

CITYSCAPE SCHOOLS, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2021



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CERTIFICATE OF BOARD

CityScape Schools, Inc.
County-District Number: 057-841


We, the undersigned, certify that the attached annual financial reports of the above named charter holder were reviewed and:

☒ approved ☐ disapproved

for the year ended August 31, 2021, at a meeting of the board of directors of such charter holder on the 14th day of January 2022.



Signature of Board President



Signature of Board Secretary


Original signatures on file with the Texas Education Agency

If the board of trustees/directors disapproved of the auditors' report, the reason(s) for disapproving it (is/are):



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INDEPENDENT AUDITORS' REPORT

*To the Board of Directors
Cityscape Schools, Inc.*

Opinion

We have audited the accompanying financial statements of Cityscape Schools, Inc. ("the School") (nonprofit organizations), which comprise the statements of financial position as of August 31, 2021, 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 referred to above present fairly, in all material respects, the financial position of the School as of August 31, 2021 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including

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, 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 Center'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 Center'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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. In accordance with the requirements established by the Financial Accountability System Resource Guide–Special Supplement–Charter Schools issued by the Texas Education Agency, the required specific purpose financial statements and supplemental information as listed in the table of contents has been presented in addition to the general purpose financial statements. In addition, 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, is presented for purposes of additional analysis and is 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 12, 2022, on our consideration of Cityscape Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 School'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 School's internal control over financial reporting and compliance.

Haynie & Company

Dallas, Texas

January 12, 2022

CITYSCAPE SCHOOLS, INC.
Statement of Financial Position
As of August 31, 2021

Assets

Current assets

Cash	\$ 3,998,264
Restricted cash	2,689,928
Due from grantor agencies	1,189,799
Other receivables	9,806
Prepaid expenses	176,582
Total current assets	<u>8,064,379</u>

Other assets

Deferred expenditures	563,133
Depreciable assets, net	23,158,671
Other assets	-
Total other assets	<u>23,721,804</u>

Total assets	<u>\$ 31,786,183</u>
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Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 64,044
Accrued payroll liabilities	1,161,195
Deferred revenue	62,920
Current portion of long term debt	302,950
Current portion of capital lease obligation	52,869
Total current liabilities	<u>1,643,978</u>

Noncurrent liabilities

Noncurrent portion of long term debt	26,451,802
Noncurrent portion of capital lease obligation	-
Total noncurrent liabilities	<u>26,451,802</u>

Total liabilities	<u>28,095,780</u>
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Net assets

Without donor restrictions	1,662,899
With donor restrictions	2,027,504
Total net assets	<u>3,690,403</u>

Total liabilities and net assets	<u>\$ 31,786,183</u>
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The accompanying notes are an integral part of these financial statements.

CITYSCAPE SCHOOLS, INC.
Statement of Activities
For the year ended August 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Local support			
Other revenues from local support	\$ 344,457	\$ -	\$ 344,457
Food service activity	-	-	-
Total local support	<u>344,457</u>	<u>-</u>	<u>344,457</u>
State program revenues			
Available school fund program	-	479,569	479,569
Foundation school program	-	12,085,887	12,085,887
Other state grant revenue	-	283,855	283,855
Total state program revenues	<u>-</u>	<u>12,849,311</u>	<u>12,849,311</u>
Federal program revenues			
Title I, Part A	-	386,725	386,725
Title II, Part A	-	42,934	42,934
Title III, Part A	-	59,537	59,537
IDEA, Part B, Formula	-	183,963	183,963
IDEA, Part B, Preschool	-	2,239	2,239
National school breakfast and lunch program	-	1,078,272	1,078,272
Summer Feeding Program	-	34,698	34,698
Elementary & Secondary School Emergency Relief Fund	-	125,301	125,301
Elementary & Secondary School Emergency Relief Fund III	-	413,407	413,407
Title IV, Part A - Student support and academic enrichment	-	22,584	22,584
Coronavirus Relief Fund	-	66,669	66,669
Other federal revenues	-	659,685	659,685
Total federal program revenues	<u>-</u>	<u>3,076,014</u>	<u>3,076,014</u>
Net assets released from restrictions	<u>15,463,970</u>	<u>(15,463,970)</u>	<u>-</u>
Total Revenues	<u>15,808,427</u>	<u>461,355</u>	<u>16,269,782</u>
Expenses			
Program services:			
11 Instruction	7,590,605	-	7,590,605
13 Curriculum and instructional staff development	452,388	-	452,388
21 Instructional leadership	73,892	-	73,892
23 School leadership	1,731,932	-	1,731,932
Support services:			
31 Guidance, counseling and evaluation services	37,041	-	37,041
33 Health services	18,769	-	18,769
34 Student transportation	-	-	-
35 Food services	991,706	-	991,706
36 Extracurricular activities	7,418	-	7,418
41 General administration	862,770	-	862,770
51 Plant maintenance and operations	1,663,600	-	1,663,600
52 Security and monitoring services	168,650	-	168,650
53 Data processing services	325,421	-	325,421
61 Community services	53,633	-	53,633
71 Debt service	1,426,395	-	1,426,395
81 Fund raising	59,750	-	59,750
Total Expenses	<u>15,463,970</u>	<u>-</u>	<u>15,463,970</u>
Operating transfers in	42,383	-	42,383
Operating transfers out	<u>(42,383)</u>	<u>-</u>	<u>(42,383)</u>
Change in net assets	344,457	461,355	805,812
Net assets, beginning of year	<u>1,318,442</u>	<u>1,566,149</u>	<u>2,884,591</u>
Net assets, end of year	<u>\$ 1,662,899</u>	<u>\$ 2,027,504</u>	<u>\$ 3,690,403</u>

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

CITYSCAPE SCHOOLS, INC.
Statements of Functional Expenses
For the year ended August 31, 2021

	<u>Program Activities</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
<i>Payroll expenses</i>				
<i>Salary and wages</i>	\$ 7,319,281	\$ 490,237	\$ 51,365	\$ 7,860,883
<i>Benefits</i>	1,167,551	96,826	7,141	1,271,518
<i>Payroll taxes</i>	102,203	7,890	745	110,838
<i>Total payroll expenses</i>	<u>8,589,035</u>	<u>594,953</u>	<u>59,251</u>	<u>9,243,239</u>
<i>Non-payroll expenses</i>				
<i>Professional fees</i>	61,248	114,429	-	175,677
<i>Utilities</i>	311,764	3,316	-	315,080
<i>Rental fees</i>	1,732,612	46,062	500	1,779,174
<i>Repairs and maintenance</i>	610,239	-	-	610,239
<i>Supplies</i>	555,966	46,624	-	602,590
<i>Travel</i>	54,217	21,987	-	76,204
<i>Insurance</i>	159,500	-	-	159,500
<i>Depreciation</i>	987,167	-	-	987,167
<i>Interest</i>	1,426,395	-	-	1,426,395
<i>Miscellaneous</i>	53,306	35,399	-	88,705
	<u>5,952,414</u>	<u>267,817</u>	<u>500</u>	<u>6,220,731</u>
<i>Total expenses</i>	<u>\$ 14,541,449</u>	<u>\$ 862,770</u>	<u>\$ 59,751</u>	<u>\$ 15,463,970</u>

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

CITYSCAPE SCHOOLS, INC.
Statement of Cash Flows
For the year ended August 31, 2021

<i>Cash flows from operating activities</i>	
Cash received from grantor agencies	\$ 14,559,962
Cash received from contributions	1,339
Cash received from interest	159
Cash received from child nutrition fees	-
Cash received from miscellaneous sources	333,153
Cash paid for salaries	(8,207,096)
Cash paid for professional services	(2,422,254)
Cash paid for supplies	(1,274,953)
Cash paid for interest	(1,406,939)
Cash paid for other expenses	<u>(323,823)</u>
Net cash provided by operating activities	<u>1,259,548</u>
<i>Net cash flows used in from investing activities</i>	
Purchase of equipment	<u>(1,861,966)</u>
Net cash used in investing activities	<u>(1,861,966)</u>
<i>Net cash provided by (used in) financing activities</i>	
Proceeds from issuance of long-term debt	189,752
Capitalized costs on bond	-
Repayments of long-term debt	(210,000)
Repayments of short-term loans	-
Repayments of capital leases	<u>(118,608)</u>
Net cash used in financing activities	<u>(138,856)</u>
Net decrease in cash and cash equivalents	(741,274)
Cash and cash equivalents at beginning of year	<u>7,429,466</u>
Cash and cash equivalents at end of year	<u>\$ 6,688,192</u>

Reconciliation of change in net assets to net cash provided by operating activities

<i>Cash flows from operating activities</i>	
Change in net assets	\$ 805,812
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation expense	987,167
Amortization of bond costs	19,455
Increase in due from grantor agency	(699,371)
Increase in other receivables	(9,806)
Increase in prepaid expenditures	(58,808)
Decrease in other assets	589
Increase in accounts payable	(155,639)
Decrease in accrued payroll liabilities	1,036,141
Decrease in PPP loan	(626,724)
Increase in deferred revenue	<u>(39,268)</u>
Net cash provided by operating activities	<u>\$ 1,259,548</u>

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

CITYSCAPE SCHOOLS, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of activities

CityScape Schools, Inc. (dba East Grand Preparatory) (the "School") is an open enrollment charter school serving economically disadvantaged children in a single charter school. The School is supported primarily through state foundation school program act entitlements, donor contributions, and federal grants. Approximately 79 percent of the School's support for 2019 came from state entitlements. The School does not conduct any other charter or non-charter activities. CityScape Schools, Inc. was formerly known as Reconciliation Academy, Inc.; in 2014, the School changed its name.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The School presents its financial statements in accordance with ASC 958, "Not-for-Profit Entities". Under ASC 958, the School is required to report information regarding its financial position and activities according to two categories of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

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

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

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Cash equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

CITYSCAPE SCHOOLS, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies, continued

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

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

Compensated absences

Compensated absences cannot be reasonably estimated and are therefore recorded at cost when paid.

Revenue Recognition

Effective September 1, 2019, the School adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) and related amendments, which creates a single source of revenue guidance for all companies in all industries and is more principles-based than previous revenue guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the School expects to be entitled in exchange for those goods and services. The School adopted the standard using the modified retrospective approach, results for reporting periods beginning after September 1, 2019 are presented under Topic 606.

The School's revenues consist of contributions and grants. Contributions consist of funds donated to the Academy without donor stipulations. Grant revenue includes funds from private and public entities for a particular purpose. Grants do not require transfer of goods and services in return for the funds and therefore there is no impact of the implementation of FASB ASU 2014-09, as related to grant revenues. As such, the adoption of this standard did not result in significant changes to the School's accounting policies, business processes, systems or controls, or have an impact on its financial position, results of operations or cash flows. Therefore, prior period financial statements were not recast and there was no cumulative effect adjustment upon adoption.

Depreciable assets

Depreciable assets are stated at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The School capitalizes all expenditures over \$5,000 to depreciable assets. Depreciation is provided using the straight-line method over estimated useful life of the assets.

CITYSCAPE SCHOOLS, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies, continued

Income taxes

The School is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, CityScape Schools, Inc. dba East Grand Preparatory has been determined by the Internal Revenue Service to be a public charity within the meaning of Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. There was no unrelated business income for 2020-2021.

The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to September 1, 2017.

Date of Management's Review

Subsequent events were evaluated through January 12, 2022, which is the date the financial statements were available to be issued.

2. Liquidity

The following reflects the School's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets, at year-end	\$ 7,887,797
Less, assets unavailable for general expenditures within one year, due to:	
Net assets with donor restrictions	2,027,504
Debt service reserves	<u>2,689,928</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>3,170,365</u>

At year-end, the only donor restrictions on net assets relates to unspent Foundation program funds, which is available for general use for the School's activities.

3. Due from Grantor Agencies

As of August 31, 2021, the School had earned the following revenues which were not received until after the end of the fiscal year:

Foundation entitlements	\$1,061,259
Other State grants	54,204
Federal grants	<u>74,336</u>
Total	<u>\$1,189,799</u>

CITYSCAPE SCHOOLS, INC.

Notes to Financial Statements

4. Property and Equipment

The following is a summary of property and equipment as of August 31, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclass/ Retirement</u>	<u>Ending Balance</u>
Land	\$ 1,532,420	\$ -	\$ -	\$ 1,532,420
Building & improvements	19,095,607	15,910	-	19,111,517
Furniture & equipment	2,012,304	240,391	-	2,252,695
Construction in progress	<u>2,128,457</u>	<u>1,605,665</u>	<u>-</u>	<u>3,734,122</u>
Total property and equipment	24,768,788	1,861,966	-	26,630,754
Less: accumulated depreciation	<u>2,484,916</u>	<u>987,167</u>	<u>-</u>	<u>3,472,083</u>
Property and equipment, net	\$ <u>22,283,872</u>	\$ <u>874,799</u>	\$ <u>-</u>	\$ <u>23,158,671</u>

Depreciation expense for the year ended August 31, 2021 was \$987,167.

5. Contingent Liabilities

The School participates in numerous programs that are subject to audit by the Texas Education Agency and various federal audit agencies. These programs have complex compliance requirements, and should state or federal auditors find areas of substantial noncompliance, those School funds may be subject to refund if so determined by administrative audit review.

In addition, during the fiscal year ended August 31, 2020, the School received \$1,514,000 under the Payroll Protection Program. This amount was given in the form of a loan, however, to the extent that the proceeds are used toward allowable expenses such as payroll and utilities, the loan will be forgiven and considered revenue. As management has determined that the funds have been used on allowable expenses, the accompanying financial statements reflect the forgiveness of a portion of that loan and is included in other federal revenue. The remaining \$626,276 in loan as of August 31, 2020 was used to fund 2020-2021 expenses. That amount is included in federal revenues for the year ended August 31, 2021.

6. Long-term Debt

On November 30, 2016, the School issued two bond series with a total par value of \$15,000,000 through BOK Financial. The proceeds of these bonds were used to renovate certain buildings used for instructional purposes as well as pay of several outstanding acquisition and construction loans as well as outstanding capital leases. The bonds are secured by a deed of trust against the properties. On August 20, 2019, the School issued two bond series with a total par value of \$10,735,000 through BOK Financial. The proceeds of these bonds were used to acquire land as well as future construction of the Buckner Preparatory campus located in Dallas, Texas. The bonds are secured by a deed of trust against the properties. In July of 2020, The School borrowed an additional \$1,500,000 to purchase land for an additional campus. The acquisition loan was refinanced in July of 2021 with funds from the construction loan and line of credit.

CITYSCAPE SCHOOLS, INC.

Notes to Financial Statements

6. Long-term Debt, continued

The School's long-term debt activity during the year ended August 31, 2021 was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions/ Refunding</u>	<u>Repayments</u>	<u>Ending Balance</u>
Series 2016A	5.000%-5.500%	2021-2051	14,410,000	-	60,000	14,350,000
Series 2016B	5.750%	2021-2021	130,000	-	130,000	-
Series 2019A	4.000%-5.000%	2024-2051	10,310,000	-	-	10,310,000
Series 2019B	4.000%	2021-2025	425,000	-	20,000	405,000
Acquisition loan	4.250%	2022	1,350,000	(1,350,000)	-	-
Line of credit	6.000%	2022	150,000	300,000	-	450,000
Construction loan	4.850%	2026	-	1,239,752	-	1,239,752
			<u>\$ 26,775,000</u>	<u>\$ 189,752</u>	<u>\$ 210,000</u>	<u>\$ 26,754,752</u>

At August 31, 2021, future debt service requirements pursuant to these bond issues were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 302,950	\$ 1,366,275	\$ 1,669,225
2023	600,545	1,372,156	1,972,701
2024	652,819	1,343,532	1,996,351
2025	705,708	1,312,594	2,018,302
2026	874,044	1,278,650	2,152,694
2027-2031	2,672,396	5,971,393	8,643,789
2032-2036	3,437,419	5,201,571	8,638,990
2037-2041	4,444,427	4,189,263	8,633,690
2042-2046	5,760,856	2,877,659	8,638,515
2047-2051	<u>7,303,588</u>	<u>1,194,505</u>	<u>8,498,093</u>
Total	<u>\$ 26,754,752</u>	<u>\$ 26,107,598</u>	<u>\$ 52,862,350</u>

In addition, the School had a line of credit outstanding totaling \$601,192 as of August 31, 2021. The amount was repaid in full on September 8, 2021. The amount is included in accrued liabilities.

CITYSCAPE SCHOOLS, INC.

Notes to Financial Statements

7. Capital Leases

The School has entered into capital leases for various equipment. As of August 31, 2021, future minimum lease payments under the capital lease are as follows:

Year ending August 31,	Principal	Interest	Total
2022 \$	<u>52,869</u>	<u>2,026</u>	<u>54,895</u>
Total \$	<u>52,869</u>	<u>2,026</u>	<u>54,895</u>

The following equipment, included in total property and equipment, is subject to the above capital leases whereby the School recognized an asset and a liability upon contract inception:

Machinery and equipment	\$	236,114
Less: accumulated depreciation		<u>(55,556)</u>
Net assets under capital leases	\$	<u>180,558</u>

8. State Foundation Program Revenue

Charter schools in the State of Texas participate in the State foundation program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period, and at the close of the year, actual attendance is calculated by the Texas Education Agency (TEA) and the attendance reports are subject to audit by the TEA and final State foundation program earnings may be adjusted as a result of any such audit. A reconciliation of cash paid to revenue recognized is as follows:

Cash paid during fiscal year	\$	11,177,639
Revenue accrued at year-end		1,061,259
Revenue accrued in prior year		<u>(153,011)</u>
Revenue recognized during current year	\$	<u>12,085,887</u>

9. Budget Amendments

Prior to the beginning of each school year, the School prepares, approves and submits its annual budget for the next fiscal year. During the year the School amends this budget as necessary. Any necessary amendments are approved by the board prior to expenditure.

CITYSCAPE SCHOOLS, INC.

Notes to Financial Statements

10. Commitments and Contingencies

The School leases equipment under non-cancellable lease agreements with expiration dates through January 2022. Total rent expense on this equipment for the year ended August 31, 2021 was \$133,560.

Minimum lease payments under the remaining operating lease are as follows:

Year ending August 31,	2022	\$ 6,495
		<u>\$ 6,495</u>

11. Global Pandemic

In December 2019, the Coronavirus Disease (COVID-19) was reported in China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. As a result of the COVID-19 outbreak in the United States, there has been significant economic disruption due to business closures and shelter in place orders. There is considerable uncertainty around the duration of business closures and shelter in place orders and the near-term impact of these events on the United States and global economy. As a result of the outbreak of COVID-19 and its impact on the broader economy and community, the School has been adversely affected due to periodic employee quarantines as well as related challenges.

As of the report date, the School is operating in compliance with recommended health and safety guidelines.

Management is continuously monitoring the impact COVID-19 might have on operations both now and in the future. There continue to be uncertainties surrounding the pandemic's impact on the School's financial results that cannot be reasonably estimated as of the report date. Despite the uncertain economic environment, management believes that the company is well positioned to meet these challenges and remain fully operational.

12. Retirement Benefits

Plan Description - The charter school contributes to the Teacher Retirement System of Texas ("TRS"), a cost-sharing, multiple- employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

CITYSCAPE SCHOOLS, INC.

Notes to Financial Statements

12. Retirement Benefits, continued

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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 1 years, the period would be increased by such action.

State law provides for a member contribution rate of 6.4% for fiscal year 2020, and a state contribution rate of 6.58% for fiscal year 2021. The charter school's employees' contributions to the System for the years ending August 31, 2021 and 2020 were \$559,102 and \$316,965, respectively, equal to the required contributions for the year. Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum for the years ending August 31, 2021 and 2020 were \$26,195 and \$15,895, respectively, equal to the required contributions for the year.

13. Health Care Coverage

During the year ended August 31, 2021, employees of the charter school were covered by a health insurance plan ("the Plan"). The charter school contributed between \$386 and \$937 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.

14. Subsequent Event – Issuance of Series 2021 Bonds

On October 27, 2021, The School issued Series 2021 Bonds for net proceeds of \$21,118,083 which were used to refund the outstanding Series 2016 as well establishing a project fund to payoff the outstanding amounts in the line of credit and construction loans. The bonds mature at various dates through 2051. Interest rates range from 1.125% and 4.000%.

CITYSCAPE SCHOOLS, INC.
Schedule of Expenses
For the year ended August 31, 2021

<i>Expenses</i>		
6100	<i>Payroll costs</i>	\$ 9,243,237
6200	<i>Professional and contracted services</i>	2,266,615
6300	<i>Supplies and materials</i>	1,216,145
6400	<i>Other operating costs</i>	1,311,579
6500	<i>Debt service</i>	<u>1,426,394</u>
<i>Total Expenses</i>		\$ <u><u>15,463,970</u></u>

CITYSCAPE SCHOOLS, INC.
Schedule of Capital Assets
For the year ended August 31, 2021

		<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
1100	Cash	\$ 2,689,928	\$ 3,998,264	\$ -	\$ 6,688,192
1510	Land	-	1,532,420	-	1,532,420
1520	Buildings and improvements	-	19,111,517	-	19,111,517
1539	Furniture and equipment	109,665	1,900,351	242,679	2,252,695
1580	Construction in progress	-	3,734,122	-	3,734,122
Total Property and Equipment		<u>\$ 2,799,593</u>	<u>\$ 30,276,674</u>	<u>\$ 242,679</u>	<u>\$ 33,318,946</u>

CITYSCAPE SCHOOLS, INC.
Budgetary Comparison Schedule
For the year ended August 31, 2021

		<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
		<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>from Final Budget</u>
Revenues					
<i>Local support</i>					
5749	Other revenues from local support	\$ 176,329	\$ 205,773	\$ 344,457	\$ 138,684
5751	Food service activity	-	-	-	-
	<i>Total local support</i>	<u>176,329</u>	<u>205,773</u>	<u>344,457</u>	<u>138,684</u>
<i>State program revenues</i>					
5811	Available school fund program	-	855,112	479,569	(375,543)
5812	Foundation school program act revenues	13,134,454	12,135,862	12,085,887	(49,975)
5829	Other state grant revenue	-	274,484	283,855	9,371
	<i>Total state program revenues</i>	<u>13,134,454</u>	<u>13,265,458</u>	<u>12,849,311</u>	<u>(416,147)</u>
<i>Federal program revenues</i>					
5920	National breakfast and lunch program	-	1,318,928	1,078,272	(240,656)
5929	Federal revenues distributed by the Texas Education Agency	1,430,197	1,539,934	1,997,742	457,808
	<i>Total federal program revenues</i>	<u>1,430,197</u>	<u>2,858,862</u>	<u>3,076,014</u>	<u>217,152</u>
	<i>Total revenues</i>	<u>14,740,980</u>	<u>16,330,093</u>	<u>16,269,782</u>	<u>(60,311)</u>
Expenses					
11	Instruction	6,057,025	7,004,067	7,590,605	(586,538)
13	Curriculum development and instructional staff development	702,364	441,429	452,388	(10,959)
21	Instructional leadership	250,976	68,597	73,892	(5,295)
23	School leadership	1,215,463	1,676,651	1,731,932	(55,281)
31	Guidance, counseling and evaluation services	92,858	37,041	37,041	-
33	Health services	18,124	18,876	18,769	107
34	Student transportation	-	-	-	-
35	Food service	807,542	988,552	991,706	(3,154)
36	Extracurricular activities	50,452	6,987	7,418	(431)
41	General administration	1,583,423	863,273	862,770	503
51	Plant maintenance and operations	1,641,454	1,616,759	1,663,600	(46,841)
52	Security and monitoring services	113,036	166,198	168,650	(2,452)
53	Data processing services	290,685	309,318	325,421	(16,103)
61	Community services	3,477	53,561	53,633	(72)
71	Debt service	1,589,675	1,442,123	1,426,395	15,728
81	Fund raising	237,313	56,580	59,750	(3,170)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<i>Total expenses</i>	<u>14,653,867</u>	<u>14,750,012</u>	<u>15,463,970</u>	<u>(713,958)</u>
	<i>Operating transfers in</i>	-	-	42,383	(42,383)
	<i>Operating transfers out</i>	-	-	(42,383)	42,383
	<i>Change in net assets</i>	<u>87,113</u>	<u>1,580,081</u>	<u>805,812</u>	<u>(774,269)</u>
	<i>Net assets, beginning of year</i>	<u>2,884,591</u>	<u>2,884,591</u>	<u>2,884,591</u>	<u>-</u>
	<i>Net assets, end of year</i>	<u>\$ 2,971,704</u>	<u>\$ 4,464,672</u>	<u>\$ 3,690,403</u>	<u>\$ (774,269)</u>

CITYSCAPE SCHOOLS, INC.
Schedule of Real Property Ownership Interest
For the year ended August 31, 2021

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
Mount Auburn Addition Block 21/1615 Lots 1, 2, 13-16	6015 Lindsley Ave. Dallas, TX	\$ 1,505,000	\$ -	\$ 2,715,059	\$ -
Mount Auburn Addition Block 21/1615 Lot 3	708 Mount Auburn Ave. Dallas, TX	72,500	-	-	- (1)
Mount Auburn Addition Block 21/1615 Lot 4	704 Mount Auburn Ave. Dallas, TX	72,500	-	-	- (1)
Mount Auburn Addition Block 21/1615 Lots 1-5	6211 East Grand Ave. Dallas, TX	n/a	-	14,613,055	-
Mount Auburn Addition Block 21/1615 Lot 6 & 17	6211 East Grand Ave. Dallas, TX	n/a	-	-	- (2)
Mount Auburn Addition Block 38/1614 Lot 7A	1102 S. Glasgow Dr. Dallas, TX	n/a	-	-	- (2)
Mount Auburn Addition Block 38/1614 Lot 9	1030 S. Glasgow Dr. Dallas, TX	n/a	-	-	- (2)
Mount Auburn Addition Block 38/1614 Lot 10	1026 S. Glasgow Dr. Dallas, TX	n/a	-	-	- (2)
Mount Auburn Addition Block 38/1614 Partial Lot 19, Lots 20-21	1027 Cristler Ave. Dallas, TX	n/a	-	-	- (2)
Military Parkway Church of Christ Block 6218 Lot 1 - 13.126 acres	8510 Military Pkwy. Dallas, TX	n/a	-	8,059,548	-

NOTES:

(1) Included with 6015 Lindsley Ave.

(2) Included with 6211 East Grand Ave.

CITYSCAPE SCHOOLS, INC.
Schedule of Related Party Transactions
For the year ended August 31, 2021


<i>Related Party Name</i>	<i>Name of Relation to the Related Party</i>	<i>Relationship</i>	<i>Type of Transaction</i>	<i>Description of Terms and Conditions</i>	<i>Source of Funds Used</i>	<i>Payment Frequency</i>	<i>Total Paid During Fiscal Year</i>	<i>Principal Balance Due</i>
<i>Wes Briggs Agency</i>	<i>Wes Briggs</i>	<i>Board Member</i>	<i>Insurance</i>	<i>n/a</i>	<i>State</i>	<i>Annually</i>	<i>\$ 14,446</i>	<i>-</i>


CITYSCAPE SCHOOLS, INC.
Schedule of Related Party Compensation and Benefits
For the year ended August 31, 2021


<i>Related Party Name</i>	<i>Name of Relation to the Related Party</i>	<i>Relationship</i>	<i>Compensation or Benefit</i>	<i>Payment Frequency</i>	<i>Description</i>	<i>Source of Funds Used</i>	<i>Total Paid During Fiscal Year</i>
<i>None</i>							



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Certified Public Accountants
& Management Consultants

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

Board of Directors
CityScape Schools, Inc.

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 CityScape Schools, Inc. (the "School") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

HANNIE : COMPANY

Dallas, Texas

January 12, 2022

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

*Board of Directors
CityScape Schools, Inc.*

Report on Compliance for Each Major Federal Program

We have audited CityScape Schools, Inc.'s ("the School") (a nonprofit organization) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the School's major federal programs for the year ended August 31, 2021. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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.

HARRIS COMPANY

Dallas, Texas
January 12, 2022

CITYSCAPE SCHOOLS, INC.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2021

PART I – SUMMARY OF AUDITORS' RESULTS

Financial Statement Section

1. The type of report issued on the general-purpose financial statements: **Unmodified**
2. Significant deficiencies in internal controls were disclosed by the audit of the financial statements: **None**.
Material Weaknesses: **None**.
3. Noncompliance that is material to the financial statements: **None**.

Federal Awards Section

1. The type of report issued on compliance for major programs: **Unmodified**
2. Significant deficiencies in internal controls were disclosed by the audit of the major programs: **None**.
Material Weaknesses: **None**.
3. Any audit findings that are required to be reported under 2 CFR section 200.516(a): **None**.
4. Major Programs:

Child Nutrition Cluster	10.553 and 10.555
-------------------------	-------------------
5. Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
6. Auditee qualified as a low-risk auditee: **Yes**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

PART III – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

None

CITYSCAPE SCHOOLS, INC.
Summary Schedule of Prior Audit Findings and Current Results
Year ended August 31, 2021

There were no prior year audit findings.

CITYSCAPE SCHOOLS, INC.
Schedule of Expenditures of Federal Awards
August 31, 2021

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010	20610101057841	\$ 386,725
IDEA - Part B, Formula	84.027	206600010578416000	183,963
IDEA - Part B, Preschool	84.173	206610010578416000	2,239
ESEA, Title II, Part A - Teacher and Principal Training	84.367	20694501057841	42,934
ESEA, Title III, Part A - English Language Acquisition	84.365	20671001057841	59,537
ESEA, Title IV, Part A - Student Support and Academic Enrichment	84.424	20680101057841	22,584
Elementary and Secondary School Emergency Relief Fund	84.425D	20521001057841	125,301
Elementary and Secondary School Emergency Relief Fund - III	84.425U	215280001057841	413,407
Total Passed Through Texas Education Agency			<u>1,236,690</u>
Total U.S. Department of Education			<u>1,236,690</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Texas Education Agency			
National School Breakfast Program	10.553	71401601	393,555
National School Lunch Program	10.555	71301601	677,750
National School Lunch Program - non-cash assistance			6,967
Summer Feeding Program	10.555		34,698
Total Passed Through Texas Education Agency			<u>1,112,970</u>
Total U.S. Department of Agriculture			<u>1,112,970</u>
U.S. DEPARTMENT OF TREASURY			
Passed through Texas Education Agency			
Coronavirus Relief Fund	21.019		66,669
Total Passed Through Texas Education Agency			<u>66,669</u>
Total U.S. Department of Treasury			<u>66,669</u>
Total Federal Awards			<u>\$ 2,416,329</u>

The accompanying notes are an integral part of this schedule

CITYSCAPE SCHOOLS, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the Federal grant activity of CityScape Schools, Inc. ("the School") and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the 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"). Because the Schedule presents only a selected portion of the operation of the School, it is not intended to and does not present the financial position, changes in net assets, and cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Commitments and Contingencies

Federal grants received by the School are subject to review and audit by grantor agencies. The School's management believes that the results of such audits will not have a material effect on the Schedule.

4. Election To Use 10% De Minimis Indirect Cost Rate

The school has elected not to use the 10 de minimis indirect cost rate allowed under uniform guidance.

5. Reconciliation of Federal Program Revenues and Schedule of Expenditures of Federal Awards:

<i>Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards</i>	\$ 2,416,329
<i>PPP Grant</i>	626,724
<i>SHARS revenue</i>	<u>32,961</u>
<i>Total federal program revenues per the Statement of Activities</i>	\$ <u>3,076,014</u>