



Doral Academy of Texas, Inc.

Financial Statements and
Independent Auditors' Report

June 30, 2023

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CERTIFICATE OF BOARD

Doral Academy of Texas, Inc.
Federal Employer Identification Number 83-1616657

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the period from inception through June 30, 2023, at a meeting of the Board of Trustees of such school district on the 16th day of November 2023.



Signature of Board Secretary



Signature of Board president



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Doral Academy of Texas, Inc.
Buda, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Doral Academy of Texas, Inc. (the “Organization”), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the period from inception (February 17, 2021) through June 30, 2023, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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.

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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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Emphasis of a Matter – Revenue concentration

As described in Note 9 to the financial statements, the School relies on significant support from Doral Academy Foundation, Inc. Our opinion is not modified with respect to this matter.

Supplementary Information and Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 schedule of expenditures of federal awards 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 November 21, 2023, on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
November 21, 2023

Doral Academy of Texas, Inc.
Statement of Financial Position
June 30, 2023

Assets

Current assets:

Cash and cash equivalents	\$ 601,244
Due from state and pass-through TEA	511,957
Grant receivable from Doral Academy Foundation, Inc.	1,520,000
Prepaid expenses and other current assets	<u>11,990</u>

Total current assets	2,645,191
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Capital assets, net	<u>18,325,060</u>
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Total assets	<u><u>20,970,251</u></u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	14,111
Accrued expenses	217,556
Due to affiliates	281,260
Lease liability - financing, current	<u>225,688</u>

Total current liabilities	738,615
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Notes payable	2,210,000
Lease liability -financing	<u>18,012,876</u>

Total liabilities	<u>20,961,491</u>
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Net assets - with donor restrictions	<u>8,760</u>
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Total liabilities and net assets	<u><u>\$ 20,970,251</u></u>
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The accompanying notes are an integral part of this financial statement.

Doral Academy of Texas, Inc.
Statement of Activities
For the period from inception through June 30, 2023

Operating Activities:	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions of cash and other financial assets from:			
Local support:			
Contributions	\$ -	\$ 2,385,873	\$ 2,385,873
Food service	-	36,093	36,093
Fundraising revenues	-	4,293	4,293
Other revenues	-	33,346	33,346
Total local support	<u>-</u>	<u>2,459,605</u>	<u>2,459,605</u>
State program revenue:			
Foundation school program	-	3,435,808	3,435,808
Food service	-	34	34
State-funded special revenue funds	-	16,741	16,741
Total state program revenues	<u>-</u>	<u>3,452,583</u>	<u>3,452,583</u>
Federal program revenues:			
Child Nutrition Cluster	-	62,287	62,287
Title I, Part A - Grants to Local Education Agencies	-	36,351	36,351
IDEA Part B	-	47,756	47,756
Charter School Program Grants	-	718,439	718,439
Total federal program revenues	<u>-</u>	<u>864,833</u>	<u>864,833</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>6,252,728</u>	<u>(6,252,728)</u>	<u>-</u>
Total Revenues	<u>\$ 6,252,728</u>	<u>\$ 524,293</u>	<u>\$ 6,777,021</u>

The accompanying notes are an integral part of this financial statement.

Doral Academy of Texas, Inc.
Statement of Activities - Continued
For the period from inception through June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Expenses:			
11 Instruction	\$ 2,721,624	\$ -	\$ 2,721,624
12 Instructional resources and media services	22,043	-	22,043
13 Curriculum and instructional staff development	57,685	-	57,685
23 School leadership	640,620	-	640,620
31 Guidance, counseling and evaluation services	52,136	-	52,136
33 Health services	62,719	-	62,719
35 Food services	163,523	-	163,523
36 Extracurricular activities	23,881	-	23,881
41 General administration	700,955	-	700,955
51 Facilities maintenance and operations	422,623	-	422,623
52 Security and monitoring services	120,548	-	120,548
53 Data processing services	65,208	-	65,208
71 Debt service - financing lease liability	1,592,943	-	1,592,943
71 Debt service	121,753	-	121,753
Total expenses	<u>6,768,261</u>	<u>-</u>	<u>6,768,261</u>
Change in net assets	<u>(515,533)</u>	<u>524,293</u>	<u>8,760</u>
Net assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ (515,533)</u>	<u>\$ 524,293</u>	<u>\$ 8,760</u>

The accompanying notes are an integral part of this financial statement.

Doral Academy of Texas, Inc.
Statement of Functional Expenses
For the period from inception through June 30, 2023

	Program Activities	Supporting Activities	
	Instructional Activities	General and Administrative	Total
Expenses			
Salaries and Wages	\$ 2,304,449	\$ 184,944	\$ 2,489,393
Benefits	230,970	21,915	252,885
Payroll Taxes	47,276	5,141	52,417
Total Payroll Expenses	2,582,695	212,000	2,794,695
Rental Expense	\$ 4,625	\$ 32,965	\$ 37,590
Office Expenses	248,546	5,103	253,649
Maintenance and Repairs	210,182	-	210,182
Administration Overhead	5,831	4,527	10,358
Utilities	131,263	-	131,263
Depreciation	93,791	1,251	95,042
Supplies	171,814	116,872	288,686
Food	87,216	-	87,216
Travel	26,900	5,217	32,117
Instructional Materials	155,757	-	155,757
Insurance and Bonding	55,326	8,834	64,160
Professional Fees and Dues	354,468	41,633	396,101
Amortization expense, right of use finance lease	555,814	-	555,814
Interest expense, right of use finance lease	1,037,129	-	1,037,129
Interest Expense	105,578	-	105,578
Other	330,326	182,598	512,924
Total Non-payroll Expenses	3,574,566	399,000	3,973,566
Total Expenses	\$ 6,157,261	\$ 611,000	\$ 6,768,261

The accompanying notes are an integral part of this financial statement.

Doral Academy of Texas, Inc.
Statement of Cash Flows
For the period from inception through June 30, 2023

Cash Flows From Operating Activities	
Change in net assets	\$ 8,760
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	650,856
Change in assets and liabilities:	
Due from state and pass through TEA	(511,957)
Grant receivable from Doral Academy Foundation, Inc.	(1,520,000)
Prepaid expenses and other current assets	(11,990)
Accounts payable	14,111
Accrued expenses	498,816
	<u>(880,164)</u>
Net Cash Used in Operating Activities	<u>(871,404)</u>
Cash Flows From Investing Activities	
Acquisition of property and equipment	<u>(785,648)</u>
Net Cash Used in Investing Activities	<u>(785,648)</u>
Cash Flows From Financing Activities	
Proceeds from notes payable	2,310,000
Repayment of loan payable	(100,000)
Lease liability- financing	<u>48,296</u>
Net Cash Provided by Financing Activities	<u>2,258,296</u>
Net increase in cash and equivalents	601,244
Cash and cash equivalents, at beginning of period	<u>-</u>
Cash and cash equivalents, at end of period	<u>\$ 601,244</u>
<u>Supplemental Disclosure of Cash Flow Information</u>	
Cash paid for interest	<u>\$ 3,795</u>

The accompanying notes are an integral part of this financial statement.

Note 1 – Organization and Operations

Doral Academy of Texas, Inc. (the “Organization”), is a not-for-profit 501(c)(3) corporation established in the State of Texas on August 15, 2018. The Organization is governed by a Board of Directors comprised of no less than three members.

On February 17, 2021, the Texas Education Agency (“TEA”) granted the Organization an open-enrollment charter pursuant to chapter 12 of the Texas Education Code (“TEC”). The open-enrollment charter shall be in effect from the date of execution through July 31, 2025, unless renewed or terminated. The Organization opened its first charter school located at 1333 Fire Cracker Drive in Buda, Texas in August 2022, serving grades kindergarten through eighth (the “School”).

The accompanying financial statements are for the first year of school operations, which includes the period from inception (February 17, 2021) through June 30, 2023.

The Organization receives substantially all its funding from TEA based on the School’s average daily attendance. Since the Organization receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements for the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”).

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions of Cash and other Financial Assets

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the end of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Contributions of Nonfinancial Assets

The Organization recognizes contributed nonfinancial assets within revenue for any donated services received. Contributions of nonfinancial assets received are stated at the estimated fair market value reported by donors. When the donor does not provide the fair market value, it is estimated by the management of the Organization.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Doral Academy of Texas, Inc.'s ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, salary and benefit, occupancy. Methods used include square footage, time and effort and direct use.

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits (see Note 3). In addition, the Organization has an agreement with its bank institution where the bank provides pledged collateral in the Organization's name in the event deposits exceed FDIC limits. The Organization has not experienced any losses in such accounts.

Fair Value of Financial Instruments

Cash and cash equivalents, receivables, and prepaid expenses, as well as account payable and accrued expenses as reflected in the statement of financial position at approximate fair value because of their generally short-term maturities.

Due from State

Due from state consists of the instructional days in June 2023 that relate to the 2022-2023 Organization year, as well as underpayments for the foundation Organization program made to the Organization from the TEA.

Due from Pass-Through Grants From TEA

The School considers all government grants and contracts as exchange transactions rather than contributions. The School recognizes revenue from fee for service transactions as services are rendered and for grants, as eligible expenditures are incurred. Advances from government agencies are recorded as deferred revenues. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as due from pass-through grants from TEA. Any of the funding agencies may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of any noncompliance with the terms of the grant or contract.

Capitation received, including base capitation, entitlements and special services, is recognized in the period services are provided. Revenues from TEA are earned based on reported attendance. Public and private grants received are recognized in the period received and when the terms of the grant are met.

The Organization also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue from Contracts with Customers

The Organization adopted ASU No. 2014-09, Revenues from Contracts with Customers which applies to all contracts, but specifically excludes contribution income.

The Organization applies a five-step model that includes (1) identifying the contract(s) with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract, and (5) recognizing revenue when (or as) the performance obligations are satisfied.

The standard also requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organizations revenues subject to this standard include student activity fees and any charges for services that all predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer.

Property and Equipment

The Organization’s plant and equipment with useful lives of more than one year are stated at historical cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The Organization generally capitalizes assets with cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method.

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The right of use assets are initially measure at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

Estimated useful lives, in years, for capital assets are as follows:

Furniture, fixtures and equipment	5-10 Years
Leasehold improvements	5 Years
Right of use lease asset - financing	30 Years

Note 2 – Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicated the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to the amount by which the carrying value exceeds the fair value of the assets. The factors considered by management include current operating results, trends and prospects and other economic factors. The Organization did not recognize an impairment loss during the period ended June 30, 2023.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Income Taxes

Doral Academy of Texas, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been recorded in the accompanying financial statements.

Compensated Absences

The Organization grants a specific number of personal days. All fulltime employees are eligible for 3.34 hours per pay period up to 10 days. In the event available time is not used by the end of the benefit year, employees may “rollover” a total of five days per year. At the time of termination or two weeks’ notice of resignation, employees may be eligible for payment of unused accrued leave time the board approved rate.

Recent Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update 2020-07, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosures. Nonfinancial assets are defined within the ASU as including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. The amendments do not change the recognition and measurement of nonfinancial assets. The adoption of this standard did not have a significant impact on the Organization's financial statements.

Subsequent Events

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure through November 21, 2023, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and Cash Deposits

Liquidity

Current assets on the statement of financial position represents financial assets available within one year of the balance sheet date for general expenditures. The financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date, if any. The Organization structures its highly liquid financial assets to be available as its general expenditures, liabilities and other obligations come due by maintaining deposits in highly rated financial institutions.

Deposits

The Organization maintains its cash and cash equivalents in one financial institution. As of June 30, 2023, the Organization’s deposits consisted of cash balances of \$442,253. Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. As of June 30, 2023, total bank balance in potential excess of FDIC coverage was approximately \$192,000.

The Organization’s financial assets available within one year of the balance sheet date for general expenditures are as follow:

Cash and cash equivalents	\$ 601,244
Due from governmental agencies	511,957
Due from Doral Foundation, Inc.	1,520,000
	<u>\$ 2,633,201</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 4 – Due From State/Due From Pass-Through Grants From the TEA

Due from state and due from pass-through grants from the TEA at June 30, 2023 consist of the following:

<u>Due from state:</u>	
Days of instruction	\$ 157,066
Settlement of current year underpayment	85,930
	<u>\$ 242,996</u>

Changes in due from state and pass-through grants from the TEA balances during the period from inception through June 30, 2023 were as follows:

Balance at beginning of period	\$ -
Balance at end of period	\$ 511,957

Note 4 – Due From State/Due From Pass-Through Grants From the TEA (continued)

<u>Due from pass-through grants from TEA:</u>	
Agencies	\$ 3,677
Charter Schools Program Grant	253,059
IDEA Part B	<u>12,225</u>
	<u>\$ 268,961</u>

Note 5 – Property and Equipment

The following schedule provides a summary of property, furniture and equipment at June 30, 2023:

Furniture, fixtures and equipment	\$ 751,342
Leasehold improvements	34,306
Right of use asset (building) finance	<u>18,190,268</u>
	18,975,916
Less accumulated depreciation and amortization	<u>(650,856)</u>
Net property and equipment	<u>\$ 18,325,060</u>

Depreciation and finance lease amortization expense for the period ended June 30, 2023 was \$650,856. Capital assets acquired with public funds received by the Organization constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

Note 6 – Due to Affiliates

For the period from inception through June 30, 2023, the Organization accrued balances to three entities under current agreements (see Notes 7, 9, and 14). The balances as of June 30, 2023 are composed of the following:

Accrued interest due to Doral Academy Foundation, Inc. (Note 7)	\$ 110,464
Accrued cooperative fees due to Somerset Academies of Texas (Note 9)	\$ 136,438
Accrued rent due to Doral Academy, Inc. (Note 14)	\$ 34,358

Note 7 – Long Term Debt

Notes Payable

On August 17, 2021, the Organization entered into a promissory note agreement with Building Hope Finance for working capital of \$100,000. The term of the loan began upon execution of the promissory note and continued until 18 months from the date thereof at an interest rate of 6.5%. The note matured on February 17, 2023, where the outstanding balance was paid off.

Line of Credit

On June 28, 2022 and June 30, 2023, the Organization entered into two line of credit promissory notes with Doral Academy Foundation, Inc. for working capital purposes for a total amount of \$2,210,000. The facility bears an interest rate of 1.75% plus the "BSBY Rate" (Bloomberg Short-Term Bank Yield Index) per annum and is due in full with all accrued interest at maturity which is three years from the time the funds are distributed.

Future maturities of long-term debt are as follows:

Fiscal year ending:	Principal
2024	\$ -
2025	727,280
2026	1,482,720
Total	<u>\$ 2,210,000</u>

Note 8 – Long Term Liabilities

The Organization has implemented FASB ASC Topic 842, Leases, and as a result recorded a lease right of use asset and liability in these financial statements. At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The Organization has used an average effective interest for several borrowings during FY 2021 and 2022. The average borrowing rate was 6.25% which was used to discount the annual lease payments to recognize the intangible right to use this asset and the lease liability as of June 30, 2023.

On August 20, 2021, The Doral Academy, Inc. entered into a lease agreement with TA Austin FCD LP for a new facility in Buda, Texas. The Organization is a subtenant under a sublease agreement with The Doral Academy, Inc. The lease has two separate phases, of which only Phase I (approximately 58,800 square feet) has been completed. The agreement expires on June 30, 2051. The landlord has given an option to purchase the premises through May 31, 2025 for approximately \$18,000,000. It is the Organization's intent to acquire the facility, therefore the estimated option purchase price has been used to record the right of use asset and liability.

Lease Liability – Financing

The Organization recorded a right of use asset and liability for the building facilities it is leasing for approximately \$1,232,000 per year through 2052.

For the period ended June 30, 2023, interest expense totaled \$1,037,129, as it relates to its lease agreements.

Note 8 – Long Term Liabilities (continued)

For the period ended June 30, 2023, finance leases costs consist of the following:

Finance lease cost:	
Amortization of right-of-use asset	\$ 555,814
Interest on lease liabilities	<u>1,037,129</u>
Total Lease Cost	<u>\$ 1,592,943</u>

A maturity analysis of annual discounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year</u>	<u>Finance Lease</u>
2024	\$ 1,344,008
2025	1,344,007
2026	1,344,008
2027	1,344,007
2028	1,344,008
2029-2033	6,720,037
2034-2038	6,720,037
2039-2043	6,720,037
2044-2048	6,720,037
2049-2052	<u>5,731,203</u>
Total	\$ 39,331,389
Less effects of discounting	<u>(21,092,825)</u>
Total lease liability	<u>\$ 18,238,564</u>

Other information in relation to the lease agreements as of June 30, 2023, were as follows:

Other Information

Cash paid for amounts included

in the measurement of leases liabilities:	
Operating cash flows from finance leases	\$ 555,814
Financing cash flows from financing leases	\$ 1,037,129

Supplemental noncash information :

Right of use asset and lease liability - financing	\$ 18,190,268
--	---------------

Weighted-Average Remaining Lease Term - Finance Leases	30
Weighted-Average Discount Rate - Finance Leases	6.25%

Note 9 – Concentrations and Contingencies

The Organization received substantially all of its revenues from state and federal governmental agencies that are governed by various statutes and regulations. As such, the Organization operates in a heavily regulated environment. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency.

The programs administered by the charter Organization have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter Organization funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency. The Organization receives a portion of its funding from federal and state programs that are governed by rules and regulations of the grantors. The ultimate determination of amounts received under these programs is generally based upon allowable costs reported to the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Cooperative agreement

The Organization entered into an interlocal cooperative agreement with Somerset Academies of Texas to share certain technical and operational support services, in accordance with Chapter 791 of the Texas Government Code with Somerset Academies of Texas acting as the fiscal agent. The term of the agreement is for one year ending June 30, 2023, and may be extended for additional one year terms for an additional four years through fiscal year ending June 30, 2027. For the period from inception through June 30, 2023, the Organization incurred approximately \$35,000 in fees related to this agreement.

Recoverable grants

During 2022 and 2023, the Organization received a total of \$2,370,000 of recoverable grants from Doral Academy Foundation, Inc. The purpose of these grants was for the Organization to fund operating expenses with repayment contingent on the school subsequently meeting certain financial conditions. To date, management has determined that the Organization has not met the requirements for repayment under the grant terms. The maximum amount the Organization may be required to pay in the future should the school meet the requirements for repayment is \$2,370,000. For the period from inception to June 30, 2023, these revenues represented approximately 35% of total revenues.

Note 10- Risk Management

The Organization is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the Organization carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past years. In addition, there were no reductions in insurance coverage from those in the prior year.

Note 11 – Defined Benefit Pension Plan

The Organization participates in the Teacher Retirement System of Texas (the System), a public employee retirement system. It is cost-sharing, multiple-employer defined benefit pension plan with the exception that all risks and costs are not shared by the Organization, but are the liability of the State of Texas.

The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas. Under provisions in State law, plan members are required to contribute 8.0% of their monthly salary and the State of Texas contributes an amount equal to 8.00% of the Organization’s covered payroll. The Organization’s contribution to the System for the year ended June 30, 2023 was approximately \$379,000.

Plan Description

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

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

The TRS plan differs from single-employer plan in the following ways:

1. Charters are legally separate entities from the state and each other.
2. Assets contributed by one charter or independent Organization district (“ISD”) may be used for the benefit of an employee of another charter or ISD.
3. The unfunded obligations get passed along to other charters or ISDs.
4. There is not a withdrawal penalty for leaving the TRS system.

Pension Plan Fiduciary Net Position

At August 31, 2022, TRS’ total plan assets (dollars in thousands) were \$207,621,898 and the plan was 79% funded. Detailed information about TRS’ fiduciary net position is available in a separately issued Comprehensive Annual Financial Report (“CAFR”) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Note 11 – Defined Benefit Pension Plan (continued)

Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate not less than 6% and not more than 10% of the aggregate annual compensation paid to members of TRS during the fiscal year. Texas Government Code, Section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, of the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code, Section 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code, Section 825.402 for member contributions and established employee contribution rates for fiscal year 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance ("OASDI") on certain employees effective for fiscal year 2015, as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act ("GAA") established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, GAA established the employer contribution rates for fiscal years 2016 and 2017.

Contributors to the plan include members, the Organization, and the state of Texas as the only nonemployer contributing entity ("NECE"). The state is the employer for senior colleges, medical Organizations, and state agencies, including TRS. In each respective role, the state contributes to the plan in accordance with state statutes and the GAA.

As the NECE for public education and junior colleges, the state of Texas contributes to TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the Organization. The Organization is required to pay the employer contribution rate in the following instances:

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

In addition to the Organization employer contributions listed-below, when employing a retiree of TRS, the Organization shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Note 11 – Defined Benefit Pension Plan (continued)

The Organization’s contribution to TRS does not represent more than 5% of the total contributions to the TRS plan. Other than in member contribution rates, there have been no changes that would affect the comparison of employer contributions from year to year.

	<u>Contribution Rates</u>	<u>2023</u>
Member		8.00%
NECE		7.75%
Employers		8.00%
Employer contributions		\$ 41,054
Member contributions		\$ 34,289
Non-OASDI contributions		\$ 169,745
Health plan contributions		\$ 134,242

Note 12 – Health Care Coverage

During the period ended June 30, 2023, employees of the Organization were covered by a health insurance plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers. For the period ended June 30, 2023, the Organization contributed \$134,242 to the health plan on behalf of the employees.

Note 13 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2023 consisted of assets that are subject to grantor or donor imposed stipulations that require the passage of time or the occurrence of a specified event. The majority of the assets are pass-through from TEA as follows:

Foundation School Program	\$ (129,568)
Title I, Part A	1
Child Nutrition Cluster	(57,008)
Charter School Program Grant	192,274
Enterprisese service revenue activities accounts	3,061
	<u>\$ 8,760</u>

Note 13 – Temporarily Restricted Net Assets (continued)

Net Assets for the period ended June 30, 2023 were released from donor restriction by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Foundation School Program	\$ 5,855,027
Title I, Part A - Grants to Local Education Agencies	36,351
IDEA Part B	47,756
Child Nutrition Cluster	70,388
Charter School Program Grant	710,338
Other State	16,741
Other Local	40,420
	<u>\$ 6,777,021</u>

Note 14 – Agreement with Doral Academy, Inc.

The Organization entered into a Charter School Network Membership and Licensing Agreement with The Doral Academy, Inc. The agreement also includes educational services and support for administrative services including but not limited to staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the accounting books and records, bookkeeping, budgeting and financial reporting. The annual membership fee charged is equivalent to \$650 per pupil per annum plus 1% of state revenues. During the year ended June 30, 2023, the fee recorded by the Organization totaled approximately \$247,000.

SUPPLEMENTAL INFORMATION

Doral Academy of Texas, Inc.
Schedule of Expenses
For the period from inception through June 30, 2023

Expenses:

6100 Payroll costs	\$ 2,794,695
6200 Professional and contracted services	1,265,927
6300 Supplies and materials	785,308
6400 Other operating costs	207,635
6500 Debt service	<u>1,714,696</u>
Total Expenses	<u>\$ 6,768,261</u>

Doral Academy of Texas, Inc.
Schedule of Capital Assets
June 30, 2023

Object Code	Asset Classification	Ownership Interest			Total
		Local Funds	State Funds	Federal Funds	
1100	Cash and cash equivalents	\$ 3,060	\$ 598,184	\$ -	\$ 601,244
1520	Buildings and Improvements	-	34,306	-	34,306
1539	Furniture and equipment over \$500	-	491,818	253,024	744,842
1559	Asset purchased under capital lease	-	18,190,268	-	18,190,268
1569	Library books	-	6,500	-	6,500
Total Capital Assets		\$ 3,060	\$ 19,321,076	\$ 253,024	\$ 19,577,160

Doral Academy of Texas, Inc.
 Budgetary Comparison Schedule
 For the period from inception through June 30, 2023

	Budgeted Amounts			Variances	
	Original	Final	Actual Amounts	Variance from Final Budget and Actual Amounts	Variance from Original and Final Budget
Revenues					
5700 Local support	\$ 1,141,050	\$ 2,081,020	\$ 2,459,605	\$ 378,585	\$ (939,970)
5800 State program revenue	4,499,533	3,439,341	3,452,583	13,242	1,060,192
5900 Federal program revenues	1,300,130	820,282	864,833	44,551	479,848
Total revenues and other support	<u>\$ 6,940,713</u>	<u>\$ 6,340,643</u>	<u>\$ 6,777,021</u>	<u>\$ 436,378</u>	<u>\$ 600,070</u>
Expenses					
11 Instruction	3,048,938	2,602,245	2,721,624	119,379	446,693
12 Instructional resources and media services	-	21,500	22,043	543	(21,500)
13 Curriculum and instructional staff development	29,318	61,265	57,685	(3,580)	(31,947)
23 School leadership	538,810	610,999	640,620	29,621	(72,189)
31 Guidance, counseling and evaluation services	60,816	48,999	52,136	3,137	11,817
33 Health services	53,691	59,072	62,719	3,647	(5,381)
35 Food services	294,922	152,496	163,523	11,027	142,426
36 Extracurricular activities	27,400	26,000	23,881	(2,119)	1,400
41 General administration	792,052	659,674	700,955	41,281	132,378
51 Facilities maintenance and operations	317,969	416,079	422,623	6,544	(98,110)
52 Security and monitoring services	109,488	113,858	120,548	6,690	(4,370)
53 Data processing services	66,596	64,589	65,208	619	2,007
71 Debt service - financing lease liability	1,374,109	1,374,109	1,592,943	218,834	-
71 Debt service	25,210	112,150	121,753	9,603	(86,940)
Total expenses	<u>6,739,319</u>	<u>6,323,035</u>	<u>6,768,261</u>	<u>445,226</u>	<u>416,284</u>
Change in net assets	<u>201,394</u>	<u>17,608</u>	<u>8,760</u>	<u>(8,848)</u>	<u>183,786</u>
Net assets at beginning of year	-	-	-	-	-
Net assets at end of year	<u>\$ 201,394</u>	<u>\$ 17,608</u>	<u>\$ 8,760</u>	<u>\$ (8,848)</u>	<u>\$ 183,786</u>

Note 1 – Budgetary Matters

In accordance with the TEA Special Supplement to the Financial Accountability System Resource Guide Charter Organizations, if the budgetary comparison schedule discloses variances between the final budgeted amounts and the actual amounts that exceed 10% of the final budgeted amounts or 10% between the original and budgeted amounts, a written statement discussing the causes of the variances is required. Budget variances are explained in Note 2 below.

Note 2 – Budgetary Variances

Revenue

57XX - Final Budget was increased to recognize local grants acquired due to not meeting projected enrollment.

58XX - Final Budget was decreased due to projected enrollment not being met

59XX - Final Budget was decreased given campus was not able to utilize all CSP funds as projected

Expenses

FUNCTION 11 - Final Budget was adjusted due to campus not meeting projected enrollment

FUNCTION 12 - Final Budget was adjusted from other functions due to corrections in staff codes

FUNCTION 13 -Final Budget was adjusted due to campus not meeting projected enrollment

FUNCTION 23-Final Budget was adjusted due to campus not meeting projected enrollment

FUNCTION 31 -Final Budget was adjusted due to campus not meeting projected enrollment

FUNCTION 35 - Final Budget was adjusted due to campus not meeting projected enrollment

FUNCTION 41 - Final Budget was adjusted due to campus not meeting projected enrollment

FUNCTION 51 - Final Budget was adjusted due to campus not meeting projected enrollment

FUNCTION 71 - Budgeted amount was corrected to account for changes due to Topic 842

Doral Academy of Texas, Inc.
 Schedule of State Allotment Program Funds
 June 30, 2023

Data

Code Section A: Compensatory Education Program

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Y
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Y
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$229,686.00
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$142,497.19

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Y
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Y
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 20,438.00
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 11,240.87

COMPLIANCE SECTION



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
Doral Academy of Texas, Inc.
Buda, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Doral Academy of Texas, Inc. (the "Organization"), which compose the statement of financial position for the period from inception through June 30, 2023, and the related statements of activities, functional expenses and cash flows for the period then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
November 21, 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
Doral Academy of Texas, Inc.
Buda, Texas

Opinion on Each Major Federal Program

We have audited Doral Academy of Texas, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the period from inception through June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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

We have audited the financial statements of the Organization as of and for the year ended June 30, 2023, and have issued our report thereon dated November 21, 2023 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Handwritten signature in blue ink that reads "HLB Gravier, CPA".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
November 21, 2023

Doral Academy of Texas, Inc.
 Schedule of Expenditures of Federal Awards
 For the period from inception through June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Identifying Number Pass Through Entity	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE/PASSED THROUGH THE STATE DEPARTMENT OF AGRICULTURE			
School Breakfast Program	10.553	201919N109946	\$ 11,117
National School Lunch Program	10.555	201919N109946	<u>51,170</u>
Total United States Department of Agriculture passed through State Department of Agriculture			<u><u>\$ 62,287</u></u>
U.S. DEPARTMENT OF EDUCATION/PASSED THROUGH THE STATE DEPARTMENT OF EDUCATION			
Title I, Part A - Grants to Local Educational Agencies	84.010A	S010A220043	\$ 36,351
Special Education Grants - IDEA Part B	84.027A	H027A220008	47,756
Charter Schools	84.282	S282A200011	<u>718,439</u>
Total United States Department of Education passed through State Department of Education			<u><u>\$ 802,546</u></u>
Total expenditures of federal awards			<u><u>\$ 864,833</u></u>

Note 1 – Basis of Presentation and Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Doral Academy of Texas, Inc. ("the Organization") for the period from inception through June 30, 2023.

The schedule of expenditures of federal awards is for the period from inception through June 30, 2023, the Organization's first period of operation. Therefore, no prior audits have been conducted and the Organization cannot be considered low-risk auditee.

The information in this 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 operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Expenditures on the schedule are reported on the accrual basis of accounting. Some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Type of auditor's report issued on compliance for major program: Unmodified

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Any audit findings disclosed that are required to be reported as defined by the Uniform Guidance (2 CFR 200.516(a))? _____ Yes X No

Identification of major programs:

Name of Federal Program or Cluster	CFDA	
	Number(s)	Expenditures
Charter Schools	84.282	\$ 718,439

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statement Findings

A. Internal Control: None

B. Compliance: None

Section III – Major Federal Awards Program Findings and Questioned Costs

C. Internal Control: None

D. Compliance: None

Section IV – Summary Schedule of Prior Audit Findings

The period from inception through June 30, 2023, is the Organization's first year of operations. Therefore, no prior audit findings are applicable.