Maintenance and Operations	1,051,410	1,067,484	1,067,484	-
52 Security & Monitoring Services	47,000	184,647	184,647	-
53 Data Processing Services	139,280	155,009	155,009	-
61 Community Services	1,700	-	-	-
Total Expenses	6,133,628	8,454,165	8,454,165	-
 Change in Net Assets	 -	 30,164	 30,164	 -
 Net Assets, Beginning of Year	 2,587,228	 2,587,228	 2,587,228	 -
 Net Assets, End of Year	 \$ 2,587,228	 \$ 2,617,392	 \$ 2,617,392	 \$ -

GENESIS SCHOOLS
 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 the Fiscal Year</u>	<u>Principal Balance Due</u>
John Bucy	Virginia Lannen	Son	Financial	Sports League Membership	State	By Invoice	\$ 13,290	\$ -

GENESIS SCHOOLS
 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 the Fiscal Year</u>
Virginia Hart	Virginia Lannen	Daughter	Compensation	Monthly	Salary	State	\$ 173,180
Virginia Hart	Virginia Lannen	Daughter	Benefit	Monthly	Insurance	State	\$ 35,543
Virginia Hart	Virginia Lannen	Daughter	Benefit	Monthly	Connectivity and Transportation	State	\$ 2,400
Virginia Hart	Virginia Lannen	Daughter	Benefit	Monthly	Medicare	State	\$ 2,546
Virginia Hart	Virginia Lannen	Daughter	Benefit	Monthly	TRS Related	State	\$ 11,954

GENESIS SCHOOLS
 Schedule J4 – Use of Funds Report
 For the Year Ended August 31, 2022

J4 Use of Funds Report		
Data Codes	Account Description	1 Responses
<i>State Compensatory Education</i>		
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	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$687,376
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30,34)	\$583,845
<i>Bilingual Education</i>		
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	Total state allotment funds received for bilingual education programs during the district's fiscal year.	\$72,199
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25 and 35)	\$56,692

COMPLIANCE AND INTERNAL CONTROLS SECTION

**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 Directors of
Genesis Schools (Charter Holder)
Dallas, 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 financial statements of Genesis Schools (a nonprofit organization)(the "Organization"), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Vail + Park, P.C." The signature is written in a cursive, slightly slanted style.

Richardson, Texas
January 23, 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 Directors of
Genesis Schools (Charter Holder)
Dallas, Texas

Report on Compliance for Each Major Federal Program

We have audited Genesis Schools' (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibilities for the Audit of Compliance

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 the Organization's 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 the Organization's 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 the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's 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 the Organization's 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 a 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, 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.

Vail + Park, P.C.

Richardson, Texas
January 23, 2023

GENESIS SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2022

I. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies were disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No issues of noncompliance material to the financial statements which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal controls over major federal award programs were disclosed during the audit. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Title 2 U.S. CFR Part 200, of the Uniform Guidance.
7. The programs tested as major programs were:

ESSER II	84.425D
ESSER III	84.425U
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. Auditee was determined to be a low- risk auditee.

GENESIS SCHOOLS
Schedule of Status of Prior Findings
For the Year Ended August 31, 2022

<u>Program</u>	Status of Prior Year's Finding	<u>Noncompliance</u>
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- NONE -

GENESIS SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

<u>Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass Through Entity ID Number</u>	<u>Federal Expenditures</u>
<u>United States Department of Education</u>			
<u>Passed Through Region 10 ESC:</u>			
Title I - Improving Basic Programs	84.010A	S010A1630043	\$ 299,865
Title II - Supporting Effective Instruction	84.367A	S367A160041	55,265
Title III - English Language Acquisition	84.365A	16671001057802	23,651
Title IV - Academic Enrichment	84.424A	S424A200045	33,019
Total Passed Through Region 10 ESC			411,800
<u>Passed Through State Department of Education:</u>			
<u>Special Education Cluster:</u>			
IDEA - Part B, Formula	84.027A	206600010578026000	116,995
IDEA - Part B, Preschool	84.173A	206610010578026000	608
Subtotal Special Education Cluster	84.425D	20521001057802	117,603
ESSER II Fund	84.425D	21521001057802	651,102
ESSER III ARP	84.425U	S425U210042	314,400
ESSER III Fund	84.425D	21521001057802	1,399,046
Total Passed Through State Department of Education			2,482,151
Total United States Department of Education			2,893,951
<u>United States Department of Health and Human Services</u>			
<u>Passed Through State Department of Health and Human Services</u>			
ELC Reopening Schools	93.323	HHS001114100001	19,516
Total Passed Through State Department of Health and Human Services			19,516
Total United States Department of Health and Human Services			19,516
<u>United States Department of Agriculture</u>			
<u>Passed Through State Department of Education</u>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	71402001	52,914
National School Lunch	10.555	71302001	248,224
Donated Commodities	10.555	NA	4,082
Total Child Nutrition Cluster:			305,220
Total Passed Through State Department of Education			305,220
Total United States Department of Agriculture			305,220
Total Expenditures of Federal Awards			\$ 3,218,687

Standard Financial Accounting System

For all federal programs, the corporation used the net asset classes and codes specified by the Texas Education Agency in the Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts. Net Assets with Donor Restrictions are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in Net Assets with Donor Restrictions.

GENESIS SCHOOLS
Notes to Schedule of Expenditures of Federal Awards
For Year Ended August 31, 2022

1. Basis of Presentation

For all federal programs, the School uses the fund types specified in Texas Education Agency's "Financial Accountability System Resource Guide." Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.

2. Summary of Significant Accounting Policies

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred expenditures until earned.

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Contingencies

The School participates in numerous Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2022 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.