

CITYSCAPE SCHOOLS, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2022



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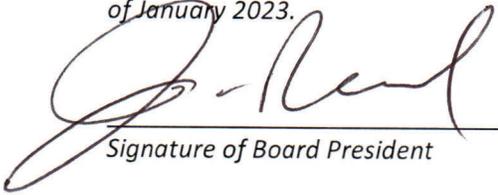
CERTIFICATE OF BOARD

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, 2022, at a meeting of the board of directors of such charter holder on the 27th day of January 2023.



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):

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, 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 referred to above present fairly, in all material respects, the financial position of the School as of August 31, 2022 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 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 School 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.

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 omissions, 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, 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 24, 2023, 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 24, 2023*

CITYSCAPE SCHOOLS, INC.
Statement of Financial Position
As of August 31, 2022

Assets

<i>Current assets</i>	
Cash	\$ 4,404,678
Restricted cash	92,611
Due from grantor agencies	1,661,394
Other receivables	2,437
Prepaid expenses	85,056
Total current assets	<u>6,246,176</u>
 <i>Other assets</i>	
Deferred expenditures	701,560
Depreciable assets, net	30,339,975
Other assets	-
Total other assets	<u>31,041,535</u>
 Total assets	 \$ <u><u>37,287,711</u></u>

Liabilities and Net Assets

<i>Current liabilities</i>	
Accounts payable	\$ 228,990
Accrued payroll liabilities	267,337
Line of Credit	600,000
Current portion of long term debt	580,000
Total current liabilities	<u>1,676,327</u>
 <i>Noncurrent liabilities</i>	
Noncurrent portion of long term debt	<u>30,935,000</u>
Total noncurrent liabilities	<u>30,935,000</u>
 Total liabilities	 <u>32,611,327</u>
 <i>Net assets</i>	
Without donor restrictions	2,288,486
With donor restrictions	2,387,898
Total net assets	<u>4,676,384</u>
 Total liabilities and net assets	 \$ <u><u>37,287,711</u></u>

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

CITYSCAPE SCHOOLS, INC.
Statement of Activities
For the year ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
<i>Local support</i>			
Other revenues from local support	\$ 586,278	\$ -	\$ 586,278
Food service activity	39,309	-	39,309
Total local support	625,587	-	625,587
<i>State program revenues</i>			
Available school fund program	-	584,756	584,756
Foundation school program	-	12,793,604	12,793,604
Other state grant revenue	-	722,857	722,857
Total state program revenues	-	14,101,217	14,101,217
<i>Federal program revenues</i>			
National breakfast and lunch program	-	1,160,756	1,160,756
Federal revenues distributed by the Texas Education Agency	-	3,084,884	3,084,884
	-	4,245,640	4,245,640
Net assets released from restrictions	17,986,463	(17,986,463)	-
Total Revenues	18,612,050	360,394	18,972,444
Expenses			
<i>Program services:</i>			
11 Instruction	8,818,989	-	8,818,989
13 Curriculum and instructional staff development	541,236	-	541,236
21 Instructional leadership	-	-	-
23 School leadership	2,185,259	-	2,185,259
<i>Support services:</i>			
31 Guidance, counseling and evaluation services	90,940	-	90,940
33 Health services	49,365	-	49,365
35 Food services	1,186,357	-	1,186,357
36 Extracurricular activities	107,045	-	107,045
41 General administration	999,801	-	999,801
51 Plant maintenance and operations	2,089,901	-	2,089,901
52 Security and monitoring services	328,406	-	328,406
53 Data processing services	373,024	-	373,024
61 Community services	48,887	-	48,887
71 Debt service	1,102,267	-	1,102,267
81 Fund raising	64,986	-	64,986
Total Expenses	17,986,463	-	17,986,463
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Change in net assets	625,587	360,394	985,981
Net assets, beginning of year	1,662,899	2,027,504	3,690,403
Net assets, end of year	\$ 2,288,486	\$ 2,387,898	\$ 4,676,384

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

CITYSCAPE SCHOOLS, INC.
Statements of Functional Expenses
For the year ended August 31, 2022

	<u>Program Activities</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
<i>Payroll expenses</i>				
Salary and wages	\$ 8,586,009	\$ 563,198	\$ -	\$ 9,149,207
Benefits	1,214,686	121,396	2,968	1,339,050
Payroll taxes	124,605	8,293	-	132,898
Total payroll expenses	<u>9,925,300</u>	<u>692,887</u>	<u>2,968</u>	<u>10,621,155</u>
<i>Non-payroll expenses</i>				
Professional fees	94,222	60,836	-	155,058
Utilities	326,891	878	-	327,769
Rental fees	2,431,064	104,340	53,408	2,588,812
Supplies	1,604,397	76,248	4,749	1,685,394
Travel	81,099	21,389	500	102,988
Insurance	163,315	-	-	163,315
Depreciation	1,025,261	-	-	1,025,261
Interest	1,102,267	-	-	1,102,267
Miscellaneous	167,860	43,223	3,361	214,444
	<u>6,996,376</u>	<u>306,914</u>	<u>62,018</u>	<u>7,365,308</u>
Total expenses	<u>\$ 16,921,676</u>	<u>\$ 999,801</u>	<u>\$ 64,986</u>	<u>\$ 17,986,463</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, 2022

<i>Cash flows from operating activities</i>	
<i>Cash received from grantor agencies</i>	\$ 17,812,342
<i>Cash received from contributions</i>	1,339
<i>Cash received from interest</i>	159
<i>Cash received from child nutrition fees</i>	39,309
<i>Cash received from miscellaneous sources</i>	592,149
<i>Cash paid for salaries</i>	(11,515,013)
<i>Cash paid for professional services</i>	(2,906,693)
<i>Cash paid for supplies</i>	(1,594,626)
<i>Cash paid for interest</i>	(1,078,075)
<i>Cash paid for other expenses</i>	<u>(479,989)</u>
 <i>Net cash provided by operating activities</i>	 <u>870,902</u>
 <i>Net cash flows used in from investing activities</i>	
<i>Purchase of equipment</i>	<u>(8,206,565)</u>
 <i>Net cash used in investing activities</i>	 <u>(8,206,565)</u>
 <i>Net cash provided by (used in) financing activities</i>	
<i>Net proceeds from issuance of long-term debt</i>	4,780,248
<i>Capitalized costs on bond</i>	(162,619)
<i>Repayments of long-term debt</i>	(20,000)
<i>Proceeds from short-term loans</i>	600,000
<i>Repayments of capital leases</i>	<u>(52,869)</u>
 <i>Net cash provided by financing activities</i>	 <u>5,144,760</u>
 <i>Net decrease in cash and cash equivalents</i>	 (2,190,903)
 <i>Cash and cash equivalents at beginning of year</i>	 <u>6,688,192</u>
 <i>Cash and cash equivalents at end of year</i>	 \$ <u><u>4,497,289</u></u>

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

<i>Cash flows from operating activities</i>	
<i>Change in net assets</i>	\$ 985,981
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</i>	
<i>Depreciation expense</i>	1,025,261
<i>Amortization of bond costs</i>	24,192
<i>Increase in due from grantor agency</i>	(471,595)
<i>Increase in other receivables</i>	7,369
<i>Increase in prepaid expenditures</i>	91,526
<i>Increase in accounts payable</i>	164,946
<i>Decrease in accrued payroll liabilities</i>	(893,858)
<i>Increase in deferred revenue</i>	<u>(62,920)</u>
 <i>Net cash provided by operating activities</i>	 \$ <u><u>870,902</u></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 2021-2022.

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, 2018.

Date of Management's Review

Subsequent events were evaluated through January 24, 2023, 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	\$ 6,161,120
Less, assets unavailable for general expenditures within one year, due to:	
Net assets with donor restrictions	2,387,898
Debt service reserves	<u>92,611</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>3,680,611</u></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, 2022, the School had earned the following revenues which were not received until after the end of the fiscal year:

Foundation entitlements	\$1,571,899
Other State grants	89,495
Federal grants	<u>-</u>
Total	<u><u>\$1,661,394</u></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, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclass/ Retirement</u>	<u>Ending Balance</u>
Land	\$ 1,532,420	\$ -	\$ -	\$ 1,532,420
Building & improvements	19,111,517	5,749,546	-	24,861,063
Furniture & equipment	2,252,695	590,588	(483,226)	2,360,057
Construction in progress	<u>3,734,122</u>	<u>1,866,431</u>	<u>-</u>	<u>5,600,553</u>
Total property and equipment	26,630,754	8,206,565	(483,226)	34,354,093
Less: accumulated depreciation	<u>3,472,083</u>	<u>1,025,261</u>	<u>(483,226)</u>	<u>4,014,118</u>
Property and equipment, net	\$ <u>23,158,671</u>	\$ <u>7,181,304</u>	\$ <u>-</u>	\$ <u>30,339,975</u>

Depreciation expense for the year ended August 31, 2022 was \$1,025,261.

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.

6. 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.

7. 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 October of 2021, The School issued two additional bond series totaling \$20,820,000 for the purposes of refunding the outstanding 2016 Series bonds. Remaining proceeds were used to repay construction loans and to complete several construction projects.

CITYSCAPE SCHOOLS, INC.

Notes to Financial Statements

7. Long-term Debt, continued

The School's long-term debt activity during the year ended August 31, 2022 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	14,350,000	(14,350,000)	-	-
Series 2016B	5.750%	2021-2021	-	-	-	-
Series 2019A	4.000%-5.000%	2024-2051	10,310,000	-	-	10,310,000
Series 2019B	4.000%	2021-2025	405,000	-	20,000	385,000
Series 2021A	3.000%-4.000%	2024-2041	-	19,875,000	-	19,875,000
Series 2021B	1.125%	2025	-	945,000	-	945,000
Construction loan	4.850%	2026	1,239,752	350,135	1,589,887	-
			\$ 26,304,752	\$ 6,820,135	\$ 1,609,887	\$ 31,515,000

At August 31, 2022, future debt service requirements pursuant to these bond issues were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 580,000	\$ 1,171,031	\$ 1,751,031
2024	615,000	1,160,481	1,775,481
2025	655,000	1,143,213	1,798,213
2026	670,000	1,124,200	1,794,200
2027	700,000	1,097,400	1,797,400
2028-2032	3,950,000	5,036,250	8,986,250
2033-2037	4,860,000	4,117,300	8,977,300
2038-2042	5,890,000	3,089,750	8,979,750
2043-2047	7,020,000	1,954,501	8,974,501
2048-2051	6,575,000	604,663	7,179,663
Total	\$ 31,515,000	\$ 20,498,789	\$ 52,013,789

In addition, the School had a line of credit outstanding totaling \$600,000 as of August 31, 2022. As of August 31, 2022, the interest rate was 5.5% and is due July of 2023.

CITYSCAPE SCHOOLS, INC.

Notes to Financial Statements

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	\$	12,235,086
Revenue accrued at year-end		1,221,752
Revenue accrued in prior year		(663,234)
Revenue recognized during current year	\$	<u>12,793,604</u>

10. 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.

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.

CITYSCAPE SCHOOLS, INC.

Notes to Financial Statements

10. Retirement Benefits, continued

State law provides for a member contribution rate of 8.0% for fiscal year 2022, and a state contribution rate of 7.7% for fiscal year 2021. The charter school's employees' contributions to the System for the years ending August 31, 2022 and 2021 were \$662,535 and \$559,102, 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, 2022 and 2021 were \$26,282 and \$26,195, respectively, equal to the required contributions for the year.

13. Health Care Coverage

During the year ended August 31, 2022, 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.

CITYSCAPE SCHOOLS, INC.
Schedule of Expenses
For the year ended August 31, 2022

<i>Expenses</i>		
6100	<i>Payroll costs</i>	\$ 10,621,155
6200	<i>Professional and contracted services</i>	3,071,639
6300	<i>Supplies and materials</i>	1,686,152
6400	<i>Other operating costs</i>	1,505,250
6500	<i>Debt service</i>	<u>1,102,267</u>
<i>Total Expenses</i>		\$ <u><u>17,986,463</u></u>

CITYSCAPE SCHOOLS, INC.
Schedule of Capital Assets
For the year ended August 31, 2022

	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
1100 Cash	\$ 92,611	\$ 4,404,678	\$ -	\$ 4,497,289
1510 Land	-	1,532,420	-	1,532,420
1520 Buildings and improvements	-	24,861,063	-	24,861,063
1539 Furniture and equipment	109,665	1,922,424	327,968	2,360,057
1580 Construction in progress	-	5,600,553	-	5,600,553
Total Property and Equipment	<u>\$ 202,276</u>	<u>\$ 38,321,138</u>	<u>\$ 327,968</u>	<u>\$ 38,851,382</u>

CITYSCAPE SCHOOLS, INC.
Budgetary Comparison Schedule
For the year ended August 31, 2022

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
<i>Local support</i>				
5749	\$ 90,000	\$ 586,278	\$ 586,278	\$ -
5751	-	39,309	39,309	-
	<u>90,000</u>	<u>625,587</u>	<u>625,587</u>	<u>-</u>
<i>State program revenues</i>				
5811	-	584,756	584,756	-
5812	14,049,034	12,793,604	12,793,604	-
5829	-	722,857	722,857	-
	<u>14,049,034</u>	<u>14,101,217</u>	<u>14,101,217</u>	<u>-</u>
<i>Federal program revenues</i>				
5920	-	1,160,756	1,160,756	-
5929	2,179,563	3,084,884	3,084,884	-
	<u>2,179,563</u>	<u>4,245,640</u>	<u>4,245,640</u>	<u>-</u>
	<u>16,318,597</u>	<u>18,972,444</u>	<u>18,972,444</u>	<u>-</u>
Expenses				
11	7,328,038	8,818,989	8,818,989	-
13	389,495	541,236	541,236	-
21	85,931	-	-	-
23	1,705,050	2,185,259	2,185,259	-
31	75,104	90,940	90,940	-
33	3,741	49,365	49,365	-
35	1,026,738	1,186,357	1,186,357	-
36	47,419	107,045	107,045	-
41	1,252,466	999,801	999,801	-
51	1,344,175	2,089,901	2,089,901	-
52	96,550	328,406	328,406	-
53	377,488	373,024	373,024	-
61	53,440	48,887	48,887	-
71	1,386,367	1,102,267	1,102,267	-
81	55,605	64,986	64,986	-
	<u>15,227,607</u>	<u>17,986,463</u>	<u>17,986,463</u>	<u>-</u>
	-	-	-	-
	-	-	-	-
	1,090,990	985,981	985,981	-
	<u>3,690,403</u>	<u>3,690,403</u>	<u>3,690,403</u>	<u>-</u>
	\$ <u>4,781,393</u>	\$ <u>4,676,384</u>	\$ <u>4,676,384</u>	\$ <u>-</u>

CITYSCAPE SCHOOLS, INC.
Schedule of Real Property Ownership Interest
For the year ended August 31, 2022

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	\$ -	\$ 3,720,880	\$ -
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, 2022

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid During Fiscal Year	Principal Balance Due
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None

CITYSCAPE SCHOOLS, INC.
Schedule of Related Party Compensation and Benefits
For the year ended August 31, 2022

<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>
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None

CITYSCAPE SCHOOLS, INC.
Other Supplementary Information
For the year ended August 31, 2022

<u>Data Codes</u>	<u>Compensatory Education Programs</u>	<u>Responses</u>
AP1	<i>Did the LEA expend any state compensatory education program state allotment funds during the fiscal year?</i>	Yes
AP2	<i>Does the LEA have written policies and procedures for its state compensatory education program?</i>	Yes
AP3	<i>List the total state allotment funds received for state compensatory education programs.</i>	\$ 1,841,831
AP4	<i>List the actual direct program expenditures for state compensatory education programs during the fiscal year (PICs: 24, 26, 28, 29, 30, 34).</i>	\$ 1,629,051
<u>Data Codes</u>	<u>Bilingual Education Programs</u>	<u>Responses</u>
AP5	<i>Did the LEA expend any bilingual education program state allotment funds during the fiscal year?</i>	Yes
AP6	<i>Does the LEA have written policies and procedures for its bilingual education program?</i>	Yes
AP7	<i>List the total state allotment funds received for bilingual education programs.</i>	\$ 366,365
AP8	<i>List the actual direct program expenditures for bilingual education programs during the fiscal year (PICs: 25, 35).</i>	\$ 434,504



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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

*To the 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, 2022, 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 24, 2023.

Report on 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) 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 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 or significant deficiencies may exist that were not identified.

Report on 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 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 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.

Haynie & Company

*Dallas, Texas
January 24, 2023*

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

To the Board of Directors
CityScape Schools, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited CityScape Schools, Inc.'s ("the School") (a nonprofit organization) compliance with the types of compliance requirements identified as a subject to audit 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, 2022. 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.

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, 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 School 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 School'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 School's federal programs.

Auditors 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 School'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 School's compliance with the requirements of each major federal program to determine the auditing 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 School'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 School'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 School'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 Auditor's Responsibilities for the Audit of Compliance section 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. 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.

Haynie & Company

*Dallas, Texas
January 24, 2022*

CITYSCAPE SCHOOLS, INC.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2022

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:

Elementary and Secondary School Emergency Relief Fund	84.425
---	--------
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, 2022

There were no prior year audit findings.

CITYSCAPE SCHOOLS, INC.
Schedule of Expenditures of Federal Awards
August 31, 2022

<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	22610101057841	\$ 370,238
IDEA - Part B, Formula	84.027	226600010578416000	233,689
IDEA - Part B, Preschool	84.173	226610010578416000	5,497
ESEA, Title II, Part A - Teacher and Principal Training	84.367	22694501057841	51,342
ESEA, Title III, Part A - English Language Acquisition	84.365	22671001057841	73,267
ESEA, Title IV, Part A - Student Support and Academic Enrichment	84.424	22680101057841	35,570
LEP Summer School	84.369	69552002	4,424
Elementary and Secondary School Emergency Relief Fund	84.425D	20521001057841	836,860
Elementary and Secondary School Emergency Relief Fund - III	84.425U	215280001057841	1,312,840
Total Passed Through Texas Education Agency			<u>2,923,727</u>
Total U.S. Department of Education			<u>2,923,727</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Texas Education Agency			
National School Breakfast Program	10.553	71401601	369,107
National School Lunch Program	10.555	71301601	757,360
National School Lunch Program - non-cash assistance	10.555		34,289
Total Passed Through Texas Education Agency			<u>1,160,756</u>
Total U.S. Department of Agriculture			<u>1,160,756</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Texas Education Agency			
ELC Reopening Schools	93.323	39352201	46,438
Total Passed Through Texas Education Agency			<u>46,438</u>
Total U.S. Department of Health and Human Services			<u>46,438</u>
U.S. DEPARTMENT OF TREASURY			
Passed through Texas Education Agency			
Coronavirus Relief Fund	21.019		40,240
Total Passed Through Texas Education Agency			<u>40,240</u>
Total U.S. Department of Treasury			<u>40,240</u>
Total Federal Awards			<u>\$ 4,171,161</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, 2022

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:

Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	\$ 4,171,161
SHARS revenue	<u>74,479</u>
Total federal program revenues per the Statement of Activities	\$ <u><u>4,245,640</u></u>