

**INDEPENDENT
AUDITOR'S REPORT**

**EVOLUTION ACADEMY CHARTER
SCHOOL, LLC
THE CHARTER HOLDER**

**FOR THE YEAR ENDED
AUGUST 31, 2025 AND 2024**

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CERTIFICATE OF BOARD

EVOLUTION ACADEMY CHARTER SCHOOL, LLC, INC.
Name of Charter Holder


Dallas
County

057-834
Co.-District Number

We, the undersigned, certify that the attached annual financial reports of the above named charter school were reviewed and (check one) approved disapproved for the year ended August 31, 2025, at a meeting of the Board of Directors of such school on the 24th day of February 2026.



Signature of Board Secretary



Signature of Board President

If the Board of Directors disapproved of the auditor's report, the reason(s) for disapproving it is (are): (Attach list as necessary.)



MITCHELL T FONTENOTE CPA, INC.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Evolution Academy Charter School, Inc.
Richardson, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Evolution Academy Charter School, Inc. (a nonprofit organization), which comprise the statement of financial positions as of August 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years 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 Evolution Academy Charter School, Inc. as of August 31, 2025 and 2024, 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 Evolution Academy Charter School, 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 Evolution Academy Charter School, 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 Evolution 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 Evolution 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2026, on our consideration of Evolution Academy Charter School, 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 Evolution Academy Charter School, 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 Evolution Academy Charter School, Inc.'s internal control over financial reporting and compliance.

Mitchell T. Fontenote CPA, Inc.

Port Neches, Texas
February 20, 2026

GENERAL-PURPOSE FINANCIAL STATEMENTS

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,405,768	\$ 1,768,963
Restricted Cash	1,463,630	1,391,708
Accounts Receivable	14,504	14,504
Due from State	242,945	197,117
Due from Federal Agencies	92,713	172,625
Prepaid expenses	20,770	55,133
Total Current Assets	<u>3,240,330</u>	<u>3,600,050</u>
Property and Equipment		
Buildings and improvement	7,502,935	7,076,547
Furniture and equipment	1,176,902	1,176,902
Right of Use Finance Leased Assets	7,996,340	7,996,340
Less: accumulated depreciation	<u>(5,252,825)</u>	<u>(4,928,432)</u>
Total Property and Equipment	<u>11,423,352</u>	<u>11,321,357</u>
Other Assets		
Bond Discount	90,600	96,640
Total Restricted Assets	<u>90,600</u>	<u>96,640</u>
Total Assets	<u>\$ 14,754,282</u>	<u>\$ 15,018,047</u>
LIABILITIES & NET ASSETS		
Current Liabilities		
Accounts payable	\$ 129,651	\$ 137,546
Accrued payroll and related liabilities	81,301	82,965
Accrued interest	103,335	43,141
Current portion of loan payable	53,416	50,837
Current portion of bond payable	100,000	88,959
Current portion of right of use financing lease	100,002	96,362
Total Current Liabilities	<u>567,705</u>	<u>499,810</u>
Long-Term Debt		
Loan Payable	-	3,918
Bond Payable	5,029,390	5,129,390
Right of use financing lease	6,945,632	7,045,633
Total Long-Term Debt	<u>11,975,022</u>	<u>12,178,941</u>
Total Liabilities	<u>12,542,727</u>	<u>12,678,751</u>
Net Assets		
Without donor restrictions	1,203,074	1,197,564
With donor restrictions	<u>1,008,481</u>	<u>1,141,732</u>
Total Net Assets	<u>2,211,555</u>	<u>2,339,296</u>
Total Liabilities and Net Assets	<u>\$ 14,754,282</u>	<u>\$ 15,018,047</u>

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

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	Without Donor Restrictions	With Donor Restrictions	2025 Totals
REVENUE			
Local Support			
Bank Interest	\$ 2,799	\$ -	\$ 2,799
Contributions	8	-	8
Food Service Activity	1,714	-	1,714
Other Revenue from Local Sources	989	-	989
Total Local Support	<u>5,510</u>	<u>-</u>	<u>5,510</u>
State Program Revenue			
Foundation School Program Revenues	-	6,153,456	6,153,456
State Program Revenues Distributed by TEA	-	298,652	298,652
Total State Program Revenues	<u>-</u>	<u>6,452,108</u>	<u>6,452,108</u>
Federal Program Revenues			
MAC Program	-	3,960	3,960
National Breakfast Program	-	52,858	52,858
National School Lunch Program	-	17,544	17,544
Federal Rev Distributed by TEA	-	552,268	552,268
Total Federal Program Revenues	<u>-</u>	<u>666,714</u>	<u>666,714</u>
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	<u>7,252,073</u>	<u>(7,252,073)</u>	<u>-</u>
Total Property and Equipment	<u>7,252,073</u>	<u>(7,252,073)</u>	<u>-</u>
Total Revenues	<u>\$ 7,257,583</u>	<u>\$ (133,251)</u>	<u>\$ 7,124,332</u>
EXPENSES			
Program Services:			
Instruction & Instructional-Related Services	\$ 3,060,849	\$ -	\$ 3,060,849
Instruction & School Leadership	857,740	-	857,740
Support Services:			
Student Support Services	612,634	-	612,634
Administrative Support Services	463,226	-	463,226
Support Services - Non-Student Based	1,635,202	-	1,635,202
Ancillary Services	1,114	-	1,114
Debt Service	621,308	-	621,308
Fundraising	-	-	-
Total Expenses	<u>7,252,073</u>	<u>-</u>	<u>7,252,073</u>
Change in Net Assets	5,510	(133,251)	(127,741)
Net Assets, Beginning of the Year	<u>1,197,564</u>	<u>1,141,732</u>	<u>2,339,296</u>
Net Assets, End of the Year	<u>\$ 1,203,074</u>	<u>\$ 1,008,481</u>	<u>\$ 2,211,555</u>

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

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	Without Donor Restrictions	With Donor Restrictions	2024 Totals
REVENUE			
Local Support			
Bank Interest	\$ 3,811	\$ -	\$ 3,811
Contributions	62,000	-	62,000
Food Service Activity	3,371	-	3,371
Other Revenue from Local Sources	625,192	-	625,192
Total Local Support	<u>694,374</u>	<u>-</u>	<u>694,374</u>
State Program Revenue			
Foundation School Program Revenues	-	6,030,294	6,030,294
State Program Revenues Distributed by TEA	-	313,086	313,086
Total State Program Revenues	<u>-</u>	<u>6,343,380</u>	<u>6,343,380</u>
Federal Program Revenues			
MAC Program	-	15,180	15,180
National Breakfast Program	-	79,142	79,142
National School Lunch Program	-	19,629	19,629
Federal Rev Distributed by TEA	-	1,011,742	1,011,742
Total Federal Program Revenues	<u>-</u>	<u>1,125,693</u>	<u>1,125,693</u>
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	7,664,089	(7,664,089)	-
Total Property and Equipment	<u>7,664,089</u>	<u>(7,664,089)</u>	<u>-</u>
Total Revenues	<u>\$ 8,358,463</u>	<u>\$ (195,016)</u>	<u>\$ 8,163,447</u>
EXPENSES			
Program Services:			
Instruction & Instructional-Related Services	\$ 3,605,986	\$ -	\$ 3,605,986
Instruction & School Leadership	885,652	-	885,652
Support Services:			
Student Support Services	670,590	-	670,590
Administrative Support Services	490,179	-	490,179
Support Services - Non-Student Based	1,380,462	-	1,380,462
Ancillary Services	789	-	789
Debt Service	615,431	-	615,431
Fundraising	15,000	-	15,000
Total Expenses	<u>7,664,089</u>	<u>-</u>	<u>7,664,089</u>
Change in Net Assets	694,374	(195,016)	499,358
Net Assets, Beginning of the Year	<u>503,190</u>	<u>1,336,748</u>	<u>1,839,938</u>
Net Assets, End of the Year	<u>\$ 1,197,564</u>	<u>\$ 1,141,732</u>	<u>\$ 2,339,296</u>

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

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	Program Activities	Supporting Activities		2025 Totals
	Program Services	Management and General	Fundraising	
EXPENSES				
Salaries and Wages	\$ 2,583,302	\$ 872,067	\$ -	\$ 3,455,369
Benefits	369,215	116,843	-	486,058
Payroll Taxes	38,719	16,828	-	55,547
Total Payroll Expenses	<u>2,991,236</u>	<u>1,005,738</u>	<u>-</u>	<u>3,996,974</u>
Professional Services	384,013	348,196	-	732,209
Repairs and Maintenance	-	337,830	-	337,830
Utilities	-	266,716	-	266,716
Rentals	127,858	43,981	-	171,839
Contracted Services	51,864	134,390	-	186,254
Instructional Materials	81,260	-	-	81,260
General Supplies	64,668	38,407	-	103,075
Food Service	-	71,142	-	71,142
Travel	19,446	36,990	-	56,436
Insurance	137,348	65,986	-	203,334
Miscellaneous	60,896	38,407	-	99,303
Total Non-Payroll Expenses	<u>927,353</u>	<u>1,382,045</u>	<u>-</u>	<u>2,309,398</u>
Bond Related Expenses	-	25,581	-	25,581
Interest	-	595,727	-	595,727
Total Debt Expenses	<u>-</u>	<u>621,308</u>	<u>-</u>	<u>621,308</u>
Total Before Depreciation	3,918,589	3,009,091	-	6,927,680
Depreciation Expense	-	324,393	-	324,393
Total Expenses	<u>\$ 3,918,589</u>	<u>\$ 3,333,484</u>	<u>\$ -</u>	<u>\$ 7,252,073</u>

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

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	Program Activities	Supporting Activities		2024 Totals
	Program Services	Management and General	Fundraising	
EXPENSES				
Salaries and Wages	\$ 2,924,343	\$ 1,007,505	\$ -	\$ 3,931,848
Benefits	408,552	121,256	-	529,808
Payroll Taxes	56,166	14,741	-	70,907
Total Payroll Expenses	<u>3,389,061</u>	<u>1,143,502</u>	<u>-</u>	<u>4,532,563</u>
Professional Services	442,866	112,966	-	555,832
Repairs and Maintenance	-	350,214	-	350,214
Utilities	-	256,953	-	256,953
Rentals	94,758	44,308	-	139,066
Contracted Services	47,040	63,502	15,000	125,542
Instructional Materials	78,736	-	-	78,736
General Supplies	145,895	14,567	-	160,462
Food Service	-	79,900	-	79,900
Travel	68,368	63,113	-	131,481
Insurance	136,793	68,828	-	205,621
Miscellaneous	88,121	32,431	-	120,552
Total Non-Payroll Expenses	<u>1,102,577</u>	<u>1,086,782</u>	<u>15,000</u>	<u>2,204,359</u>
Bond Related Expenses	-	25,581	-	25,581
Interest	-	589,850	-	589,850
Total Debt Expenses	<u>-</u>	<u>615,431</u>	<u>-</u>	<u>615,431</u>
Total Before Depreciation	4,491,638	2,845,715	15,000	7,352,353
Depreciation Expense	-	311,736	-	311,736
Total Expenses	<u>\$ 4,491,638</u>	<u>\$ 3,157,451</u>	<u>\$ 15,000</u>	<u>\$ 7,664,089</u>

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

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (127,741)	\$ 499,358
Adjustments to reconcile the change in net assets to cash provided by operating activities:		
Depreciation	324,393	311,739
Amortization of bond costs	17,081	17,081
(Increase) Decrease in Due from State	(45,828)	286,731
(Increase) Decrease in Due from Federal Agencies	79,912	171,943
(Increase) Decrease in Prepaid Expenses	34,363	(10,071)
Increase (Decrease) in Accounts Payable	(7,895)	(453)
Increase (Decrease) in Accrued payroll and related liabilities	(1,664)	9,061
Increase (Decrease) in Accrued Interest	60,195	41,397
Net cash provided (used) by operating activities	<u>332,816</u>	<u>1,326,786</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Furniture and Equipment	<u>(426,388)</u>	<u>(396,903)</u>
Net cash provided (used) by investing activities	<u>(426,388)</u>	<u>(396,903)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on bond	(100,000)	(100,000)
Proceeds for insurance payable	98,993	102,540
Financing Lease Principal Payments	(96,362)	(92,854)
Loan payable payments	<u>(100,332)</u>	<u>(84,372)</u>
Net cash provided (used) by financing activities	<u>(197,701)</u>	<u>(174,686)</u>
Net increase (decrease) in cash and cash equivalents	(291,273)	755,197
Cash and cash equivalents, Beginning of Year	<u>3,160,671</u>	<u>2,405,474</u>
Cash and cash equivalents, End of Year	<u>\$ 2,869,398</u>	<u>\$ 3,160,671</u>
Interest paid during the year	\$ 328,588	\$ 322,711
Interest paid during the year for financing leases	\$ 267,139	\$ 267,139
Income taxes paid during the year	\$ -	\$ -

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

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 1: Summary of Significant Accounting Policies

The general-purpose financial statements of EVOLUTION ACADEMY CHARTER SCHOOL, LLC (the corporation) were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The corporation is a not-for-profit organization incorporated in the State of Texas in 1999 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporation is governed by a Board of Directors comprised of four members. The Board of Directors is selected pursuant to the bylaws of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the corporation.

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

Corporate Operations

Evolution Academy was solely organized to provide educational services to "at-risk" students. In 2002, the State Board of Education of the State of Texas granted the corporation 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, Evolution Academy was opened January 7, 2002. The charter was renewed for a period of ten years (through July 31, 2029). As of April 29, 2013, the commissioner approved the amendment request to add campuses to be known as Evolution Academy Spring and Evolution Academy Beaumont. The School programs, services, activities, and functions are governed by the corporation's board of directors. The charter school program is the only financial activity of the corporation.

Basis of Accounting and Presentation

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

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 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 restriction are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

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

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 1: Summary of Significant Accounting Policies, Continued

Contributions

The corporation accounts for contributions as support without donor restrictions and 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 Corporation 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 buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific purpose financial statements. Capital assets are defined by the corporation 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 three to twenty 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.

The organization accounts for leasing activities in accordance with FASB ASC 842. Leasing activities are separated into operating and financing. Right-to-use leased liabilities are recorded at present value of future lease payments. Right-to-use assets are recorded at present value of future lease payments and amortized on a straight-line basis over the life of the lease.

Personal Leave

Full-time employees of the School earn five days of local paid personal leave. These balances do not accumulate, and they are not payable upon departure. There is no liability for unpaid accumulated personal leave since the School does not have a policy to pay any amounts when the employees separate from service with the School. Employees additionally earn five days of state paid personal leave per year. There is no liability for unpaid accumulated sick leave since the School does not have a policy to pay any amounts when the employees separate from service with the School, and any unused balance is transferable to other schools.

Functional Allocation of Expenses

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

Note 2: Accumulated Unpaid Vacation and Sick Leave Benefits

August 31, 2025 and 2024, the charter holder had no material liability for accrued sick leave or vacation leave.

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 3: Cash Deposits

The charter holder's funds are deposited and invested with a depository bank. The depository bank should deposit for safekeeping and trust with the charter holder's agent bank approved pledged securities in an amount sufficient to protect charter school's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2025, the carrying amount of the charter holder's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$2,869,179 and the bank balance was \$2,893,969. The charter holder's cash deposits at August 31, 2025, and during the year ended August 31, 2025, were adequately covered by FDIC insurance and by pledged collateral held by the charter holder's agent bank in the charter holder's name.

At August 31, 2024, the carrying amount of the charter holder's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$3,160,671, and the bank balance was \$3,203,258. The charter holder's cash deposits at August 31, 2024, and during the year ended August 31, 2024, were adequately covered by FDIC insurance and by pledged collateral held by the charter holder's agent bank in the charter holder's name.

Note 4: Due from State

At August 31, 2025 and 2024, the charter holder had earned the following revenues which were not received until after year end:

	<u>2025</u>	<u>2024</u>
Due from TEA	\$ 242,945	\$ 197,117
Due from other	92,713	172,625
Total Due from Governments	<u>\$ 335,658</u>	<u>\$ 369,742</u>

Note 5: Capital Assets

Capital assets at August 31, 2025 were as follows:

	<u>Balance</u> <u>09/01/2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>08/31/2025</u>
Buildings & Improvements	\$ 7,076,547	\$ 426,388	\$ -	\$ 7,502,935
Equipment	829,711	-	-	829,711
Vehicles	197,507	-	-	197,507
Software	149,685	-	-	149,685
Right to Use Leased Asset	7,996,340	-	-	7,996,340
Accumulated Depreciation	<u>(4,928,432)</u>	<u>(324,393)</u>	<u>-</u>	<u>(5,252,825)</u>
Property and Equipment, Net	<u>\$ 11,321,358</u>	<u>\$ 101,995</u>	<u>\$ -</u>	<u>\$ 11,423,353</u>

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 5: Capital Assets, Continued

Capital assets at August 31, 2024 were as follows:

	Balance 09/01/2023	Additions	Deletions	Balance 08/31/2024
Buildings & Improvements	\$ 6,679,644	\$ 396,903	\$ -	\$ 7,076,547
Equipment	829,711	-	-	829,711
Vehicles	197,507	-	-	197,507
Software	149,685	-	-	149,685
Right to Use Leased Asset	7,996,340	-	-	7,996,340
Accumulated Depreciation	<u>(4,616,693)</u>	<u>(311,739)</u>	-	<u>(4,928,432)</u>
Property and Equipment, Net	<u>\$ 11,236,194</u>	<u>\$ 85,164</u>	<u>\$ -</u>	<u>\$ 11,321,358</u>

Financing assets acquired with public funds received by the corporation for the operation constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

Note 6: Net Assets with Donor Restrictions

The School has \$1,008,481 in net assets with donor restrictions at August 31, 2025. These amounts are subject to restrictions put in place by the Texas Education Agency.

Note 7: Long-Term Debt

During the year ended August 31, 2011, the corporation issued revenue bonds in the aggregate amount of \$6,040,000, designated Evolution Academy Charter School, Inc. Series 2010A (the "Series 2010A, 2010B, 2010Q Bonds"). The proceeds of the bonds were used to finance and refinance the cost of certain land, building, facilities and improvements on the campus of Evolution Academy Charter School in Richardson, Texas, and to pay certain cost of issuing such bonds. The bonds are secured by a pledge of all revenues and all amounts at any time deposited in the Construction Fund and by mortgage on the properties financed or refinanced from proceeds of the bonds, including all revenues thereon. The bonds are payable annually with the bond holder requiring monthly payments to a restricted account for the payment of principal and interest.

The first payment was due August 31, 2011 and was interest only. The remainder principal is payable on August 1 of each year with interest payments required to be paid February 1 and August 1 of each year. The interest rate required through the year 2024 is 9.00% and 6.50% thereafter.

The capitalized bond issuance costs and the discount on the bonds as displayed as "Other Assets" on the statement of financial position are being amortized over the life of the bonds at a total of \$1,423 per month. For the year ending August 31, 2025, a total of \$17,081 was amortized with a charge to bond issuance expense.

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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 7: Long-Term Debt, Continued

Long-term debt at August 31, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Bond payable to a bank, 9% interest, principal and interest due in monthly installments of \$44,643 commencing August 25, 2020. Final payment is due August 31, 2040. The note is secured by a pledge of all revenues and by mortgage on the property financed or refinanced from proceeds of the bonds of the charter school.	5,295,000	5,395,000
Note payable to a bank, 4.5% interest, principal and interest due in monthly installments of \$944 commencing November 5, 2020. Final payment is due October 5, 2025. The note is secured by a bus.	2,464	13,437
Note payable to a bank, 3.0% interest, principal and interest due in monthly installments of \$484 commencing February 26, 2020. Final payment is due November 26, 2025. The note is secured by a Ford truck.	1,454	7,138
Insurance premium payable, 9.150% interest, principal and interest due in 9 monthly installments of \$11,832 commencing March 4, 2024. Final payment is due November 4, 2024. The note is secured by insurance coverage.	-	34,180
Insurance premium payable, 8.750% interest, principal and interest due in 10 monthly installments of \$10,301 commencing April 28, 2025. Final payment is due January 28, 2026. The note is secured by insurance coverage.	49,498	-
	<u>\$ 5,348,416</u>	<u>\$ 5,449,755</u>
Less: Current Portion of Long-Term Debt	(153,416)	(139,796)
Less: Bond Issuance Costs related to above bonds	(165,610)	(176,651)
Total Long-Term Debt	<u>\$ 5,029,390</u>	<u>\$ 5,133,308</u>

Future maturities of long-term, debt at August 31, 2025 are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	153,416	374,820	528,236
2027	1,245,000	368,300	1,613,300
2028	205,000	256,750	461,750
2029	215,000	243,425	458,425
2030	230,000	229,450	459,450
Thereafter	3,300,000	1,289,600	4,589,600
	<u>\$ 5,348,416</u>	<u>\$ 2,762,345</u>	<u>\$ 8,110,761</u>

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 8: Financing Lease Activities

The School entered a lease for their Houston facility in August 2013 with an original balance of \$7,996,340 for 47 years with a fixed interest rate of 3.714% due in monthly installments of \$30,000 principal and interest. Interest and principal payments are due as follows:

Financing Lease Payable Houston Facility Lease			
Year Ended	Principal	Interest	Total
August 31,			
2026	100,002	259,998	360,000
2027	103,780	256,220	360,000
2028	107,701	252,299	360,000
2029	111,770	248,230	360,000
2030	115,993	244,007	360,000
Thereafter	6,506,388	4,293,613	10,800,001
	<u>\$ 7,045,634</u>	<u>\$ 5,554,367</u>	<u>\$ 12,600,001</u>

Note 9: Defined Benefit Pension Plan

Summary of Significant Accounting Policies. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description. The Charter Holder participates in a multiple-employer, cost sharing, defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at attention Finance Division, PO Box 149676, Austin, TX, 78714-0185; or by calling 1-800-223-8778.

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 9: Defined Benefit Pension Plan, Continued

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provision for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint resolution (HJR) 2 to provide eligible retirees with a one-time-stipend and an ad hoc cost-of-living- adjustment (COLA).

One-Time Stipends - Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023.

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time \$2,400 stipend to eligible annuitants age 70 to 74

Cost-of-Living Adjustment - A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 22023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment.

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

Contributions. Contribution requirements are established or amended pursuant to 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 thru 2025.

The following table shows contribution rates by type of contributor for the measurement year 2024 and the contributions by type of contributions reported by TRS which were received by TRS during the TRS measurement year 2024. The reported contributions from the member and the employers are included in the calculation of the charter's proportionate share of the net pension liability.

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 9: Defined Benefit Pension Plan, Continued

	Contribution Rates	
	2024	2025
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Charter's Measurement Year Employer Contributions		\$ 204,424
Charters's Measurement Year Member Contributions		\$ 178,539
Measurement Year NECE On-Behalf Contributions		\$ 167,618

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior colleges, universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

In addition to the employer contributions listed above, there is a surcharge and employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.9 percent of the members' salary beginning in fiscal year 2024, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Net Pension Liability

Components of the net pension liability of the plan as of August 31, 2024 are disclosed below: (From TRS Annual Comprehensive Financial Report 2024, p. 88.)

Total Pension Liability	\$ 271,627,434,294
Less: Plan Fiduciary Net Position	(210,543,258,495)
Net Pension Liability	<u>\$ 61,084,175,799</u>
Net Position as Percentage of Total Pension Liability	77.51%

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 9: Defined Benefit Pension Plan, Continued

Actuarial Assumptions.

The total pension liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumptions: Actuarial Assumptions can be found in the TRS ACFR, page 88.

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate	7.00%
Municipal Bond Rate as of August 2020	3.87% -The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions please see the TRS actuarial valuation report dated November 21, 2023.

Discount Rate. A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.54 percent of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 (see page 56 of the 2024 TRS ACFR) are summarized below:

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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 9: Defined Benefit Pension Plan, Continued

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long- Term Portfolio Returns
Global Equity			
USA	18.0%	4.4%	1.0%
Non-U.S. Developed	13.0%	4.2%	0.8%
Emerging Markets	9.0%	5.2%	0.7%
Private Equity*	14.0%	6.7%	1.2%
Stable Value			
Government Bonds	16.0%	1.9%	0.4%
Absolute Return*	0.0%	4.0%	0.0%
Stable Value Hedge	5.0%	3.0%	0.2%
Real Return			
Real Estate	15.0%	6.6%	1.2%
Energy, Natural Resources	6.0%	5.6%	0.4%
Commodities	0.0%	2.5%	0.0%
Risk Parity	8.0%	4.0%	0.4%
Asset Allocation Leverage			
Cash	2.0%	1.0%	0.0%
Asset Allocation Leverage	-6.0%	1.3%	-0.1%
Inflation Expectation			2.4%
Volatility Drag****			-0.7%
Expected Return	100.0%		7.9%

*Absolute Return Includes Credit Sensitive Investments.

**Target allocations are based on the FY2024 policy model.

***Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023)

****The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following table presents the Charter's net pension liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease in Discount Rate 6.00%	Discount Rate 7.00%	1% Increase in Discount Rate 8.00%
Charter's proportionate share of the net pension liability	\$ 3,539,259	\$ 2,215,840	\$ 1,119,294

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2025, the Charter Holder reported a liability of \$2,215,840 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Charter Holder. The amount recognized by the Charter Holder as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Charter Holder were as follows:

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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 9: Defined Benefit Pension Plan, Continued

Charter's proportionate share of the collective net pension liability	\$	2,215,840
State's proportionate share that is associated with the Charter		1,816,893
Total		<u>\$ 4,032,733</u>

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.0036275195% which was a decrease of 0.0003968443% from its proportion measured as of August 31, 2023.

Changes In Actuarial Assumptions Since the Prior Actuarial Valuation – The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

Changes in Benefits - The 2023 Texas Legislature passed Senate Bill 10 (SB10), which provided stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1,645 billion for on-time stipends and \$3,355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

At August 31, 2025, the Charter Holder reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	122,134	17,300
Changes in actual assumptions	114,409	15,338
Difference between projected and actual investment earnings	13,469	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	224,869	216,186
Contributions paid to TRS subsequent to the measurement date	186,599	-
Total	\$ 661,480	\$ 248,824

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized by the charter in pension expense as follows:

<u>Measurement year ended Aug 31</u>	<u>Pension Expense</u>	<u>Balance of Deferred Outflows (Inflows)</u>
2025	\$ 115,877	\$ 110,180
2026	242,551	(132,371)
2027	(14,605)	(117,766)
2028	(101,568)	(16,198)
2029	(16,198)	-
Thereafter	-	-

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 10: Defined Other Post-Employment Benefit Plans

Summary of Significant Accounting Policies. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Plan Description. The Charter Holder participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing, defined benefit other post-employment (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers, and other educational charters who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are presented in the following table:

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and participating employers based on active employee compensation. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 10: Defined Other Post-Employment Benefit Plans, Continued

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the school. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75 percent of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor as reported for the charter by TRS for the TRS measurement year. The charter and member contributions reported are included in the calculation of the charter's proportionate share of the Net TRS-Care liability for the measurement period.

	Contribution Rates	
	2024	2025
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
Charter's Measurement Year Employer Contributions		\$ 32,724
Charter's Measurement Year Member Contributions		\$ 10,455
Measurement Year NECE (State) Contributions		\$ 41,003

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total OPEB liability to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 10: Defined Other Post-Employment Benefit Plans, Continued

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Ad Hoc Post-Employment Benefits Changes	None
	From 2024 TRS ACFR, Note 9, page 79.

The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.

Discount Rate. A single discount rate of 3.87 percent was used to measure the total OPEB liability. This was a decrease of 0.26 percent in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate is the Bond Buyers's "20-Bond GO index" as of August 31, 2024 using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate 2.87%	Discount Rate 3.87%	1% Increase in Discount Rate 4.87%
Charter's proportionate share of the net OPEB liability	\$ 1,299,058	\$ 1,093,440	\$ 927,298

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease in Healthcare Trend	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Trend
Charter's proportionate share of the net OPEB liability	\$ 890,444	\$ 1,093,440	\$ 1,357,963

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 10: Defined Other Post-Employment Benefit Plans, Continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2025, The Charter Holder reported a liability of \$1,093,440 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the Charter. The amount recognized by the Charter as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with The Charter Holder were as follows:

	Total
Charter's Proportionate share of the collective Net OPEB Liability	\$ 1,093,440
State's proportionate share that is associated with the Charter	1,370,065
Total	<u>\$ 2,463,505</u>

The net OPEB liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024 the employer's proportion of the collective net OPEB liability was 0.0036025852% compared to the 0.0039754471% as of August 31, 2023. This is an decrease of 0.0003728619%.

Changes in Actuarial Assumptions Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability (TOL) since the prior measurement period:

- The single discount rate changed from 4.13 percent as of August 31, 2023 to 3.87 percent as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

Changes in Benefit Terms: There were no changes in benefit terms since the prior measurement date.

At August 31, 2025, The Charter Holder reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	209,576	545,686
Changes in actual assumptions	139,947	356,777
Difference between projected and actual investment earnings	-	3,062
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	387,133	508,351
Contributions paid to TRS subsequent to the measurement date	29,823	
Total	\$ 766,479	\$ 1,413,876

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 10: Defined Other Post-Employment Benefit Plans, Continued

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized by the charter in OPEB expense as follows:

<u>Year ended August 31,</u>	<u>OPEB Expense</u>	<u>Balance of Deferred Outflows (Inflows)</u>
2025	\$ (164,420)	\$ (512,800)
2026	(114,897)	(397,903)
2027	(120,042)	(277,861)
2028	(103,356)	(174,505)
2029	(97,359)	(77,146)
Thereafter	(77,146)	-

Note 11: Health Care Coverage

During the year ended August 31, 2025 and 2024, employees of the charter school were covered by a Health Insurance Plan (the Plan). The charter school contributed \$450 per month per employee to the Plan. Employees, at their option, authorized payroll withholding to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 12: Commitments and Contingencies

The charter school 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 school have complex compliance requirements and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency. In the opinion of the charter school, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 13: Economic Dependency

During the year ended August 31, 2025, the charter school earned revenue of \$6,452,108 from the Texas Education Agency (TEA) and \$666,714 from federal grants. This constitutes approximately 99.93% of total revenue earned. Any unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the charter school to continue to provide the current level of services to its students.

Note 14: Income Tax

On December 30, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises. There was no unrelated business income for the year ended August 31, 2025, and as a result, there was no income tax liability.

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 15: Subsequent Events

Management has evaluated the impact of all subsequent events on the Company through February 16, 2026, the date the financial statements were available for issuance, and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements other than the uncertainty of the coronavirus discussed below.

Note 16: Related Party Transactions

The corporation paid Cynergy Collaboration Consultants, Inc., a company owned by the spouse of the charter school's CEO, \$818,976 for the year ended August 31, 2025. Cynergy Collaboration provides janitorial and technology support services to the charter school and owns the facility of the Spring location. The building is a commercial property used as an administrative office and classroom campus in Spring, TX. The corporation pays \$30,000 per month on a forty-seven year lease which began in August 2013.

Note 17: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of cash and cash equivalents of \$1,405,549. Except for these financial assets, EVOLUTION ACADEMY CHARTER SCHOOL, LLC's cash, due from TEA, and fixed assets' use are restricted by the Texas Education Agency, federal agencies, and donors for charter school operations.

Note 18: Budgetary Variances

The final budget to actual comparison revealed the following functions with a variance of greater than ten percent:

- **Function 23** – The variance greater than 10% is due to an increase in payroll and benefits costs. Although budgets are revised/amended mid-year, they were not adequately adjusted per functional line item.
- **Function 31** – The variance greater than 10% is due to an underestimation of payroll benefits contracted services costs. Federal grants are budgeted based on object codes. Although budgets are revised/amended mid-year, they were not adequately adjusted per functional line item.
- **Function 35** – The variance greater than 10% is due to increased payroll and payroll benefits costs. Subsidized funding has decreased and staffing costs had to be funded from the general budget.
- **Function 41** - The variance greater than 10% is due to increased costs for legal, support personnel/staff, and education service center costs. Although budgets are revised/amended mid-year, they were not adequately adjusted per functional line item.
- **Function 51** – The variance greater than 10% is due to an increase in maintenance and operations costs, particularly security costs, and the subsequent underestimation of them. Initial budgeted amounts were not adequately adjusted when one-time expenses were incurred.
- **Function 52** – The variance greater than 10% is due to an increase in security costs, including payroll, payroll benefits, and contracted services, due to state mandates. Initial budgeted amounts were not adequately adjusted throughout the year.

**EVOLUTION ACADEMY CHARTER SCHOOL, LLC
(THE CHARTER HOLDER)**

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Note 18: Budgetary Variances, Continued

The Budgetary Comparison Schedule also revealed that the original and final budgeted amounts vary by more than 10 percent of the original budgeted amount for multiple expense function codes (e.g. 11, 13, 31, 35, 52, and 53) Management's explanation:

The variance in budgeted amounts exceeds 10% on all functions listed on the Budgetary Comparison Schedule for the two primary reasons. First, the original budget only included budgeted amounts of state program revenue received from the TEA. The final budget reflects both federal and state funding amounts and the budgeted expenses for both. This occurs because our annual budgets are usually presented and approved in late July and early August of each year. At that time, we do not typically know which federal grants have been awarded or renewed. Once federal NOGAs are received, the federal grant awards and associated expenses are added to the budget accordingly.

Second, the variance reflected between the original and final state funds budget is due to our state allotments being adjusted/revised by TEA during the fall semester. After our allotment was decreased, we made adjustments accordingly to the budget.

Going forward, the budget process will be modified to ensure that all costs are estimated as accurately and timely as possible. Management will ensure that the original budget presented to the auditors includes budgeted amounts for both federal and state funds received. Variances will continue to be monitored quarterly, at a minimum, to ensure that significant overages do not occur and any issues are addressed.

SPECIFIC-PURPOSE FINANCIAL STATEMENT

EVOLUTION ACADEMY CHARTER SCHOOL, LLC

STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2025 Totals</u>
REVENUE			
Local Support			
5740 Other Revenues from Local Sources	\$ 3,796	\$ -	\$ 3,796
5750 Revenue from Cocurricular Enterprising	1,714	-	1,714
Total Local Support	<u>5,510</u>	<u>-</u>	<u>5,510</u>
State Program Revenue			
5810 Foundation School Program Act Revenues	-	6,153,456	6,153,456
5820 State Program - TEA	-	298,652	298,652
Total State Program Revenues	<u>-</u>	<u>6,452,108</u>	<u>6,452,108</u>
Federal Program Revenues			
5920 Federal Revenues Distributed by TEA	-	622,670	622,670
5930 Federal Revenues - Other than TEA	-	44,044	44,044
Total Federal Program Revenues	<u>-</u>	<u>666,714</u>	<u>666,714</u>
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	<u>7,252,073</u>	<u>(7,252,073)</u>	<u>-</u>
Total Property and Equipment	<u>7,252,073</u>	<u>(7,252,073)</u>	<u>-</u>
Total Revenues	<u>\$ 7,257,583</u>	<u>\$ (133,251)</u>	<u>\$ 7,124,332</u>
EXPENSES			
11 Instruction	\$ 3,000,110	\$ -	\$ 3,000,110
13 Curriculum & Instructional Staff Development	60,739	-	60,739
23 School Leadership	857,740	-	857,740
31 Guidance, Counseling, and Evaluation Services	372,301	-	372,301
34 Student (Pupil) Transportation	85,014	-	85,014
35 Food Service	155,319	-	155,319
41 General Administration	463,226	-	463,226
51 Plant Maintenance and Operations	1,079,189	-	1,079,189
52 Security and Monitoring Services	445,549	-	445,549
53 Data Processing Services	110,464	-	110,464
61 Community Service	1,114	-	1,114
71 Debt Services	621,308	-	621,308
81 Fundraising	-	-	-
Total Expenses	<u>7,252,073</u>	<u>-</u>	<u>7,252,073</u>
Change in Net Assets	5,510	(133,251)	(127,741)
Net Assets, Beginning of the Year	<u>1,197,564</u>	<u>1,141,732</u>	<u>2,339,296</u>
Net Assets, End of the Year	<u>\$ 1,203,074</u>	<u>\$ 1,008,481</u>	<u>\$ 2,211,555</u>

EVOLUTION ACADEMY CHARTER SCHOOL, LLC

STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2024 Totals</u>
REVENUE			
Local Support			
5740 Other Revenues from Local Sources	\$ 691,003	\$ -	\$ 691,003
5750 Revenue from Cocurricular Enterprising	3,371	-	3,371
Total Local Support	<u>694,374</u>	<u>-</u>	<u>694,374</u>
State Program Revenue			
5810 Foundation School Program Act Revenues	-	6,030,294	6,030,294
5820 State Program - TEA	-	313,086	313,086
Total State Program Revenues	<u>-</u>	<u>6,343,380</u>	<u>6,343,380</u>
Federal Program Revenues			
5920 Federal Revenues Distributed by TEA	-	1,110,513	1,110,513
5930 Federal Revenues - Other than TEA	-	15,180	15,180
Total Federal Program Revenues	<u>-</u>	<u>1,125,693</u>	<u>1,125,693</u>
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	<u>7,664,089</u>	<u>(7,664,089)</u>	<u>-</u>
Total Property and Equipment	<u>7,664,089</u>	<u>(7,664,089)</u>	<u>-</u>
Total Revenues	<u>\$ 8,358,463</u>	<u>\$ (195,016)</u>	<u>\$ 8,163,447</u>
EXPENSES			
11 Instruction	\$ 3,460,318	\$ -	\$ 3,460,318
13 Curriculum & Instructional Staff Development	145,668	-	145,668
23 School Leadership	885,652	-	885,652
31 Guidance, Counseling, and Evaluation Services	430,950	-	430,950
34 Student (Pupil) Transportation	90,386	-	90,386
35 Food Service	149,254	-	149,254
41 General Administration	490,179	-	490,179
51 Plant Maintenance and Operations	1,034,285	-	1,034,285
52 Security and Monitoring Services	171,641	-	171,641
53 Data Processing Services	174,536	-	174,536
61 Community Service	789	-	789
71 Debt Services	615,431	-	615,431
81 Fundraising	15,000	-	15,000
Total Expenses	<u>7,664,089</u>	<u>-</u>	<u>7,664,089</u>
Change in Net Assets	694,374	(195,016)	499,358
Net Assets, Beginning of the Year	<u>503,190</u>	<u>1,336,748</u>	<u>1,839,938</u>
Net Assets, End of the Year	<u>\$ 1,197,564</u>	<u>\$ 1,141,732</u>	<u>\$ 2,339,296</u>

REQUIRED SUPPLEMENTARY INFORMATION

EVOLUTION ACADEMY CHARTER SCHOOL, LLC

SCHEDULE OF EXPENSES

FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

Expenses	2025	2024
6100 Payroll Costs	\$ 3,996,899	\$ 4,532,563
6200 Professional and Contracted Services	1,694,848	1,427,606
6300 Supplies and Materials	264,556	331,273
6400 Other Operating Costs	674,462	757,216
6500 Debt	621,308	615,431
Total Expenses	<u>\$ 7,252,073</u>	<u>\$ 7,664,089</u>

EVOLUTION ACADEMY CHARTER SCHOOL, LLC

SCHEDULE OF ASSETS

AUGUST 31, 2025

	Ownership Interest			Total
	Local	State	Federal	
1110 Cash and Cash Equivalents	\$ 3,143,398	\$ (135,494)	\$ (138,162)	\$ 2,869,742
1520 Buildings and Improvements	-	7,502,935	-	7,502,935
1539 Furniture and Equipment	-	925,598	53,798	979,396
1541 Vehicles	-	197,507	-	197,507
1551 Right to Use Financing Lease	-	7,996,340	-	7,996,340
Total Property and Equipment	<u>\$ 3,143,398</u>	<u>\$ 16,486,886</u>	<u>\$ (84,364)</u>	<u>\$ 19,545,920</u>

EVOLUTION ACADEMY CHARTER SCHOOL, LLC

SCHEDULE OF RELATED PARTY TRANSACTIONS

AUGUST 31, 2025

<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 FY</u>	<u>Principal Balance Due</u>
Cynergy Collaboration Consultants, Inc.	Cynthia Trigg	Spouse	Financial	Cynergy provides janitorial and technology support services to the school and owns the facility of the Spring location. The school pays \$30,000 per month on a 47 year lease beginning August 2013.	Local	Monthly	\$ 818,976	\$0

EVOLUTION ACADEMY CHARTER SCHOOL, LLC

SCHEDULE OF RELATED PARTY COMPENSATION

AUGUST 31, 2025

None.

EVOLUTION ACADEMY CHARTER SCHOOL, LLC

SCHEDULE OF REAL PROPERTY OWNERSHIP

AUGUST 31, 2025

<u>Description</u>	<u>Property Address</u>	<u>Total Assessed Value</u>	<u>Ownership Interest - Local</u>	<u>Ownership Interest - State</u>	<u>Ownership Interest - Federal</u>
Land	1101 South Sherman Street Richardson, TX 75081	\$ 2,728,690	\$ 2,728,690	\$ -	\$ -
Land	1099 Sherman Street Richardson, TX 75081	1,407,410	1,407,410	-	-
BPP		148,390	148,390	-	-
TOTAL		\$ 4,284,490	\$ 4,284,490	\$ -	\$ -

EVOLUTION ACADEMY CHARTER SCHOOL, LLC

REQUIRED SCHEDULE J-4

FOR THE YEAR ENDED AUGUST 31, 2025

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's 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	\$691,537
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$1,209,291

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's 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.	\$53,883
AP8	List the actual direct program expenditure for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$160,233

EVOLUTION ACADEMY CHARTER SCHOOL, LLC**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025**

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final		
REVENUE				
Local Support				
5700 Local Revenue	\$ -	\$ 1,713	\$ 5,510	\$ 3,797
Total Local Support	-	1,713	5,510	3,797
State Program Revenue				
5800 State Revenue	6,171,557	8,001,882	6,452,108	(1,549,774)
Total State Program Revenues	6,171,557	8,001,882	6,452,108	(1,549,774)
Federal Program Revenues				
5900 Federal Revenue	-	658,270	666,714	8,444
Total Federal Program Revenues	-	658,270	666,714	8,444
Total Revenues	\$ 6,171,557	\$ 8,661,865	\$ 7,124,332	\$ (1,537,533)
EXPENSES				
11 Instruction	\$ 2,579,675	\$ 2,839,971	\$ 3,000,110	\$ (160,139)
13 Curriculum & Instructional Staff Development	47,500	74,582	60,739	13,843
23 School Leadership	699,737	692,218	857,740	(165,522)
31 Guidance, Counseling, and Evaluation Services	223,086	307,318	372,301	(64,983)
34 Student (Pupil) Transportation	80,500	80,500	85,014	(4,514)
35 Food Service	19,100	91,366	155,319	(63,953)
41 General Administration	438,607	411,944	463,226	(51,282)
51 Plant Maintenance and Operations	940,000	940,000	1,079,189	(139,189)
52 Security and Monitoring Services	142,090	2,325,219	445,549	1,879,670
53 Data Processing Services	207,300	238,247	110,464	127,783
61 Community Service	-	-	1,114	(1,114)
71 Debt Services	645,500	645,500	621,308	24,192
81 Fundraising	15,000	15,000	-	15,000
Total Expenses	6,038,095	8,661,865	7,252,073	1,409,792
Change in Net Assets	133,462	-	(127,741)	(127,741)
Net Assets, Beginning of the Year	2,339,296	2,339,296	2,339,296	2,339,296
Net Assets, End of the Year	\$ 2,472,758	\$ 2,339,296	\$ 2,211,555	\$ (127,741)

COMPLIANCE AND INTERNAL CONTROL



MITCHELL T FONTENOTE CPA, INC.

Certified Public Accountants

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* OR IN A SINGLE AUDIT

Board of Directors
Evolution Academy Charter School, Inc.
Richardson, 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 Evolution Academy Charter School, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2025 and 2024, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2026.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Mitchell T. Fontenote CPA, Inc.

Port Neches, Texas
February 20, 2026