



Heritage Academy Charter Schools, Inc.

Annual Financial Report

For the Year Ended August 31, 2025

Paul J. Christensen & Associates, LLC
Certified Public Accountants
Waco, Texas

Heritage Academy Charter Schools, Inc.

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Heritage Academy Charter Schools, Inc.

Certificate of Board

Heritage Academy Charter Schools, Inc.
Name of Charter Holder

74-2823746
Federal Employer ID Number

Heritage Academy
Name of Charter School

Bexar
County

015-815
Co. Distr. Number

We, the undersigned, certify that the attached Financial and Compliance Report of Heritage Academy Charter Schools, Inc. was reviewed and (check one) approved disapproved for the year ended August 31, 2025 at a meeting of governing body of the charter holder on the 12th day of January, 2026.

Yvonne Brown

Signature of Board Secretary

Ben W. Whaley

Signature of Board President

If the governing body of the charter holder does not approve the Independent Auditor's Report, it must forward a written statement discussing the reason(s) for not approving the report.

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heritage Academy Charter Schools, Inc.
San Antonio, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Heritage Academy Charter Schools, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Heritage Academy Charter Schools, Inc. as of August 31, 2025, 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 Heritage Academy Charter Schools, Inc. 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 Heritage Academy Charter Schools, Inc.'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 Heritage Academy Charter School, Inc.'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 Heritage Academy Charter School, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 21 through 32 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2026, on our consideration of Heritage Academy Charter 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 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 Heritage Academy Charter Schools, Inc.'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 Heritage Academy Charter Schools, Inc.'s internal control over financial reporting and compliance.



Waco, Texas
January 12, 2026

FINANCIAL STATEMENTS

Heritage Academy Charter Schools, Inc.
 Statement of Financial Position
 August 31, 2025

Assets

Current Assets	
Cash and cash equivalents	\$ 5,633,396
Due from governments	205,388
Prepaid expenses	113,178
Total current assets	<u>5,951,962</u>
Property and equipment, net	1,444,869
Operating right of use asset, net	<u>327,719</u>
Total Assets	<u><u>\$ 7,724,550</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 17,900
Deferred revenue	706
Accrued wages	166,836
Other payroll liabilities	177,483
Current portion of lease liability, operating	<u>184,422</u>
Total current liabilities	<u>547,347</u>
Lease liability, operating	<u>143,495</u>
Total long-term liabilities	<u>143,495</u>
Total Liabilities	<u>690,842</u>
Net Assets	
Without donor restrictions	1,480,572
With donor restrictions	<u>5,553,136</u>
Total Net Assets	<u>7,033,708</u>
Total Liabilities and Net Assets	<u><u>\$ 7,724,550</u></u>

Heritage Academy Charter Schools, Inc.
Statement of Activities
For the Year Ended August 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Local support:			
Interest and other income	\$ 207,527	\$ -	\$ 207,527
Total local support	207,527	-	207,527
State program revenues:			
Foundation school program act	-	6,983,479	6,983,479
Other state aid	-	440,769	440,769
TRS on-behalf payments	-	218,379	218,379
Total state program revenues	-	7,642,627	7,642,627
Federal program revenues:			
ESEA, Title I, Part A	-	218,817	218,817
ESEA, Title I, 1003 ESF-Focus	-	33,800	33,800
IDEA-Part B, Formula	-	114,873	114,873
IDEA-Part B, Pre-school	-	1,195	1,195
National School Lunch and Breakfast Program	-	273,420	273,420
ESEA, Title II, Part A	-	23,449	23,449
Title III, Part A, ELA	-	35,582	35,582
ESEA, Title IV, Part A	-	4,008	4,008
SPED Capacity Contracted Services Grant	-	35,341	35,341
Total federal program revenues	-	740,485	740,485
Net assets released from restrictions:			
Restrictions satisfied by payments	7,948,557	(7,948,557)	-
Total Revenues	8,156,084	434,555	8,590,639
Expenses			
Program Services:			
11 Instruction	4,695,346	-	4,695,346
13 Curriculum development and instructional staff development	80,910	-	80,910
21 Instructional leadership	126,313	-	126,313
23 School leadership	679,084	-	679,084
31 Guidance, counseling and evaluation services	185,890	-	185,890
33 Health services	74,178	-	74,178
34 Student (Pupil) Transportation	19,333	-	19,333
35 Food services	395,694	-	395,694
36 Cocurricular/extracurricular activities	47,487	-	47,487
53 Data processing services	55,812	-	55,812
Total Program Services	6,360,047	-	6,360,047
Support Services:			
41 General administration	625,664	-	625,664
51 Plant maintenance and operations	726,418	-	726,418
52 Security and monitoring services	268,530	-	268,530
Total Support Services	1,620,612	-	1,620,612
Fundraising services:			
81 Fundraising	17,283	-	17,283
Total Fundraising Services	17,283	-	17,283
Total Expenses	7,997,942	-	7,997,942
Change in Net Assets			
Net Assets, Beginning of Year	1,322,430	5,118,581	6,441,011
Net Assets, End of Year	\$ 1,480,572	\$ 5,553,136	\$ 7,033,708

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

Heritage Academy Charter Schools, Inc.
Statement of Functional Expenses
For the Year Ended August 31, 2025

	Program Services	Supporting Services	Fundraising Services	Total
Expenses				
Salaries and wages	\$ 4,051,579	\$ 524,500	\$ -	\$ 4,576,079
Benefits	760,316	70,669	-	830,985
Payroll taxes	74,465	8,456	-	82,921
Total Payroll Expenses	4,886,360	603,625	-	5,489,985
Professional services	380,894	67,898	-	448,792
Education service center	4,171	100	-	4,271
Repairs and maintenance	9,783	241,484	-	251,267
Utilities	-	157,347	-	157,347
Rentals	306,881	50,788	-	357,669
Consulting services	-	64,500	-	64,500
Miscellaneous contract services	113,866	186,640	-	300,506
Gasoline	8,438	4,369	-	12,807
Maintenance supplies	-	17,490	-	17,490
Textbooks	53,088	-	-	53,088
Food	234,234	-	-	234,234
General supplies	197,184	35,038	-	232,222
Instructional supplies	12,916	-	-	12,916
Travel	27,668	21,727	-	49,395
Insurance	35,659	49,932	-	85,591
Depreciation	18,398	62,058	-	80,456
Miscellaneous	70,507	57,616	17,283	145,406
Total Non-payroll Expenses	1,473,687	1,016,987	17,283	2,507,957
Total Expenses	\$ 6,360,047	\$ 1,620,612	\$ 17,283	\$ 7,997,942

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

Heritage Academy Charter Schools, Inc.
Statement of Cash Flows
For the Year Ended August 31, 2025

Cash Flows from Operating Activities:

Foundation school program payments	\$ 7,401,481
TRS on behalf payments	218,379
Grant payments	812,638
Miscellaneous sources	207,527
Payments to vendors for goods and services rendered	(2,527,271)
Payments to charter school personnel for services rendered	(5,429,298)
Net Cash Provided by Operating Activities	<u>683,456</u>

Cash Flows from Investing Activities:

Purchase of capital assets	(266,948)
Net Cash Used by Investing Activities	<u>(266,948)</u>

Net Increase in Cash and Cash Equivalents	416,508
Cash and Cash Equivalents - Beginning of Year	<u>5,216,888</u>

Cash and Cash Equivalents - End of Year	<u><u>\$ 5,633,396</u></u>
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Reconciliation of Change in Net Assets to Net Cash Provided

by Operating Activities:

Change in Net Assets	\$ 592,697
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	80,456
(Increase) Decrease in assets:	
Due from governments	49,386
Prepaid expenses	(4,133)
Other receivables	16,208
Operating right of use asset	(33,937)
Increase (Decrease) in liabilities:	
Accounts payable	(20,319)
Deferred revenue	(83,272)
Accrued wages	15,448
Other payroll liabilities	45,239
Lease liability	25,683
Net Cash Provided by Operating Activities	<u><u>\$ 683,456</u></u>

Heritage Academy Charter Schools, Inc.

Notes to Financial Statements

August 31, 2025

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of Heritage Academy Charter Schools, Inc. (the “Charter Holder”) were prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The Charter Holder is a not-for-profit organization incorporated in the State of Texas in 1998 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter Holder is governed by a Board of Directors comprised of five members. The Board of Directors is selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions, appoint the chief executive officer of the Charter Holder, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Charter Holder.

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

Corporate Operations

The State Board of Education of the State of Texas granted the Charter Holder an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Heritage Academy Charter Schools, Inc. was opened. The Charter Holder was organized to provide educational services to at-risk students and their programs, services, activities and functions are governed by the Charter Holder’s Board of Directors. For the year ended August 31, 2025, the Charter Holder served grades Pre-Kindergarten through twelfth grade.

The Charter Holder operated one charter district, Heritage Academy, and did not conduct any other charter or non-charter activities.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors 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 those resources be maintained in perpetuity.

Use of Estimates

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

Heritage Academy Charter Schools, Inc.
Notes to Financial Statements
August 31, 2025

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contributions

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

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, 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.

Cash and Cash Equivalents

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

Capital Assets

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

Due From Governments

The Charter Holder considers all government grants and contracts as contributions rather than exchange transactions. The Charter Holder 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 receivables.

Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of any noncompliance with terms of the grant contract.

Impairment of Long-Lived Assets

The Charter Holder reviews the carrying value of capital assets for impairment whenever events and circumstances indicate 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 an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. The Charter Holder did not recognize an impairment loss during the year ended August 31, 2025.

State Funding

The amount of state foundation school program act revenue the Charter Holder earns may vary until the time when final values for all factors in the state aid formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation school program act revenue estimate for the year ended August 31, 2025, will change.

Heritage Academy Charter Schools, Inc.

Notes to Financial Statements

August 31, 2025

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenues from the State of Texas are based on reported attendance. A portion of the Charter Holder's revenue is from cost-reimbursement contracts and grants, which are based upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Charter Holder has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Government grant contracts that are entered into by the Charter Holder are recognized as revenue when services are rendered or when qualifying expenses are incurred.

All contributions are considered to be available for purposes without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions.

Donated Services and Assets

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills and which would typically need to be purchased if not provided by donation are recorded at the estimated fair market value in the period received.

Contributions of donated noncash assets are recorded at the estimated fair market value in the period received.

Functional Allocation of Expenses

The Charter Holder provides educational services to all students. The relationship between functional expense classifications as summarized on the statement of activities and their natural expense classifications is presented in the statement of functional expenses.

Basis of Consolidation

The General-Purpose financial statements are presented on an entity-wide consolidated basis including operations of the Charter Holder not affiliated with any certain charter operation. Certain intercompany transactions are eliminated in the consolidation process because including them would make the overall financial statement presentation misleading.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Charter Holder which will only be resolved when one or more future events occur or fail to occur. The Charter Holder's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Charter Holder or unasserted claims that may result in such proceedings, the Charter Holder's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is possible that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Charter Holder's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Heritage Academy Charter Schools, Inc.
Notes to Financial Statements
August 31, 2025

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents as of August 31, 2025, consist of the following:

Checking accounts	\$ 5,633,396
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Note 3 -Due from Governments

At August 31, 2025, due from governments consisted of the following:

ESEA, Title I, Part A	\$ 34,014
National School Lunch and Breakfast Program	19,929
Title II, Part A -Supporting	13,250
Textbook & Kindergarten Materials	25,160
State Foundation	101,016
Safe Cycle	4,219
2023-2025 Safety and Facilities Enhancement	7,800
Total	<u><u>\$ 205,388</u></u>

Note 4 – Net Assets with Donor Restrictions

At August 31, 2025, net assets with donor restrictions in the amount of \$5,553,136 consisted of unexpended state program revenue.

Note 5 – Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors. During the year ended August 31, 2025, the Charter Holder released \$7,948 ,557 of funds with donor restrictions related to Foundation School Program and federal grants.

Note 6 - Capital Assets

A summary of changes in capital assets is as follows:

	<u>Beginning</u>			<u>Ending</u>		<u>Accumulated</u>		<u>Net Capital</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>		<u>Depreciation</u>		<u>Assets</u>
Land	\$ 213,003	\$ -	\$ -	\$ 213,003		\$ -		\$ 213,003
Buildings and Improvements	948,333	164,930	-	1,113,263		221,657		891,606
Vehicles	371,839	-	-	371,839		292,813		79,026
Furniture and Equipment	973,489	102,018	-	1,075,507		814,273		261,234
Property and Equipment, Net	<u>\$ 2,506,664</u>	<u>\$ 266,948</u>	<u>\$ -</u>	<u>\$ 2,773,612</u>		<u>\$ 1,328,743</u>		<u>\$ 1,444,869</u>

Capital assets acquired with public funds received by the Charter Holder for the operation of the charter school constitute public property pursuant to Chapter 12 of the Texas Education Code.

Depreciation expense for the year ended August 31, 2025, was \$80,456.

Heritage Academy Charter Schools, Inc.
Notes to Financial Statements
August 31, 2025

Note 7 - Pension Plan Obligations

Plan Description

The Charter Holder contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiemployer defined benefit pension plan with one exception; all risks and costs are not shared by the Charter Holder, 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.

The plan 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.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district ("ISD") may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement.

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% 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 31 years, the period would be increased by such action.

Contributions

State law provides for a member contribution rate of 8.25 % for fiscal year 2025. The state's contribution rate as a non-employer contributing entity was 8.25% for fiscal year 2025.

Under provisions in state law, plan members are required to contribute 8.25% of their annual covered salary, and the state of Texas contributes an amount equal to 8.25% of the Charter Holder's covered payroll. The Charter Holder's contribution to TRS for the year ended August 31, 2025, was \$286,699, which includes \$84,604 in non-OASDI participation surcharges. The Charter Holder's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

Heritage Academy Charter Schools, Inc.
Notes to Financial Statements
August 31, 2025

Note 8 - Health Care Coverage

During the year ended August 31, 2025, employees of the Charter Holder were covered by a health insurance plan. The Charter Holder contributed \$299 to \$437 per month per employee based on the employee's years of service for the year ended August 31, 2025, to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 9 - Deferred Revenue

Deferred revenue at August 31, 2025 consisted of the following:

Textbook and Kindergarten Materials	\$ <u>706</u>
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Note 10 - Risk Management Program

Worker's compensation coverage, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have historically not exceeded commercial coverage.

Note 11 – Leases

The Charter Holder accounts for leases in accordance with FASB 842. The Charter Holder is the lessee for all of its leases. Upon adoption, a reporting entity should apply the provisions of ASC 842 at the beginning of the earliest period presented using a modified retrospective approach, which includes certain optional practical expedients that an entity may elect to apply. We adopted this standard September 1, 2022, using the modified retrospective approach. As a result, the opening net assets for September 1, 2022, was unaffected.

At the inception of a contract, the Charter Holder assesses whether the contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Charter Holder assesses whether:

- The contract involved the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Charter Holder has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Charter Holder has the right to direct the use of the asset. The Charter Holder has the right when it has decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Charter Holder has the right to direct the use of the asset if either the Charter Holder has the right to operate the assets or the Charter Holder designed the asset in a way that predetermined how and for what purpose it will be used.

A contract may contain multiple lease components; if so, the Charter Holder allocates the consideration in a contract to each lease component based on each component's relative stand-alone price. The Charter Holder is required to account for the right-to-use land and other assets separately unless the effect of doing so would be insignificant to the overall accounting for the transaction.

Note 11 – Leases (continued)

After separate lease components are identified, the Charter Holder applies the following steps to each separate lease component:

- Determine the lease term, generally calculated beginning at the lease commencement date.
- Determine the lease payments, which may include fixed payments, variable lease payments, amount the Charter Holder will probably owe under residual value guarantees and payments related to renewal or termination options that the Charter Holder are reasonably certain to exercise.
- Determine the discount rate for the lease based on information available at lease commencement. For the Charter Holder, the discount rate implicit in the lease unless that rate cannot be readily determined, in which case we are required to use the incremental borrowing rate which ranges from 5% to 8%.

Finance Leases

The Charter Holder classifies leases as finance leases if they are not short-term leases (see below) and they meet any of the following criteria:

- The lease transfers ownership of the underlying asset to the Charter Holder by the end of the lease term.
- The lease grants the Charter Holder an option to purchase the underlying asset that the Charter Holder is reasonably certain to exercise.
- The lease term is for a major part of the remaining economic life of the underlying asset. If the commencement date is at or near the end of the underlying asset's economic life, this test does not apply.
- The present value of the sum of (1) the lease payments and (2) any lessee residual value guarantee not reflected in the lease payments equal or exceed substantially all of the underlying asset's fair value.
- The underlying asset is of such specialized nature that is expected to have no alternative use to the lessor at the end of the lease term.

For finance leases, the Charter Holder recognizes a right-of-use (ROU) asset and a lease liability at lease commencement.

The finance lease ROU asset is initially measured at cost, which comprises the sum of (1) the initial amount of the finance lease liability, (2) initial direct costs incurred (incremental costs that would not have been incurred if the lease had not been obtained) and (3) any lease payments made before or at lease commencement, (4) reduced for any lease incentives received.

Subsequent to commencement, the Charter Holder measures the ROU asset at cost, less accumulated amortization and any accumulated impairment losses.

The Charter Holder amortizes the finance ROU asset on a straight-line basis over the period from the commencement date to the earlier (2) the end of the useful life of the ROU asset or (2) the end of the lease term. However, if the lease transfers ownership of the underlying asset to us, or if we are reasonably certain to exercise a purchase option to acquire the underlying, the Charter Holder amortize the ROU asset to the end of the underlying asset's useful life. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The finance lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the discount rate determined at commencement. Subsequent to commencement, we measure the finance lease liability on an amortized cost basis using the effective interest method. The lease liability is remeasured when (1) there is a change in future lease payment arising from a change in a rate or index, (2) there is a change in the estimate of the amount the Charter Holder expects to pay under a residual value guarantee or (3) if we change our assessment of whether we will exercise a purchase, extension, or termination option.

Heritage Academy Charter Schools, Inc.
Notes to Financial Statements
August 31, 2025

Note 11 – Leases (continued)

Finance lease ROU assets are included in property and equipment, net in the consolidated financial statement of the Charter Holder and in each District in the Statement of Financial Position. Finance lease liabilities are included in the current portion of long-term debt and long-term debt, net. Amortization on the ROU assets is included in the properly functional expense based on the use of the buildings.

The Charter Holder, Inc. leases its facilities under non-cancellable operating leases, which contain varying renewal options. Approximate aggregate remaining minimum rental commitments as of August 31, 2025, under these leases are summarized as follows:

Fiscal Year Ended August 31,	
2026	\$ 192,000
2027	<u>160,000</u>
	\$ 352,000
Total payments due under lease liabilities	\$ 352,000
Less discount to present value	<u>24,083</u>
Total operating lease liabilities	<u><u>\$ 327,917</u></u>

ROU assets under operating lease for the year ended August 31, 2025, are as follows:

Buildings	\$ 549,034
Accumulated depreciation	<u>(221,315)</u>
	<u><u>\$ 327,719</u></u>

Rent expense for all operating leases for the year ended August 31, 2025, was \$357,669.

Note 12 - Income Tax

The Charter Holder is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business taxable income. The Charter Holder has no material unrelated business income for the year ended August 31, 2025.

Generally accepted accounting principles requires that the Charter Holder recognize in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the tax position. The new requirements also provide guidance on measurement, classification, interest and penalties, and disclosure.

Tax positions taken related to the Charter Holder's tax-exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken would more likely than not be sustained by examination. Accordingly, the Charter Holder has not recorded an income tax liability for uncertain tax benefits. For the year ended August 31, 2025, there were no interest or penalties related to income taxes recorded or included in the financial statements. As of August 31, 2025, the Charter Holder's tax years 2022 through 2024 remain subject to examination.

Note 13 - Credit Risk

Financial instruments that potentially subject the Charter Holder to credit risk consist of cash at financial institutions. At times, the balances in cash accounts may be in excess of FDIC insurance limits. The financial institution pledges investment securities to compensate for deposits in excess of FDIC insurance limits.

Heritage Academy Charter Schools, Inc.
Notes to Financial Statements
August 31, 2025

Note 14 - Commitments and Contingencies

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

Note 15 - Liquidity and Availability of Financial Resources

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

Cash and cash equivalents	<u>\$5,633,396</u>
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Except for the financial assets listed above, the Charter Holder's cash and cash equivalents and amounts due from governments are restricted by the Texas Education Agency and federal agencies for charter school operations.

Note 16 – Administrative Fees

For the year ended August 31, 2025, Heritage Academy Charter Schools, Inc. paid \$1,135,644 in administrative fees to the 501(c) (3) Charter Holder. The fees have been eliminated from the combined Statement of Activities on page 8.

Note 17 - Evaluation of Subsequent Events

The Charter Holder has evaluated subsequent events through January 12, 2026, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Heritage Academy Charter Schools, Inc.
Statement of Financial Position by Entity
August 31, 2025

	<u>Heritage Academy</u>	<u>Charter Holder</u>	<u>Total</u>
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 4,150,395	\$ 1,483,001	\$ 5,633,396
Due from governments	205,388	-	205,388
Prepaid expenses	106,378	6,800	113,178
Total current assets	<u>4,462,161</u>	<u>1,489,801</u>	<u>5,951,962</u>
Property and equipment, net	1,444,869	-	1,444,869
Operating right of use asset	<u>327,719</u>	<u>-</u>	<u>327,719</u>
Total Assets	<u><u>\$ 6,234,749</u></u>	<u><u>\$ 1,489,801</u></u>	<u><u>\$ 7,724,550</u></u>
<u>Liabilities and Net Assets</u>			
Current Liabilities			
Accounts payable	\$ 17,900	\$ -	\$ 17,900
Deferred revenue	706	-	706
Accrued wages	149,299	17,537	166,836
Other payroll liabilities	161,718	15,765	177,483
Current portion of lease liability, operating	184,422	-	184,422
Total current liabilities	<u>514,045</u>	<u>33,302</u>	<u>547,347</u>
Lease liability, operating	<u>143,495</u>	<u>-</u>	<u>143,495</u>
Total long-term liabilities	<u>143,495</u>	<u>-</u>	<u>143,495</u>
Total Liabilities	<u>657,540</u>	<u>33,302</u>	<u>690,842</u>
Net Assets			
Without donor restrictions	24,073	1,456,499	1,480,572
With donor restrictions	<u>5,553,136</u>	<u>-</u>	<u>5,553,136</u>
Total Net Assets	<u>5,577,209</u>	<u>1,456,499</u>	<u>7,033,708</u>
Total Liabilities and Net Assets	<u><u>\$ 6,234,749</u></u>	<u><u>\$ 1,489,801</u></u>	<u><u>\$ 7,724,550</u></u>

Heritage Academy Charter Schools, Inc.

Statement of Activities by Entity

For the Year Ended August 31, 2025

	Heritage Academy			Charter Holder		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Local support:						
Interest and other income	\$ 207,527	\$ -	\$ 207,527	\$ 1,135,644	\$ -	\$ 1,135,644
Total local support	<u>207,527</u>	<u>-</u>	<u>207,527</u>	<u>1,135,644</u>	<u>-</u>	<u>1,135,644</u>
State program revenues:						
Foundation school program act	-	6,983,479	6,983,479	-	-	-
Other state aid	-	440,769	440,769	-	-	-
TRS on-behalf payments	-	199,714	199,714	-	18,665	18,665
Total state program revenues	<u>-</u>	<u>7,623,962</u>	<u>7,623,962</u>	<u>-</u>	<u>18,665</u>	<u>18,665</u>
Federal program revenues:						
ESEA, Title I, Part A	-	218,817	218,817	-	-	-
ESEA, Title I, 1003 ESF-Focus	-	33,800	33,800	-	-	-
IDEA-Part B, Formula	-	114,873	114,873	-	-	-
IDEA-Part B, Pre-school	-	1,195	1,195	-	-	-
National School Lunch and Breakfast Program	-	273,420	273,420	-	-	-
ESEA, Title II, Part A	-	23,449	23,449	-	-	-
Title III, Part A, ELA	-	35,582	35,582	-	-	-
ESEA, Title IV, Part A	-	4,008	4,008	-	-	-
SPED Capacity Contracted Services Grant	-	35,341	35,341	-	-	-
Total federal program revenues	<u>-</u>	<u>740,485</u>	<u>740,485</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets released from restrictions:						
Restrictions satisfied by payments	7,184,102	(7,184,102)	-	764,455	(764,455)	-
Total Revenues	<u>7,391,629</u>	<u>1,180,345</u>	<u>8,571,974</u>	<u>1,900,099</u>	<u>(745,790)</u>	<u>1,154,309</u>
Expenses						
Program Services:						
11 Instruction	4,695,346	-	4,695,346	-	-	-
13 Curriculum development and instructional staff development	80,910	-	80,910	-	-	-
21 Instructional leadership	126,313	-	126,313	-	-	-
23 School leadership	679,084	-	679,084	-	-	-
31 Guidance, counseling and evaluation services	185,890	-	185,890	-	-	-
33 Health services	74,178	-	74,178	-	-	-
34 Student (Pupil) Transportation	19,333	-	19,333	-	-	-
35 Food services	395,694	-	395,694	-	-	-
36 Cocurricular/extracurricular activities	47,487	-	47,487	-	-	-
53 Data processing services	62,648	-	62,648	14,759	-	14,759
Total Program Services	<u>6,366,883</u>	<u>-</u>	<u>6,366,883</u>	<u>14,759</u>	<u>-</u>	<u>14,759</u>
Support Services:						
41 General administration	842,871	-	842,871	509,387	-	509,387
51 Plant maintenance and operations	832,722	-	832,722	258,880	-	258,880
52 Security and monitoring services	275,007	-	275,007	15,794	-	15,794
Total Support Services	<u>1,950,600</u>	<u>-</u>	<u>1,950,600</u>	<u>784,061</u>	<u>-</u>	<u>784,061</u>
Fundraising services:						
81 Fundraising	17,283	-	17,283	-	-	-
Total Fundraising Services	<u>17,283</u>	<u>-</u>	<u>17,283</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>8,334,766</u>	<u>-</u>	<u>8,334,766</u>	<u>798,820</u>	<u>-</u>	<u>798,820</u>
Change in Net Assets	(943,137)	1,180,345	237,208	1,101,279	(745,790)	355,489
Net Assets, Beginning of Year	967,210	4,372,791	5,340,001	355,220	745,790	1,101,010
Net Assets, End of Year	<u>\$ 24,073</u>	<u>\$ 5,553,136</u>	<u>\$ 5,577,209</u>	<u>\$ 1,456,499</u>	<u>\$ -</u>	<u>\$ 1,456,499</u>

See independent auditor's report.

Heritage Academy Charter Schools, Inc.

Statement of Activities by Entity

For the Year Ended August 31, 2025

	Total				Consolidated Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Revenues							
Local support:							
Interest and other income	\$ 1,343,171	\$ -	\$ 1,343,171	\$ 1,135,644	\$ 207,527	\$ -	\$ 207,527
Total local support	1,343,171	-	1,343,171	1,135,644	207,527	-	207,527
State program revenues:							
Foundation school program act	-	6,983,479	6,983,479	-	-	6,983,479	6,983,479
Other state aid	-	440,769	440,769	-	-	440,769	440,769
TRS on-behalf payments	-	218,379	218,379	-	-	218,379	218,379
Total state program revenues	-	7,642,627	7,642,627	-	-	7,642,627	7,642,627
Federal program revenues:							
ESEA, Title I, Part A	-	218,817	218,817	-	-	218,817	218,817
ESEA, Title I, 1003 ESF-Focus	-	33,800	33,800	-	-	33,800	33,800
IDEA-Part B, Formula	-	114,873	114,873	-	-	114,873	114,873
IDEA-Part B, Pre-school	-	1,195	1,195	-	-	1,195	1,195
National School Lunch and Breakfast Program	-	273,420	273,420	-	-	273,420	273,420
ESEA, Title II, Part A	-	23,449	23,449	-	-	23,449	23,449
Title III, Part A, ELA	-	35,582	35,582	-	-	35,582	35,582
ESEA, Title IV, Part A	-	4,008	4,008	-	-	4,008	4,008
SPED Capacity Contracted Services Grant	-	35,341	35,341	-	-	35,341	35,341
Total federal program revenues	-	740,485	740,485	-	-	740,485	740,485
Net assets released from restrictions:							
Restrictions satisfied by payments	7,948,557	(7,948,557)	-	-	7,948,557	(7,948,557)	-
Total Revenues	9,291,728	434,555	9,726,283	1,135,644	8,156,084	434,555	8,590,639
Expenses							
Program Services:							
11 Instruction	4,695,346	-	4,695,346	-	4,695,346	-	4,695,346
13 Curriculum development and instructional staff development	80,910	-	80,910	-	80,910	-	80,910
21 Instructional leadership	126,313	-	126,313	-	126,313	-	126,313
23 School leadership	679,084	-	679,084	-	679,084	-	679,084
31 Guidance, counseling and evaluation services	185,890	-	185,890	-	185,890	-	185,890
33 Health services	74,178	-	74,178	-	74,178	-	74,178
34 Student (Pupil) Transportation	19,333	-	19,333	-	19,333	-	19,333
35 Food services	395,694	-	395,694	-	395,694	-	395,694
36 Cocurricular/extracurricular activities	47,487	-	47,487	-	47,487	-	47,487
53 Data processing services	77,407	-	77,407	(21,595)	55,812	-	55,812
Total Program Services	6,381,642	-	6,381,642	(21,595)	6,360,047	-	6,360,047
Support Services:							
41 General administration	1,352,258	-	1,352,258	(726,594)	625,664	-	625,664
51 Plant maintenance and operations	1,091,602	-	1,091,602	(365,184)	726,418	-	726,418
52 Security and monitoring services	290,801	-	290,801	(22,271)	268,530	-	268,530
Total Support Services	2,734,661	-	2,734,661	(1,114,049)	1,620,612	-	1,620,612
Fundraising services:							
81 Fundraising	17,283	-	17,283	-	17,283	-	17,283
Total Fundraising Services	17,283	-	17,283	-	17,283	-	17,283
Total Expenses	9,133,586	-	9,133,586	(1,135,644)	7,997,942	-	7,997,942
Change in Net Assets	158,142	434,555	592,697	-	158,142	434,555	592,697
Net Assets, Beginning of Year	1,322,430	5,118,581	6,441,011	-	1,322,430	5,118,581	6,441,011
Net Assets, End of Year	\$ 1,480,572	\$ 5,553,136	\$ 7,033,708	\$ -	\$ 1,480,572	\$ 5,553,136	\$ 7,033,708

See independent auditor's report.

Heritage Academy Charter Schools, Inc.

Statement of Cash Flows by Entity

For the Year Ended August 31, 2025

	Heritage Academy	Charter Holder	Total
Cash Flows from Operating Activities:			
Foundation school program payments	\$ 7,401,481	\$ -	\$ 7,401,481
TRS On-behalf payments	199,714	18,665	218,379
Grant payments	812,638	-	812,638
Miscellaneous sources	223,735	1,135,644	1,359,379
Payments to vendors for goods and services rendered	(3,347,729)	(319,778)	(3,667,507)
Payments to charter school personnel for services rendered	(4,974,283)	(466,631)	(5,440,914)
Net Cash Provided by Operating Activities	<u>315,556</u>	<u>367,900</u>	<u>683,456</u>
Cash Flows from Investing Activities:			
Purchase of capital assets	(266,948)	-	(266,948)
Net Cash Used by Investing Activities	<u>(266,948)</u>	<u>-</u>	<u>(266,948)</u>
Net Increase in Cash and Cash Equivalents	48,608	367,900	416,508
Cash and Cash Equivalents - Beginning of Year	<u>4,101,787</u>	<u>1,115,101</u>	<u>5,216,888</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 4,150,395</u></u>	<u><u>\$ 1,483,001</u></u>	<u><u>\$ 5,633,396</u></u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:			
Change in Net Assets	\$ 237,208	\$ 355,489	\$ 592,697
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	80,456	-	80,456
(Increase) Decrease in assets:			
Due from governments	49,386	-	49,386
Prepaid expenses	(11,267)	7,134	(4,133)
Other receivables	16,208	-	16,208
Operating Right of Use Asset	(33,937)	-	(33,937)
Increase (Decrease) in liabilities:			
Accounts payable	(18,700)	(1,619)	(20,319)
Deferred Revenue	(83,272)	-	(83,272)
Accrued wages	11,616	3,832	15,448
Other payroll liabilities	42,175	3,064	45,239
Lease liability, operating	25,683	-	25,683
Net Cash Provided by Operating Activities	<u>\$ 315,556</u>	<u>\$ 367,900</u>	<u>\$ 683,456</u>

See independent auditor's report.

Heritage Academy Charter Schools, Inc.
Schedule of Expenses by Charter
For the Year Ended August 31, 2025

	<u>Heritage Academy</u>
Expenses	
6100 Payroll costs	\$ 5,016,458
6200 Professional and contracted services	2,516,138
6300 Supplies and materials	553,420
6400 Other operating costs	248,750
 Total Expenses	 <u>\$ 8,334,766</u>

Heritage Academy Charter Schools, Inc.

Schedule of Assets by Charter

August 31, 2025

Heritage Academy Ownership Interest			
	Local	State	Federal
1110 Cash	\$ 159,564	\$ 3,990,831	\$ -
1510 Land	-	213,003	-
1520 Buildings and Improvements	61,900	938,013	-
1531 Vehicles	10,000	361,839	-
1539 Furniture and equipment	-	593,207	5,224
1548 Furniture and equipment	-	9,000	-
1549 Furniture and equipment	-	468,076	-
1551 ROU Asset - operating	-	327,719	-
1580 Construction in progress	-	113,350	-
	<u>\$ 231,464</u>	<u>\$ 7,015,038</u>	<u>\$ 5,224</u>

See independent auditor's report.

Heritage Academy Charter Schools, Inc.
Budgetary Comparison Schedule by Charter
For the Year Ended August 31, 2025

Heritage Academy						
Budgeted Amounts						
	Original	Final	Variance from Original to Final Budget	Actual Amounts	Variance from Final Budget Positive (Negative)	
Revenues						
Local support:						
5740 Other revenues from local sources	\$ 150,000	\$ 149,000	\$ 1,000	\$ 149,338	\$ 338	
5750 Revenues from cocurricular, enterprising services or activities	35,000	61,000	(26,000)	58,189	(2,811)	
Total local support	<u>185,000</u>	<u>210,000</u>	<u>(25,000)</u>	<u>207,527</u>	<u>(2,473)</u>	
State program revenues:						
5810 Foundation school program act	6,909,273	6,886,500	22,773	6,983,479	96,979	
5820 State program revenues distributed by Texas Education Agency	15,000	455,325	(440,325)	440,769	(14,556)	
5830 TRS on behalf	313,818	192,500	121,318	199,714	7,214	
Total state program revenues	<u>7,238,091</u>	<u>7,534,325</u>	<u>(296,234)</u>	<u>7,623,962</u>	<u>89,637</u>	
Federal program revenues:						
5919 Federal revenues distributed by ESC	-	-	-	35,341	35,341	
5920 Federal revenues distributed by the Texas Education Agency	657,000	703,693	(46,693)	705,144	1,451	
Total federal program revenues	<u>657,000</u>	<u>703,693</u>	<u>(46,693)</u>	<u>740,485</u>	<u>36,792</u>	
Total Revenues	<u>8,080,091</u>	<u>8,448,018</u>	<u>(367,927)</u>	<u>8,571,974</u>	<u>123,956</u>	
Expenses						
11 Instruction	4,548,317	4,682,884	(134,567)	4,695,346	(12,462)	
13 Curriculum development and instructional staff development	225,918	80,000	145,918	80,910	(910)	
21 Instructional leadership	293,167	115,000	178,167	126,313	(11,313)	
23 School leadership	691,223	674,500	16,723	679,084	(4,584)	
31 Guidance, counseling and evaluation services	192,356	185,983	6,373	185,890	93	
33 Health services	71,402	74,000	(2,598)	74,178	(178)	
34 Student (pupil) transportation	-	19,500	(19,500)	19,333	167	
35 Food services	340,000	388,000	(48,000)	395,694	(7,694)	
36 Cocurricular/extracurricular activities	36,237	43,000	(6,763)	47,487	(4,487)	
41 General administration	610,153	825,500	(215,347)	842,871	(17,371)	
51 Plant maintenance and operations	699,912	841,600	(141,688)	832,722	8,878	
52 Security and monitoring services	170,975	299,558	(128,583)	275,007	24,551	
53 Data processing services	129,241	62,500	66,741	62,648	(148)	
81 Fundraising	10,000	17,500	(7,500)	17,283	217	
Total Expenses	<u>8,018,901</u>	<u>8,309,525</u>	<u>(290,624)</u>	<u>8,334,766</u>	<u>(25,241)</u>	
Change in Net Assets	61,190	138,493	(77,303)	237,208	98,715	
Net Assets, Beginning of Year	<u>5,340,001</u>	<u>5,340,001</u>	<u></u>	<u>5,340,001</u>	<u></u>	
Net Assets, End of Year	<u>\$ 5,401,191</u>	<u>\$ 5,478,494</u>	<u>\$ (77,303)</u>	<u>\$ 5,577,209</u>	<u>\$ 98,715</u>	

See independent auditor's report.

Heritage Academy Charter Schools, Inc.
Notes to Budgetary Comparison Schedule
For the Year Ended August 31, 2025

Original to Final Budget:

5750 - Student based fundraising activities significantly increased throughout the year.
5820 - Safety related state grants not included in original budget.
5830 - TRS OnBehalf calculations estimated during original budget were incorrect.
Function 13 - CMO agreement with outside entity was planned in original budget but was not implemented.
Function 21 - CMO agreement with outside entity was planned in original budget but was not implemented.
Function 34 - Transportation department added.
Function 35 - Increased student enrollment and food costs.
Function 36 - Increased co-curricular costs.
Function 41 - CMO agreement with outside entity was planned in original budget but was not implemented.
Function 51 - CMO agreement with outside entity was planned in original budget but was not implemented.
Function 52 - Safety related state grants not included in original budget.
Function 53 - CMO agreement with outside entity was planned in original budget but was not implemented.
Function 81 - Increased student fundraising activities.

Actual to Final Budget:

5919 SpEd Capacity Grant budgeted in 5920.
Function 36 - August 2025 activities higher than anticipated.

Heritage Academy Charter Schools, Inc.
 Schedule of Real Property Ownership Interest
 For the Year Ended August 31, 2025

Description	Property Address	Total			Ownership Interest		
		Assessed Value	Local	State	Federal		
Del Rio School Campus	605 Amistad Blvd., Del Rio, Texas 78840	\$ 939,800		\$ 939,800			

Heritage Academy Charter Schools, Inc.
 Schedule of Related Party Transactions
 For the Year Ended August 31, 2025

<u>Related Party Name</u>	<u>Name of Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Condition</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During Fiscal Year</u>	<u>Principal Balance Due</u>
None								

Heritage Academy Charter Schools, Inc.
 Schedule of Related Party Compensation and Benefits
 For the Year Ended August 31, 2025

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

Heritage Academy Charter Schools, Inc.

Use of Funds Report

For the Year Ended August 31, 2025

Data Codes	Section A: Compensatory Education Programs	Column 1 Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the districts fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$793,716
AP4	List the actual direct program expenditures for the state compensatory education programs during the LEA's fiscal year. (PIC's 24,26,28,29,30,34)	\$269,994
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any state bilingual education program state allotment funds during the districts fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$219,279
AP8	List the actual direct program expenditures for the bilingual education programs during the LEA's fiscal year. (PIC's 25,35)	\$300,117

COMPLIANCE AND INTERNAL CONTROL SECTION

Paul J. Christensen & Associates, LLC
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*Paul J. Christensen, C.P.A.
Gary L. Sauls, C.P.A.
Cynthia M. Daniels, C.P.A.*

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

Board of Directors
Heritage Academy Charter Schools, Inc.
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Heritage Academy Charter Schools, Inc. (the "Charter Holder") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Heritage Academy Charter Schools, Inc.'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 Heritage Academy Charter Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Heritage Academy Charter Schools, Inc.'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 have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Paul J. Utter + Associates, PLLC

Waco, Texas
January 12, 2026

Heritage Academy Charter Schools, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2025

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal Control over Financial Reporting:	
Material weakness(es) identified?	<u> </u> Yes <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> Yes <u>X</u> No
Noncompliance material to financial statements noted?	<u> </u> Yes <u>X</u> No

II. Financial Statement Findings

None