

Great Hearts America—Texas

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2024 and 2023

Great Hearts America—Texas

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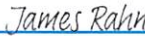
Certificate of Board

We, the undersigned, certify that the attached financial report of Great Hearts America—Texas was reviewed and (check one) approved disapproved for the year ended June 30, 2024, at a meeting of the governing body of the charter holder on the 7th day of November 2024.



Kieisha G. Simba (Nov 8, 2024 18:28 CST)

Signature of Board Vice President



James Rahm (Nov 9, 2024 14:02 CST)

Signature of Board President

If the governing body of the charter holder disapproved the independent auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

Independent Auditors' Report

To the Board of Directors of
Great Hearts America—Texas:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Great Hearts America—Texas, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Great Hearts America—Texas as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Great Hearts America—Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

standards 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 Great Hearts America—Texas’ 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 Great Hearts America—Texas’ 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

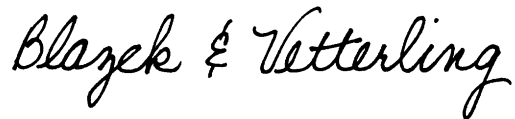
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 21 through 29 is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial 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 our 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.

Unaudited Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The explanation for budget variances and the schedule of real property ownership interest on pages 30 through 33 are presented for purposes of additional analysis as required by the Texas Education Agency and are not a required part of the basic financial statements. The explanation for budget variances and the schedule of real property ownership interest have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2024 on our consideration of Great Hearts America—Texas’ 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 Great Hearts America—Texas’ 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 Great Hearts America—Texas’ internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Blazek & Vetterling". The signature is written in a cursive, flowing style.

November 7, 2024

Great Hearts America—Texas

Statements of Financial Position as of June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash	\$ 14,547,817	\$ 8,002,303
Contributions receivable – government agencies (Note 3)	22,646,658	20,497,041
Other contributions receivable – current portion (Note 3)	8,500	602,500
Investments (Note 4)	7,354,272	6,400,535
Prepaid expenses and other assets	<u>1,929,824</u>	<u>1,068,105</u>
Total current assets	46,487,071	36,570,484
Cash and cash equivalents – restricted	53,881	118,254
Investments – held in trust (Note 4)	58,100,117	50,905,683
Lease deposits	195,803	197,634
Other contributions receivable (Note 3)		118,434
Operating right-of-use assets (Note 5)	2,042,347	3,249,819
Property and equipment, net (Note 6)	<u>247,633,792</u>	<u>216,057,702</u>
TOTAL ASSETS	<u>\$ 354,513,011</u>	<u>\$ 307,218,010</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 5,364,064	\$ 5,674,430
Retainage payable	644,722	1,578,678
Interest payable	3,372,890	2,944,177
Accrued expenses	5,041,073	3,648,549
Due to related parties	1,810,174	1,267,056
Deferred revenues	728,251	344,591
Operating lease liabilities (Note 5)	1,197,863	2,233,669
Current portion of notes and bonds payable (Note 7)	<u>3,129,016</u>	<u>7,198,960</u>
Total current liabilities	21,288,053	24,890,110
Operating lease liabilities (Note 5)	967,968	1,306,615
Notes and bonds payable, net (Note 7)	<u>299,416,836</u>	<u>246,920,669</u>
Total liabilities	<u>321,672,857</u>	<u>273,117,394</u>
Commitments and contingencies (Notes 9, 11 and 12)		
Net assets:		
Without donor restrictions	28,854,661	29,696,927
With donor restrictions (Note 8)	<u>3,985,493</u>	<u>4,403,689</u>
Total net assets	<u>32,840,154</u>	<u>34,100,616</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 354,513,011</u>	<u>\$ 307,218,010</u>

See accompanying notes to financial statements.

Great Hearts America—Texas

Statement of Activities for the year ended June 30, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES AND OTHER SUPPORT:			
Local support:			
Contributions	\$ 2,471,326	\$ 2,456,183	\$ 4,927,509
Program service fees	5,620,582		5,620,582
Rental income	121,251		121,251
Investment return	1,762,816		1,762,816
State program revenues (<i>Note 9</i>):			
Foundation School Program – State of Texas		116,450,810	116,450,810
Other state aid		3,847,612	3,847,612
Federal program revenues (<i>Note 9</i>):			
Title I, Part A – Improving Basic Programs		671,489	671,489
IDEA B Formula		1,365,288	1,365,288
Title II, Part A – Teacher and Principal Training and Recruiting		180,204	180,204
ESSER Grant		671,636	671,636
Title III, Part A – English Language Acquisition and Language Enhancement		44,401	44,401
Title IV, Part A – Student Support and Academic Enrichment		55,334	55,334
Child Nutrition Cluster		1,703,957	1,703,957
Total revenue	9,975,975	127,446,914	137,422,889
Net assets released:			
For purpose restrictions	126,082,259	(126,082,259)	
For capital expenditures	1,782,851	(1,782,851)	
Total	137,841,085	(418,196)	137,422,889
EXPENSES:			
Program services:			
Instruction and instruction-related services	68,978,610		68,978,610
Instructional and school leadership	15,988,608		15,988,608
Student support services	12,652,463		12,652,463
Support services – nonstudent based	24,239,814		24,239,814
Debt service	6,652,999		6,652,999
Total program services	128,512,494		128,512,494
Management and general	9,694,725		9,694,725
Fundraising	1,219,066		1,219,066
Total expenses	139,426,285		139,426,285
Other increases in net assets:			
Realized and unrealized gains on investments, net	742,934		742,934
CHANGES IN NET ASSETS	(842,266)	(418,196)	(1,260,462)
Net assets, beginning of year	29,696,927	4,403,689	34,100,616
Net assets, end of year	<u>\$ 28,854,661</u>	<u>\$ 3,985,493</u>	<u>\$ 32,840,154</u>

See accompanying notes to financial statements.

Great Hearts America—Texas

Statement of Activities for the year ended June 30, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES AND OTHER SUPPORT:			
Local support:			
Contributions	\$ 2,616,110	\$ 4,776,328	\$ 7,392,438
Program service fees	5,340,940		5,340,940
Rental income	348,131		348,131
Investment return	1,327,494		1,327,494
State program revenues (<i>Note 9</i>):			
Foundation School Program – State of Texas		90,613,791	90,613,791
Other state aid		440,887	440,887
Federal program revenues (<i>Note 9</i>):			
Title I, Part A – Improving Basic Programs		660,771	660,771
IDEA B Formula		1,281,918	1,281,918
Title II, Part A – Teacher and Principal Training and Recruiting		63,906	63,906
ESSER Grant		2,145,753	2,145,753
Title III, Part A – English Language Acquisition and Language Enhancement		54,752	54,752
Child Nutrition Cluster		1,474,072	1,474,072
IDEA B, Preschool		5,000	5,000
Total revenue	<u>9,632,675</u>	<u>101,517,178</u>	<u>111,149,853</u>
Net assets released:			
For purpose restrictions	111,168,129	(111,168,129)	
For capital expenditures	<u>418,470</u>	<u>(418,470)</u>	
Total	<u>121,219,274</u>	<u>(10,069,421)</u>	<u>111,149,853</u>
EXPENSES:			
Program services:			
Instruction and instruction-related services	54,401,359		54,401,359
Instructional and school leadership	13,383,751		13,383,751
Student support services	6,475,446		6,475,446
Support services – nonstudent based	19,632,113		19,632,113
Debt service	<u>4,883,144</u>		<u>4,883,144</u>
Total program services	98,775,813		98,775,813
Management and general	9,350,718		9,350,718
Fundraising	<u>1,280,446</u>		<u>1,280,446</u>
Total expenses	<u>109,406,977</u>		<u>109,406,977</u>
Other increases (decreases) in net assets:			
Loss on disposal of assets	(221,638)		(221,638)
Realized and unrealized gains on investments, net	<u>554,667</u>		<u>554,667</u>
CHANGES IN NET ASSETS	12,145,326	(10,069,421)	2,075,905
Net assets, beginning of year	<u>17,551,601</u>	<u>14,473,110</u>	<u>32,024,711</u>
Net assets, end of year	<u>\$ 29,696,927</u>	<u>\$ 4,403,689</u>	<u>\$ 34,100,616</u>

See accompanying notes to financial statements.

Great Hearts America—Texas

Statements of Functional Expenses for the years ended June 30, 2024 and 2023

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2024 TOTAL
Payroll	\$ 82,706,793	\$ 5,113,678	\$ 1,066,068	\$ 88,886,539
Professional and contract services	21,531,379	3,399,959	66,683	24,998,021
Supplies and materials	7,850,645	42,753	47,458	7,940,856
Debt service	6,652,999			6,652,999
Other	<u>9,770,678</u>	<u>1,138,335</u>	<u>38,857</u>	<u>10,947,870</u>
Total expenses	<u>\$128,512,494</u>	<u>\$ 9,694,725</u>	<u>\$ 1,219,066</u>	<u>\$139,426,285</u>

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2023 TOTAL
Payroll	\$ 63,187,695	\$ 4,846,222	\$ 874,791	\$ 68,908,708
Professional and contract services	15,812,127	3,459,559	44,729	19,316,415
Supplies and materials	6,422,485	58,134	21,648	6,502,267
Debt service	4,879,686	(60,502)		4,819,184
Other	<u>8,473,820</u>	<u>1,047,305</u>	<u>339,278</u>	<u>9,860,403</u>
Total expenses	<u>\$ 98,775,813</u>	<u>\$ 9,350,718</u>	<u>\$ 1,280,446</u>	<u>\$109,406,977</u>

See accompanying notes to financial statements.

Great Hearts America—Texas

Statements of Cash Flows for the years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (1,260,462)	\$ 2,075,905
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization of leases	2,203,344	2,110,467
Amortization of bond premium and bond and loan issuance costs	(1,193,144)	(2,064,543)
Net realized and unrealized gain on investments	(742,934)	(554,667)
Depreciation	7,394,250	6,059,128
Changes in operating assets and liabilities:		
Contributions receivable – governmental agencies	(2,149,617)	(4,320,438)
Other contributions receivable	712,434	635,296
Prepaid expenses and other assets	(859,888)	209,376
Accounts payable	(310,366)	(455,236)
Interest payable	428,713	305,601
Accrued expenses	1,392,524	280,355
Due to related parties	543,118	(1,384,819)
Deferred revenues	383,660	154,654
Operating lease liabilities	<u>(2,370,325)</u>	<u>(1,710,000)</u>
Net cash provided by operating activities	<u>4,171,307</u>	<u>1,341,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	16,592	661,167
Purchases of investments	(227,395)	(783,194)
Construction and purchase of property and equipment	<u>(35,803,052)</u>	<u>(2,061,580)</u>
Net cash used by investing activities	<u>(36,013,855)</u>	<u>(2,183,607)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans, notes and bonds payable	57,115,117	10,335,921
Payments on loans, notes and bonds payable	(10,708,297)	(12,292,578)
Loan issuance costs	(888,698)	(2,364,029)
Change in money market mutual funds held in trust	<u>(7,194,433)</u>	<u>(2,173,764)</u>
Net cash provided (used) by financing activities	<u>38,323,689</u>	<u>(6,494,450)</u>
NET CHANGE IN CASH	6,481,141	(7,336,978)
Cash, beginning of year	<u>8,120,557</u>	<u>15,457,535</u>
Cash, end of year	<u>\$ 14,601,698</u>	<u>\$ 8,120,557</u>
<i>Reconciliation of cash in the statements of cash flows and the statements of financial position:</i>		
Cash	\$ 14,547,817	\$ 8,002,303
Cash – restricted	<u>53,881</u>	<u>118,254</u>
Total	<u>\$ 14,601,698</u>	<u>\$ 8,120,557</u>
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid for interest	\$8,547,925	\$7,264,946
Property and equipment purchased through debt	\$4,101,244	\$42,315,000
Right-of-use assets obtained in exchange for new lease obligations	\$995,872	

See accompanying notes to financial statements.

Great Hearts America—Texas

Notes to Financial Statements for the years ended June 30, 2024 and 2023

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Great Hearts America—Texas is a nonprofit 501(c)(3) corporation established in the State of Texas to operate public charter schools with open admissions policies in Texas. Great Hearts America—Texas’ mission is to develop each student’s academic potential, personal character and leadership qualities through an academically rigorous and content-rich educational program grounded in the classical liberal arts tradition and to strive to give every student the education he or she deserves and needs. The primary goal of Great Hearts America—Texas is to graduate thoughtful leaders of character who will contribute to a more philosophical, humane and just society.

Great Hearts America, an Arizona nonprofit 501(c)(3) corporation, is the sole corporate member of Great Hearts America—Texas. This nonprofit corporate structure is intended to maintain the integrity of the national Great Hearts America academic and programmatic model, while also allowing for local input and control. Great Hearts America—Texas is the charter holder for all campuses operated in Texas and does not conduct any other charter or noncharter activities.

Great Hearts America—Texas has 12 campuses in Texas and one virtual campus with total average daily attendance of 11,298. In March 2018, the State Board approved the renewal of Great Hearts America—Texas’ charter for an additional 10 years.

Federal income tax status – Great Hearts America—Texas is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(ii).

Cash – Great Hearts America—Texas maintains bank balances in excess of the federally insured limits. At June 30, 2024, the carrying amount and bank balances of these deposits were \$4,970,793 and \$5,997,226, respectively. Great Hearts America—Texas has a Depository Contract with Jefferson Bank as collateral to secure public funds on deposit in amounts that exceed the FDIC limit. At June 30, 2024, the carrying amount and bank balances of these deposits were \$9,620,262 and \$9,616,775, respectively.

Restricted cash is limited as to use under the terms of the bond indenture. The restricted cash represents amounts restricted for construction activity and debt service requirements for bonds.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. An allowance is provided when it is believed the balances may not be collected in full. Balances are written off against the allowance when management determines the receivable will not be collected. The amount of bad debt expense or loss on valuation of receivables recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and account-by-account analysis of receivable balances each period.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

The following accounting policy elections were made:

- *Short-term leases* – Great Hearts America—Texas has elected not to recognize right-of-use assets and lease liabilities for leases with terms of 12 months or less. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – Great Hearts America—Texas elected to use the risk-free-rate as the discount rate when the rate implicit in a lease is not readily determinable.
- *Lease and non-lease components* – Great Hearts America—Texas elected the practical expedient to choose whether to separate non-lease components from lease components by class of underlying assets or account for them as a single lease component. Great Hearts America—Texas elected not to separate lease and non-lease components for copier leases and elected to separate lease and non-lease components for other leases.

Property and equipment are assets with individual costs of more than \$5,000. Such assets are recorded at cost if purchased or fair value if donated. Depreciation is calculated using the straight-line method based on the following estimated useful lives of the respective assets. Construction in progress will be depreciated when placed into service.

<u>ASSET CLASSIFICATION</u>	<u>ESTIMATED USEFUL LIVES</u>
Buildings and improvements	39 years
Furniture and equipment	3-10 years
Leasehold improvements	2-10 years
Computers and software	3-7 years

Impairment of long-lived assets – Great Hearts America—Texas reviews the carrying value of property and equipment 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. Great Hearts America—Texas did not recognize an impairment loss during the year ended June 30, 2024 or June 30, 2023.

Debt issuance costs and bond premium discounts – Debt issuance costs are amortized over the term of the respective debt and the unamortized balance is presented as a direct reduction of the debt liability. The unamortized balance of bond premium is presented as an increase to the bond liability and unamortized discount is presented as a reduction of the bond liability.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Donor-restricted endowment earnings are released when scholarships are awarded in accordance with spending policies. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Great Hearts America—Texas is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met.

Program service fees are derived primarily from food service, athletics, co-curricular and other student fees. All fees are recognized at a point in time when the goods or services are provided. All performance obligations related to program service fees are satisfied within the academic year which is contained within the fiscal year. Program service fees are due monthly as goods and services are provided to the student or to other organizations. Payments received in advance of goods or services provided are recorded as deferred revenue. There are no receivables or contract assets resulting from program fees at June 30, 2024 or 2023. Contract liabilities include deferred revenue of \$728,251 at June 30, 2024 and \$344,591 at June 30, 2023.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Costs including depreciation, amortization, printing, subscriptions, travel and transportation, insurance and other expenses have been allocated based on location and or activity benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended on information technology costs, depreciation, and interest, and facility costs are allocated based on estimated square footage.

Advertising – Great Hearts America—Texas expenses advertising costs when they are incurred. Advertising costs for the years ended June 30, 2024 and 2023 are \$374,380 and \$508,688, respectively.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents, including restricted cash	\$ 14,601,698	\$ 8,120,557
Contributions receivable	22,655,158	21,217,975
Investments	<u>65,454,389</u>	<u>57,306,218</u>
Total financial assets	102,711,245	86,644,750
Less financial assets not available for general expenditure:		
Amounts subject to donor restrictions	(3,906,871)	(4,356,250)
Contractually obligated financial assets	<u>(58,153,998)</u>	<u>(51,023,937)</u>
Total financial assets available for general expenditure	<u>\$ 40,650,376</u>	<u>\$ 31,264,563</u>

Great Hearts America—Texas primarily relies on state and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Great Hearts America—Texas considers all expenditures related to its ongoing educational activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. As part of Great Hearts America—Texas’ liquidity management, financial assets have been structured to be available as its general expenditures, liabilities, and other obligations become due by maintaining a significant portion of its assets in cash.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are comprised of the following:

	<u>2024</u>	<u>2023</u>
Government agencies	\$ 22,646,658	\$ 20,497,041
Other contributions receivable	<u>17,000</u>	<u>762,000</u>
Total contributions receivable	22,663,658	21,259,041
Discount to net present value at 0.16% to 2.80%		(32,566)
Allowance	<u>(8,500)</u>	<u>(8,500)</u>
Total	<u>\$ 22,655,158</u>	<u>\$ 21,217,975</u>

Contributions receivable at June 30, 2024 are expected to be collected within one year.

At June 30, 2024 and 2023, Great Hearts America—Texas also has approximately \$943,900 and \$4,326,000 of conditional contributions from government agencies, respectively. The contributions will be recognized as revenue when the conditions, which include incurring allowable expenses, are met.

NOTE 4 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2024 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Mutual funds:				
Money market	\$ 58,101,626			\$ 58,101,626
Large equity	3,429,798			3,429,798
International	1,948,572			1,948,572
Intermediate bond	1,314,436			1,314,436
International bond	590,653			590,653
Common stock	<u>69,304</u>			<u>69,304</u>
Total assets measured at fair value	<u>\$ 65,454,389</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,454,389</u>

Assets measured at fair value at June 30, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Mutual funds:				
Money market	\$ 50,905,683			\$ 50,905,683
Large equity	2,783,295			2,783,295
International	1,755,518			1,755,518
Short and intermediate bond	1,295,793			1,295,793
International bond	<u>565,929</u>			<u>565,929</u>
Total assets measured at fair value	<u>\$ 57,306,218</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,306,218</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held.
- *Common stocks* are valued at the closing price reported on the active market on which the securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Great Hearts America—Texas believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 5 – OPERATING LEASES

Great Hearts America—Texas leases building space pursuant to six noncancelable operating lease agreements expiring through 2028.

Lease costs associated with operating leases are as follows:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 2,232,057	\$ 2,119,463
Short-term lease costs	<u>341,072</u>	<u>188,216</u>
Total lease costs	<u>\$ 2,573,129</u>	<u>\$ 2,307,679</u>

Future payments due under operating leases as of June 30, 2024 are as follows:

2025	\$ 1,197,863
2026	521,200
2027	255,031
2028	232,207
2029	<u>39,677</u>
Total undiscounted cash flows	2,245,978
Less present value discount	<u>(80,147)</u>
Total present value of lease liabilities	<u>\$ 2,165,831</u>

The following tables provide the weighted-average term and discount rates for the operating leases outstanding as of June 30, 2024 and 2023:

	WEIGHTED-AVERAGE <u>LEASE TERM</u>	WEIGHTED-AVERAGE <u>DISCOUNT RATE</u>
2024	2.6 years	1.97%
2023	1.9 years	0.36%

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 32,476,727	\$ 32,416,724
Buildings and improvements	202,955,650	155,315,028
Furniture and equipment	5,945,678	5,526,785
Computers and software	4,327,776	3,373,297
Textbooks	1,752,021	1,177,437
Construction in progress	<u>25,256,866</u>	<u>35,935,118</u>
Total property and equipment, at cost	272,714,718	233,744,389
Less accumulated depreciation	<u>(25,080,926)</u>	<u>(17,686,687)</u>
Property and equipment, net	<u>\$ 247,633,792</u>	<u>\$ 216,057,702</u>

Texas statutes state that property purchased with funds received by a charter school holder are considered to be public property for all purposes under state law and are to be held in trust by the charter school holder for the benefit of the students of the open enrollment charter school and may be used only for those purposes. Primarily all capitalized property and equipment was acquired with public funds received by Great Hearts America—Texas and constitute public property pursuant to Chapter 12 of the Texas Education Code.

At June 30, 2024, Great Hearts America—Texas had outstanding construction commitments related to school facilities of approximately \$10.4 million.

NOTE 7 – NOTES AND BONDS PAYABLE

Notes and bonds payable at June 30, 2024 consist of the following:

	OUTSTANDING BALANCE	UNAMORTIZED PREMIUM OR DISCOUNT	UNAMORTIZED DEBT ISSUANCE COSTS	TOTAL
2019 Bonds Series A Tax Exempt	\$ 89,190,000	\$ 3,996,564	\$ (3,907,546)	\$ 89,279,018
2020 Bonds Series A Tax Exempt	30,235,000	3,724,990	(1,532,564)	32,427,426
2021 Bonds Series A	84,535,000	3,396,176	(3,841,591)	84,089,585
2022 Bond Series A	19,230,000	(233,896)	(1,055,251)	17,940,853
2022 Bond Series B	200,000			200,000
2023 Bond Series A	22,690,000	(193,519)	(1,208,766)	21,287,715
2023 Bond Series B	195,000			195,000
2024 Bond Series A	<u>48,095,000</u>	<u>(1,384,698)</u>	<u>(887,461)</u>	<u>45,822,841</u>
Total bonds payable	<u>\$ 294,370,000</u>	<u>\$ 9,305,617</u>	<u>\$ (12,433,179)</u>	291,242,438
Capital expenditure line of credit for \$15 million, bearing interest at Bloomberg Short-Term – Bank Yield (BSBY) index plus 1.65% (7.02% at June 30, 2024). Matures June 30, 2026.				5,987,706
Working capital line of credit for \$5 million bearing interest at BSBY plus 1.85% (7.22% at June 30, 2024). Matures June 30, 2026.				5,006,016
Note payable in the original amount of \$300,000, including interest at 1.00%; due in June 2025.				208,000
Note payable in the original amount of \$100,000, including interest at 1.00%; due June 30, 2027.				<u>101,692</u>
Total				302,545,852
Less current portion				<u>(3,129,016)</u>
Long-term notes and bonds payable, net				<u>\$ 299,416,836</u>

Notes and bonds payable at June 30, 2023 consist of the following:

	OUTSTANDING BALANCE	UNAMORTIZED PREMIUM OR DISCOUNT	UNAMORTIZED DEBT ISSUANCE COSTS	TOTAL
2019 Bonds Series A Tax Exempt	\$ 89,515,000	\$ 4,590,799	\$ (4,037,075)	\$ 90,068,724
2019 Bonds Series B Taxable	1,090,000			1,090,000
2020 Bonds Series A Tax Exempt	30,590,000	4,084,034	(1,582,002)	33,092,032
2020 Bonds Series B Taxable	75,000			75,000
2021 Bonds Series A	84,535,000	3,943,682	(3,958,107)	84,520,575
2022 Bond Series A	19,230,000	(207,322)	(1,087,068)	17,935,610
2022 Bond Series B	200,000			200,000
2023 Bond Series A	22,690,000	(163,471)	(1,244,493)	21,282,036
2023 Bond Series B	<u>195,000</u>			<u>195,000</u>
Total bonds payable	<u>\$ 248,120,000</u>	<u>\$ 12,247,722</u>	<u>\$ (11,908,745)</u>	248,458,977
Capital expenditure line of credit for \$15 million, bearing interest at Bloomberg Short-Term – Bank Yield (BSBY) index plus 1.65% (6.75% at June 30, 2023). Matures June 30, 2026.				5,140,533
Working capital line of credit for \$5 million bearing interest at BSBY plus 1.85% (6.95% at June 30, 2023). Matures June 30, 2026.				109,727
Note payable in the original amount of \$100,000, including interest at 1.00%; due in June 2024.				103,700
Note payable in the original amount of \$300,000, including interest at 1.00%; due in June 2025.				206,000
Note payable in the original amount of \$100,000, including interest at 1.00%; due June 30, 2027.				<u>100,692</u>
Total				254,119,629
Less current portion				<u>(7,198,960)</u>
Long-term notes and bonds payable, net				<u>\$ 246,920,669</u>

Interest costs, including amortization of debt issuance costs, debt premiums and discounts totaled \$7,961,163 and \$6,352,156 for the years ended June 30, 2024 and 2023, respectively, of which \$6,643,527 and \$4,883,144 was expensed and \$1,317,636 and \$1,469,012 was capitalizing, respectively. The effective interest rate was 2.86% and 2.92% in fiscal years 2024 and 2023, respectively.

Series 2019 bonds: In August 2019, Great Hearts America—Texas issued \$89,515,000 of Education Revenue Bonds Series 2019A, and \$3,835,000 of Taxable Education Revenue Bonds Series 2019B.

The Series 2019A Bonds mature serially each August 15, starting 2023 through 2039, and term bond maturing August 15, 2044 through 2054, with a stated interest rate ranging from 3% to 5%. The Series 2019B Bonds matured on August 15, 2023, with a stated interest rate of 2.45%.

Series 2020 bonds: In June 2020, Great Hearts America—Texas issued \$30,590,000 of Education Revenue Bonds Series 2020A, and \$75,000 of Taxable Education Revenue Bonds Series 2020B.

The Series 2020A Bonds mature serially each August 15, starting 2023 through 2036, and term bond maturing August 15, 2033 through 2055, with a stated interest rate ranging from 3% to 5%. The Series 2020B Bonds matured on August 15, 2023, with a stated interest rate of 2%.

Series 2021 bonds: In June 2021, Great Hearts America—Texas issued \$84,535,000 of Education Revenue Bonds Series 2021A.

The Series 2021A Bonds mature serially each August 15, starting 2024 through 2056, with a stated interest rate of 4%.

Series 2022 bonds: In September 2022, Great Hearts America—Texas issued \$19,230,000 of Education Revenue Bonds Series 2022A, and \$200,000 of Taxable Education Revenue Bonds Series 2022B.

The Series 2022A Bonds mature serially each August 15, starting 2032 through 2057, with a stated interest rate ranging from 3.4% to 4.65%. The Series 2022B Bonds mature August 15, 2025, with a stated interest rate of 4.25%.

Series 2023 bonds: In April 2023, Great Hearts America—Texas issued \$22,690,000 of Education Revenue Bonds Series 2023A, and \$195,000 of Taxable Education Revenue Bonds Series 2023B.

The Series 2023A Bonds mature serially each August 15, starting 2026 through 2033 with a stated interest rate of 5.00%, and the term bonds mature with a stated interest rate from 4.08% to 4.12%. The Series 2023B Bonds mature August 15, 2026, with a stated interest rate of 4.75%.

Series 2024 bonds: In May 2024, Great Hearts America—Texas issued \$48,095,000 of Education Revenue Bonds Series 2024A.

The Series 2024A Bonds mature serially each August 15, starting 2027 through 2054 with a stated interest rate of 5.00%, and the term bonds mature with a stated interest rate ranging from 4.25% to 5.0%.

Debt service requirements for bonds payable for the year ended June 30, 2024 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2025	\$ 2,915,000	\$ 10,217,979	\$ 13,132,979
2026	3,830,000	10,806,221	14,636,221
2027	4,320,000	10,619,164	14,939,164
2028	5,410,000	10,395,820	15,805,820
2029	5,660,000	10,142,870	15,802,870
Thereafter	<u>272,235,000</u>	<u>154,845,213</u>	<u>427,080,213</u>
Total bonds payable	<u>\$ 294,370,000</u>	<u>\$ 207,027,267</u>	<u>\$ 501,397,267</u>

Aggregate maturities for notes payable at June 30, 2024 are as follows:

2025	\$ 214,016
2026	10,987,706
2027	<u>101,692</u>
Total notes payable	<u>\$ 11,303,414</u>

Covenants

In accordance with the master trust indenture and security agreement, Great Hearts America—Texas is required to maintain a debt service coverage ratio of not less than 1.10 and cash on hand of 45 days. In addition, there are negative covenants that preclude Great Hearts America—Texas from selling, leasing or transferring its assets or collateral; making material alternations, modifications or substitutions to the collateral without prior consent or changing the use for which the property was intended. As of June 30, 2024 and 2023, Great Hearts America—Texas was in compliance with these covenants.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2024</u>	<u>2023</u>
San Antonio	\$ 2,050,621	\$ 2,500,000
North Texas	1,856,250	1,856,250
Other	<u>78,622</u>	<u>47,439</u>
Total net assets with donor restrictions	<u>\$ 3,985,493</u>	<u>\$ 4,403,689</u>

NOTE 9 – GOVERNMENT GRANTS

Great Hearts America—Texas is a party to contracts with federal and state governmental agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of significant government grants recognized include the following:

	<u>2024</u>	<u>2023</u>
State:		
Foundation School Program	\$ 116,450,810	\$ 90,613,791
Other	3,847,612	440,887
Federal:		
U. S. Department of Education	2,988,352	4,212,100
U. S. Department of Agriculture	<u>1,703,957</u>	<u>1,474,072</u>
Total due from government agencies	<u>\$ 124,990,731</u>	<u>\$ 96,740,850</u>

The grants from government funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Great Hearts America—Texas with the terms of the contracts. Management believes such disallowances, if any, would not be material to Great Hearts America—Texas’ financial position or changes in net assets.

NOTE 10 – MULTIEMPLOYER PENSION PLANS

Great Hearts America—Texas’ full-time employees participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. TRS is a cost-sharing, multiemployer, defined benefit pension plan with plan year from September 1 to August 31. All risks and costs are not shared by Great Hearts America—Texas but are the liability of the State of Texas. TRS plan contribution rates are effective with TRS eligible compensation paid on or after September 1 of each plan year. TRS Plan contribution rates are as follows:

	<u>TRS PLAN YEAR 2024</u>	<u>TRS PLAN YEAR 2023</u>
Member retirement contribution	8.25%	8.00%
State of Texas contribution	8.25%	8.00%
Great Hearts America—Texas Public Education Employer Contribution	1.9%	1.8%

Great Hearts America—Texas is required to pay the State of Texas contribution during the first 90 days of employment of a new TRS plan member.

TRS plan assets, obligation and funded status as of August 31 are as follows:

	<u>TRS PLAN YEAR 2023</u>	<u>TRS PLAN YEAR 2022</u>
Plan assets	\$213.5 billion	\$207.6 billion
Accumulated benefit obligations	\$255.9 billion	\$243.6 billion
Funded status	73.2%	75.6%

The Texas Public School Retired Employees Group Insurance Program (TRS-Care) is a multi-employer, cost-sharing defined benefit plan with plan year from September 1 to August 31. TRS-Care provides health insurance coverage for retirees who are members of the TRS pension systems with at least 10 years of service credit in the TRS pension system. TRS-Care plan contribution rates are effective with TRS eligible compensation paid on or after September 1 of each plan year. TRS-Care plan contribution rates are as follows:

	<u>TRS-CARE PLAN YEAR 2024</u>	<u>TRS-CARE PLAN YEAR 2023</u>
Member TRS-Care contribution	0.65%	0.65%
Great Hearts America—Texas TRS-Care contribution	0.75%	0.75%
State of Texas contribution	1.25%	1.25%

TRS-Care plan assets, obligation and funded status as of August 31 are as follows:

	<u>TRS-CARE PLAN YEAR 2023</u>	<u>TRS-CARE PLAN YEAR 2022</u>
Plan assets	\$4.1 billion	\$3.3 billion
Accumulated benefit obligations	\$26.0 billion	\$27.1 billion
Funded status	14.94%	11.52%

The risks of participating in a multiemployer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is no withdrawal penalty for leaving TRS.

Great Hearts America—Texas recognized expense of \$3.6 million during the year ended June 30, 2024 and \$2.5 million during the year ended June 30, 2023 for contributions to TRS and TRS-Care plans. Great Hearts America—Texas' contributions do not represent more than 5% of TRS' or TRS-Care's total plan contributions. The State of Texas matched approximately \$2.7 million on behalf of Great Hearts America—Texas' employees in 2024 with respect to these plans.

NOTE 11 – HEALTH INSURANCE

Great Hearts America—Texas acquires its health insurance coverage through a self-insured, self-funded plan. Administration of the Great Hearts health program was contracted with Blue Cross Blue Shield. Great Hearts America—Texas maintains stop loss insurance subject to maximum claims per employees of \$200,000 for aggregate claims and 125% of expected claims.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

At June 30, 2024, Great Hearts America—Texas had contracts to perform construction on new schools. The construction commitment balance is approximately \$10.4 million at June 30, 2024.

In recognition and fulfillment of their fiduciary duties to the students of Great Hearts America—Texas, the Board of Directors and Superintendent identified and inquired about various practices by its sole member, Great Hearts America, over its use of Texas public funds, resources, personnel, and public property. To address concerns of certain practices, the Board of Directors and Superintendent began and continue to transition various functions from the sole member to Great Hearts America—Texas, where applicable. In November 2023, the Texas Education Agency (TEA) issued a Notice of Special Investigation and a subsequent request for information. A conservator was appointed to oversee human resources at Great Hearts America—Texas on June 5, 2024. The TEA appointed Paul Pastorek, a veteran in educational management and oversight. The TEA has been conducting its investigation with the cooperation of Great Hearts America—Texas. At this time, Great Hearts America—Texas is unable to determine the possible outcome of the TEA’s investigation.

NOTE 13 – RELATED PARTY TRANSACTIONS

In the ordinary course of business, Great Hearts America—Texas received various services from the sole member of its corporation, Great Hearts America totaling \$3.8 million in fiscal year 2024 and \$3.1 million in fiscal year 2023. The amount due to related parties at June 30, 2024 and 2023 totaled \$1,810,174 and \$1,267,056, respectively.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Great Hearts America—Texas

Charter #015835

Supplemental Statement of Activities for the year ended June 30, 2024

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Local support:			
5740 Other revenue from local sources	\$ 4,355,393	\$ 2,456,183	\$ 6,811,576
5750 Co-curriculum/enterprising	<u>5,620,582</u>	<u> </u>	<u>5,620,582</u>
Total local support	<u>9,975,975</u>	<u>2,456,183</u>	<u>12,432,158</u>
State program revenue:			
5810 Foundation School Program		116,450,810	116,450,810
5820 State revenue distributed by Texas Education Agency		<u>3,847,612</u>	<u>3,847,612</u>
Total state program revenues		<u>120,298,422</u>	<u>120,298,422</u>
Federal program revenue:			
5920 Federal revenue distributed by Texas Education Agency		<u>4,692,309</u>	<u>4,692,309</u>
Total revenue	9,975,975	127,446,914	137,422,889
Net assets released for purpose restrictions:			
Expiration of time restrictions	126,082,259	(126,082,259)	
Capital expenditures	<u>1,782,851</u>	<u>(1,782,851)</u>	
Total revenue and other support	<u>137,841,085</u>	<u>(418,196)</u>	<u>137,422,889</u>
EXPENSES:			
11 Instruction	68,730,921		68,730,921
12 Instructional resources and media services	11,280		11,280
13 Curriculum development and instructional staff development	236,439		236,439

(continued)

Great Hearts America—Texas

Charter #015835

Supplemental Statement of Activities for the year ended June 30, 2024

(continued)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
21 Instructional leadership	2,355,855		2,355,855
23 School leadership	13,632,753		13,632,753
31 Guidance counseling and evaluation services	4,963,236		4,963,236
33 Health services	1,454,876		1,454,876
35 Food services	2,691,519		2,691,519
36 Extracurricular activities	3,542,832		3,542,832
41 General administration	9,694,725		9,694,725
51 Plant maintenance and operations	18,214,594		18,214,594
52 Security and monitoring services	2,029,043		2,029,043
53 Data processing services	3,989,571		3,989,571
61 Community services	6,576		6,576
71 Debt service	6,652,999		6,652,999
81 Fundraising	<u>1,219,066</u>		<u>1,219,066</u>
Total expenses	<u>139,426,285</u>		<u>139,426,285</u>
Realized and unrealized gains on investments, net		<u>742,934</u>	<u>742,934</u>
CHANGES IN NET ASSETS	(842,266)	(418,196)	(1,260,462)
Net assets, beginning of year	<u>29,696,927</u>	<u>4,403,689</u>	<u>34,100,616</u>
Net assets, end of year	<u>\$ 28,854,661</u>	<u>\$ 3,985,493</u>	<u>\$ 32,840,154</u>

Great Hearts America—Texas

Charter #015835

Schedule of Expenses for the year ended June 30, 2024

6100	Payroll costs	\$ 88,886,538
6200	Professional and contracted services	24,998,021
6300	Supplies and materials	7,940,856
6400	Other operating costs	10,947,871
6500	Debt service	<u>6,652,999</u>
Total		<u>\$ 139,426,285</u>

Great Hearts America—Texas

Charter #015835

Schedule of Assets as of June 30, 2024

	OWNERSHIP INTEREST			TOTAL
	LOCAL	STATE	FEDERAL	
1100 Cash		\$ 14,601,698		\$ 14,601,698
1120 Investments		<u>50,299,588</u>	<u>\$ 15,154,801</u>	<u>65,454,389</u>
Total cash and investments		<u>64,901,286</u>	<u>15,154,801</u>	<u>80,056,087</u>
1510 Land and improvements		32,476,727		32,476,727
1520 Buildings and improvements		202,476,625	479,025	202,955,650
1532 Computers and software		3,878,256	449,520	4,327,776
1539 Furniture and equipment		4,161,339	1,784,339	5,945,678
1542 Textbooks		1,664,808	87,213	1,752,021
1590 Construction in progress		<u>25,256,866</u>		<u>25,256,866</u>
Total property and equipment		<u>269,914,621</u>	<u>2,800,097</u>	272,714,718
Accumulated depreciation				<u>(25,080,926)</u>
Property and equipment, net				<u>247,633,792</u>
1554 Right-of-use assets:				
Operating lease for building		<u>2,042,347</u>		2,042,347
Accumulated amortization				<u>(2,165,831)</u>
Right-of-use asset, net				<u>(123,484)</u>
Total assets	<u>\$ 0</u>	<u>\$ 336,858,254</u>	<u>\$ 17,954,898</u>	<u>\$ 327,566,395</u>

Great Hearts America—Texas

Charter #015835

Schedule of Related Party Transactions for the year ended June 30, 2024

<u>RELATED PARTY NAME</u>	<u>NAME OF RELATION TO THE RELATED PARTY</u>	<u>RELATIONSHIP</u>	<u>TYPE OF TRANSACTION</u>	<u>DESCRIPTION OF TERMS AND CONDITIONS</u>	<u>SOURCE OF FUNDS USED</u>	<u>PAYMENT FREQUENCY</u>	<u>TOTAL PAID DURING FISCAL YEAR</u>	<u>PRINCIPAL BALANCE DUE</u>
Great Hearts America	N/A	Affiliated Organization	Health insurance, property insurance, and invoices paid on Texas behalf for different systems	Reimbursement of expenses	State funds	Monthly	<u>\$ 3,779,380</u>	<u>\$ 1,810,174</u>
Total							<u>\$ 3,779,380</u>	<u>\$ 1,810,174</u>

Great Hearts America—Texas

Charter #015835

Schedule of Related Party Compensation and Benefits for the year ended June 30, 2024

<u>RELATED PARTY NAME</u>	<u>NAME OF RELATION TO THE RELATED PARTY</u>	<u>RELATIONSHIP</u>	<u>COMPENSATION OR BENEFIT</u>	<u>PAYMENT FREQUENCY</u>	<u>DESCRIPTION</u>	<u>SOURCE OF FUNDS USED</u>	<u>TOTAL PAID DURING FISCAL YEAR</u>
Wade Dyke	N/A	Board Member, Superintendent	\$364,760	Bi-weekly	Pay for services	State Funds	\$364,760

Great Hearts America—Texas

Charter #015835

Use of Funds Report – Select State Allotment Programs for the year ended June 30, 2024

Section A: Compensatory Education Programs	Responses
Did your LEA expend any state compensatory education program state allotment funds during the district’s fiscal year?	Yes
Does the LEA have written policies and procedures for its state compensatory education program?	Yes
List the total state allotment funds received for state compensatory education programs during the district’s fiscal year.	\$4,899,587
List the actual direct program expenditures for state compensatory education programs during the LEA’s fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$2,896,343
Section B: Bilingual Education Programs	Responses
Did your LEA expend any bilingual education program state allotment funds during the LEA’s fiscal year?	Yes
Does the LEA have written policies and procedures for its bilingual education program?	Yes
List the total state allotment funds received for bilingual education programs during the LEA’s fiscal year.	\$711,060
List the actual direct program expenditures for bilingual education programs during the LEA’s fiscal year. (PICs 25, 35)	\$1,910,964

Great Hearts America—Texas

Charter #015835

Budgetary Comparison Schedule for the year ended June 30, 2024

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FROM FINAL BUDGET
	ORIGINAL	FINAL		
REVENUE:				
Local program revenue 57XX	\$ 13,773,122	\$ 13,773,122	\$ 12,432,158	\$ (1,340,964)
State program revenue 58XX	116,690,650	116,690,650	120,298,422	3,607,772
Federal program revenue 59XX	<u>5,430,164</u>	<u>5,430,164</u>	<u>4,692,309</u>	<u>(737,855) (1)</u>
Total revenue	<u>135,893,936</u>	<u>135,893,936</u>	<u>137,422,889</u>	<u>1,528,953</u>
EXPENSES:				
11 Instruction	68,567,261	68,567,261	68,730,921	163,660
12 Instructional resources and media services			11,280	11,280
13 Curriculum development and instructional staff development	38,039	38,039	236,439	198,400 (2)
21 Instructional leadership	2,563,058	2,563,058	2,355,855	(207,203)
23 School leadership	15,744,234	15,744,234	13,632,753	(2,111,481) (3)
31 Guidance counseling and evaluation services	1,389,630	1,389,630	4,963,236	3,573,606 (4)
33 Health services	1,297,909	1,297,909	1,454,876	156,967 (5)
35 Food services	2,369,618	2,369,618	2,691,519	321,901 (6)
36 Extracurricular activities	2,274,354	2,274,354	3,542,832	1,268,478 (7)
41 General administration	10,476,616	10,476,616	9,694,725	(781,891)
51 Plant maintenance and operations	16,979,251	16,979,251	18,214,594	1,235,343
52 Security and monitoring services	1,267,076	1,267,076	2,029,043	761,967 (8)
53 Data processing services	2,324,523	2,324,523	3,989,571	1,665,048 (9)

(continued)

Great Hearts America—Texas

Charter #015835

Budgetary Comparison Schedule for the year ended June 30, 2024

(continued)

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FROM FINAL BUDGET
	ORIGINAL	FINAL		
61 Community services			6,576	6,576
71 Debt service	6,602,433	6,602,433	6,652,999	50,566
81 Fundraising	<u>1,881,345</u>	<u>1,881,345</u>	<u>1,219,066</u>	<u>(662,279)</u> (10)
Total expenses	<u>133,775,347</u>	<u>133,775,347</u>	<u>139,426,285</u>	<u>5,650,938</u>
Realized and unrealized gains on investments, net			<u>742,934</u>	<u>742,934</u> (11)
CHANGES IN NET ASSETS	2,118,589	2,118,589	(1,260,462)	(3,379,051)
Net assets, beginning of year	<u>34,100,616</u>	<u>34,100,616</u>	<u>34,100,616</u>	
Net assets, end of year	<u>\$ 36,219,205</u>	<u>\$ 36,219,205</u>	<u>\$ 32,840,154</u>	<u>\$ (3,379,051)</u>

Great Hearts America—Texas

Charter #015835

Explanation for Budget Variances for the year ended June 30, 2024 (unaudited)

The following are explanations of the 10% variances from original budget to final budget reported on the Budgetary Comparison Schedule:

- (1) Loss of ESSER Funding.
 - (2) New professional development program/director.
 - (3) Limited hiring due to lack of additional state funding.
 - (4) Larger than anticipated rise in SPED population and testing; \$30,000 due to TRS on behalf payment not in budget.
 - (5) The TRS on behalf payment not in budget.
 - (6) New higher quality vendor resulting in greater sales.
 - (7) Rapid growth in clubs, athletics, and after school programs; \$56,000 due to TRS on behalf payment not in budget.
 - (8) Response to new state safety guidelines.
 - (9) Larger than anticipated cost of bringing IT in-house; \$17,000 due to TRS on behalf payment not in budget.
 - (10) Loss of development/giving director.
 - (11) Realized and unrealized gains are not budgeted.
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Great Hearts America—Texas

Charter #015835

Schedule of Real Property Ownership Interest at June 30, 2024 (unaudited)

<u>DESCRIPTION</u>	<u>PROPERTY ADDRESS</u>	<u>TOTAL ASSESSED VALUE</u>	<u>OWNERSHIP INTEREST</u>		
			<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>
NCB 17725 Blk 1 Lot 21 (Bulverde 17 Acre Tract)	17223 Jones Maltsberger Rd., San Antonio, Texas 78204	\$ 18,742,920		\$ 18,742,920	
NCB 15329 (Great Hearts-Ingram) Block 4 Lot 2	8702 Ingram Rd., San Antonio, Texas 78245	15,067,180		15,067,180	
NCB 14705 Blk 5 Not 20 (Great Hearts-Prue)	5538 Research Rd., San Antonio, Texas 78744	7,754,440		7,754,440	
CB 5043A (Great Hearts-Gateway), Blk Lot 1	7653 N. Loop 1604 E., Live Oak, Texas 78233	10,482,400		10,482,400	
NCB 14867 Blk 3 Lot 37 (Great Hearts-Helotes)	12018 Bandera Rd., Helotes, Texas 78023	1,477,620		1,477,620	
NCB 14867 Blk 2 Lot 4 (Great Hearts-Bandera)	12018 Bandera Rd., Helotes, Texas 78023	5,052,700		5,052,700	
Tavolo Park Block 1 Lot 4	7633 Harris Parkway, Fort Worth, Texas 76123	31,866,103		31,866,103	
Great Hearts-Cooper Block 1 Lot 1	6701 S. Cooper St., Arlington, Texas 76001	19,133,108		19,133,108	
Great Hearts-Cooper Block 1 Lot 2	6701 S. Cooper St., Arlington, Texas 76001	254,668		254,668	
Walker, Josiah Survey Abstract 1600 Tract 2A3A3 2F1C & Ridgeview Farms 34587 Blk 20 Lt 5A, 14.4 Acres	US 287 & Harmon Rd., Fort Worth, Texas	450,210		450,210	

(continued)

Great Hearts America—Texas

Charter #015835

Schedule of Real Property Ownership Interest at June 30, 2024 (unaudited)

(continued)

<u>DESCRIPTION</u>	<u>PROPERTY ADDRESS</u>	TOTAL ASSESSED <u>VALUE</u>	<u>OWNERSHIP INTEREST</u>		
			<u>LOCAL</u>	<u>STATE</u>	<u>FEDERAL</u>
Blk A Lt 1 ACS 8.665 INT201800202703 DD07262018 CO-DC 0745165100105 1C107451651	3520 World Cup Way, Irving, Texas 75038	36,285,460		36,285,460	
S12819 - New Amstel Sec 2 PH 1, Block A, Lot 1, Acres 12.483	1207 Liberty Oaks Blvd., Cedar Park, Texas 78613	3,262,557		3,262,557	
NCB 17725 Blk 1 Lot 10 (Fischer 9.023 Acres)	N. Loop 1604 E., San Antonio, Texas 78247	470,820		470,820	
NCB 17725 Blk 1 Lot 11 (Fischer 9.023 Acres)	Jones Maltsberger Rd., San Antonio, Texas 78247	658,960		658,960	
NCB 17725 Blk 1 Lot 12 (Fischer 9.023 Acres)	Jones Maltsberger Rd., San Antonio, Texas 78247	535,340		535,340	
NCB 17725 Blk 1 Lot 24 1.033AC (Fischer Marketplace Subd 9.023 Acres)	Jones Maltsberger Rd., San Antonio, Texas 78247	552,120		552,120	
NCB 17725 Blk 1 Lot 25 1.234AC (Fischer Marketplace Subd 9.023 Acres)	Jones Maltsberger Rd., San Antonio, Texas 78247	659,550		659,550	

(continued)

Great Hearts America—Texas

Charter #015835

Schedule of Real Property Ownership Interest at June 30, 2024 (unaudited)

(continued)

DESCRIPTION	PROPERTY ADDRESS	TOTAL ASSESSED VALUE	OWNERSHIP INTEREST		
			LOCAL	STATE	FEDERAL
NCB 17725 Blk 1 Lot 26 0.781AC (Fischer Marketplace Subd 9.023 Acres)	Jones Maltsberger Rd., San Antonio, Texas 78247	417,430		417,430	
NCB 17725 Blk 1 Lot 27 0.651AC (Fischer Marketplace Subd 9.023 Acres)	N. Loop 1604 E., San Antonio, Texas 78247	347,950		347,950	
Blk A Lt 2 ACS 2.00 CO-Dallas 0745165100500 1C107451651	4039 Carbon Rd. Cl Irving, Texas 75038	435,600		435,600	
CB 5043A (Great Hearts-Gateway) BLK Lot 1	7653 N. Loop 1604 E. Live Oak, Texas 78233	10,689,590		10,689,590	
James Moore Abst 921 PG 715 TR 2.9 ACS 7.9627 INT202400048026 DD03082024 CO-DC 0921715100209 1CI09217151	4321 N. Beltline Rd. Cl Irving, Texas 75038	<u>1,387,470</u>		<u>1,387,470</u>	
Total		<u>\$165,984,196</u>	<u>\$ 0</u>	<u>\$165,984,196</u>	<u>\$ 0</u>