

Brillante Academy

Financial Statements
and Single Audit Reports
for the year ended June 30, 2024

Brillante Academy

Table of Contents

| | Page |
|--|------|
| Certificate of Board | |
| Independent Auditors' Report | 1 |
| Financial Statements: | |
| Statement of Financial Position as of June 30, 2024 | 3 |
| Statement of Activities for the year ended June 30, 2024 | 4 |
| Statement of Functional Expenses for the year ended June 30, 2024 | 5 |
| Statement of Cash Flows for the year ended June 30, 2024 | 6 |
| Notes to Financial Statements for the year ended June 30, 2024 | 7 |
| TEA Supplementary Schedules for Charter #108810: | |
| Supplemental Statement of Activities for the year ended June 30, 2024 | 13 |
| Schedule of Expenses for the year ended June 30, 2024 | 15 |
| Schedule of Assets as of June 30, 2024 | 16 |
| Schedule of Related Party Transactions for the year ended June 30, 2024 | 17 |
| Schedule of Related Party Compensation and Benefits for the year ended June 30, 2024 | 18 |
| Use of Funds Report – Select State Allotment Programs for the year ended June 30, 2024 | 19 |
| Budgetary Comparison Schedule for the year ended June 30, 2024 | 20 |
| Unaudited Supplementary Schedules for Charter #108810: | |
| Explanations for Budget Variances for the year ended June 30, 2024 (unaudited) | 21 |
| Schedule of Real Property Ownership Interest at June 30, 2024 (unaudited) | 23 |
| Single Audit Supplemental Information: | |
| Schedule of Expenditures of Federal Awards for the year ended June 30, 2024 | 24 |
| Note to Schedule of Expenditures of Federal Awards for the year ended June 30, 2024 | 26 |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 27 |
| Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance | 29 |
| Schedule of Findings and Questioned Costs for the year ended June 30, 2024 | 32 |
| Corrective Action Plan | 34 |

Certificate of Board

Brillante Academy
Name of Charter Holder

84-4218577
Federal Employer ID Number

Brillante Academy
Name of Charter School

Hidalgo
County

108-810
Co. Dist. Number

We, the undersigned, certify that the attached financial and compliance report of Brillante Academy 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 20th day of November 2024.

Maggie Barreiro
Maggie Barreiro (Nov 20. 2024 10:59 CST)
Signature of Board Secretary

Daniel G. West
Daniel G. West (Nov 20. 2024 09:17 CST)
Signature of Board President

20/11/24

20/11/24

If the governing body of the Charter Holder does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

Independent Auditors' Report

To the Board of Directors of
Brillante Academy:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Brillante Academy, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, of functional expenses, and of cash flows for the year 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 Brillante Academy as of June 30, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Brillante Academy 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 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 Brillante Academy's 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 Brillante Academy'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 Brillante Academy's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 13 through 20 is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial statements. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended June 30, 2024 as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Unaudited Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The explanations for budget variances on pages 21 through 22 and the schedule of real property ownership interest on page 23 are presented for purposes of additional analysis as required by the Texas Education Agency and are not a required part of the financial statements. The explanations 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 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 20, 2024 on our consideration of Brillante Academy'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 Brillante Academy'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 Brillante Academy's internal control over financial reporting and compliance.

Blazek & Vetterling

November 20, 2024

Brillante Academy

Statement of Financial Position as of June 30, 2024

ASSETS

| | |
|---|----------------------|
| Current assets: | |
| Cash | \$ 944,086 |
| Contributions receivable: | |
| Government grants | 194,881 |
| Other | 406,209 |
| Prepaid expenses and other receivables | <u>8,190</u> |
| Total current assets | 1,553,366 |
| Finance right-of-use asset (<i>Note 3</i>): | |
| Land | 10,693,216 |
| Buildings, net | 12,168,275 |
| Property, net (<i>Note 4</i>) | <u>175,793</u> |
| TOTAL ASSETS | <u>\$ 24,590,650</u> |

LIABILITIES AND NET ASSETS

| | |
|---|----------------------|
| Current liabilities: | |
| Accounts payable | \$ 172,225 |
| Accrued payroll expenses | 67,823 |
| Lease liability – finance (<i>Note 3</i>) | <u>166,494</u> |
| Total current liabilities | 406,542 |
| Lease liability – finance (<i>Note 3</i>) | <u>23,424,866</u> |
| Total liabilities | <u>23,831,408</u> |
| Commitments and contingencies (<i>Note 6</i>) | |
| Net assets: | |
| Without donor restrictions | 583,449 |
| With donor restrictions (<i>Note 5</i>) | <u>175,793</u> |
| Total net assets | <u>759,242</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 24,590,650</u> |

See accompanying notes to financial statements.

Brillante Academy

Statement of Activities for the year ended June 30, 2024

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|--|-------------------------------|-----------------------------|-----------------------------|
| REVENUE: | | | |
| Contributions: | | | |
| Government grants <i>(Note 6)</i> | | \$ 2,489,645 | \$ 2,489,645 |
| Other financial contributions | \$ 1,086,204 | 70,037 | 1,156,241 |
| Nonfinancial contributions <i>(Note 7)</i> | 1,048,410 | | 1,048,410 |
| Program service fees | <u>19,994</u> | <u> </u> | <u>19,994</u> |
| Total revenue | 2,154,608 | 2,559,682 | 4,714,290 |
| Net assets released from restrictions: | | | |
| Capital expenditures | 202,049 | (202,049) | |
| Program expenditures | <u>2,181,840</u> | <u>(2,181,840)</u> | <u> </u> |
| Total | <u>4,538,497</u> | <u>175,793</u> | <u>4,714,290</u> |
| EXPENSES: | | | |
| Program services: | | | |
| Instructional program | 3,612,628 | | 3,612,628 |
| Auxiliary services | <u>730,000</u> | | <u>730,000</u> |
| Total program services | 4,342,628 | | 4,342,628 |
| General and administrative | <u>415,852</u> | | <u>415,852</u> |
| Total expenses | <u>4,758,480</u> | | <u>4,758,480</u> |
| CHANGES IN NET ASSETS | (219,983) | 175,793 | (44,190) |
| Net assets, beginning of year | <u>803,432</u> | <u>0</u> | <u>803,432</u> |
| Net assets, end of year | <u>\$ 583,449</u> | <u>\$ 175,793</u> | <u>\$ 759,242</u> |

See accompanying notes to financial statements.

Brillante Academy

Statement of Functional Expenses for the year ended June 30, 2024

| | <u>INSTRUCTIONAL PROGRAM</u> | <u>AUXILIARY SERVICES</u> | <u>TOTAL PROGRAM SERVICES</u> | <u>GENERAL AND ADMINISTRATIVE</u> | <u>TOTAL</u> |
|-------------------------------------|----------------------------------|-------------------------------|---------------------------------------|---|--------------------|
| Salaries and benefits | \$1,319,341 | \$ 154,509 | \$1,473,850 | \$ 171,199 | \$1,645,049 |
| Professional and contract services | 817,886 | 174,597 | 992,483 | 131,165 | 1,123,648 |
| Interest | 705,080 | 74,791 | 779,871 | 51,108 | 830,979 |
| Depreciation and amortization | 326,355 | 60,875 | 387,230 | 23,655 | 410,885 |
| Materials and supplies | 323,108 | 251,260 | 574,368 | 18,859 | 593,227 |
| Utilities and rent | 71,776 | 9,297 | 81,073 | 3,457 | 84,530 |
| Maintenance and repairs | 20,049 | 2,127 | 22,176 | 1,453 | 23,629 |
| Insurance | 23,987 | 2,544 | 26,531 | 7,957 | 34,488 |
| Professional development and travel | 5,046 | | 5,046 | 86 | 5,132 |
| Other | | | | 6,913 | 6,913 |
| Total expenses | <u>\$3,612,628</u> | <u>\$ 730,000</u> | <u>\$4,342,628</u> | <u>\$ 415,852</u> | <u>\$4,758,480</u> |

See accompanying notes to financial statements.

Brillante Academy

Statement of Cash Flows for the year ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|------------------|
| Changes in net assets | \$ (44,190) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | |
| Amortization of right-of-use asset | 384,629 |
| Lease payments waived by lessor | 345,240 |
| Depreciation | 26,256 |
| Changes in operating assets and liabilities: | |
| Contributions receivable | 516,055 |
| Prepaid expenses and other receivables | (8,190) |
| Accounts payable and accrued payroll expenses | <u>(108,084)</u> |
| Net cash provided by operating activities | <u>1,111,716</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|-----------------------|------------------|
| Purchases of property | <u>(202,049)</u> |
|-----------------------|------------------|

NET CHANGE IN CASH 909,667

Cash, beginning of year 34,419

Cash, end of year \$ 944,086

Supplemental disclosure of cash flow information:

| | |
|---|--------------|
| Right-of-use asset obtained in exchange for new lease obligations | \$23,246,120 |
| Financed interest on lease liability | \$245,240 |
| Interest paid | \$18,415 |

See accompanying notes to financial statements.

Brillante Academy

Notes to Financial Statements for the year ended June 30, 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Brillante Academy (Brillante) operates a Texas Open-Enrollment Charter School 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, Brillante began charter school operations in August 2023 in Mission, Texas. Brillante is a dual language school in the classical tradition, helping students to grow intellectually, socially and physically into young men and women of good character and spirit, and to be prepared for excellence in high school, college and beyond. Brillante accomplishes this through the best instructional practices tested across the country, a longer school day and year, technology-based blended learning to deliver individualized instruction, and on intensive support and coaching of teachers, combined with a robust character education program, centered around core virtues. During 2024, Brillante served approximately 200 students from pre-K3 to 1st grade.

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

Cash includes demand deposits. At June 30, 2024, the carrying amount and bank balances of Brillante's demand deposit was \$944,150. Amounts on deposit for Brillante that are in excess of the Federal Deposit Insurance Corporation limit of \$250,000 are collateralized by security agreements with the banks.

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. At June 30, 2024, all contributions receivable are expected to be collected within one year.

Property is recorded at cost if purchased or at fair value at the date of gift if donated. Brillante recognizes depreciation using the straight-line method over the estimated useful lives of the assets, which range from 2 to 30 years. Brillante capitalizes additions and improvements that have a cost of more than \$5,000.

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. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service, unless received from state or federal funding, in which case they are released as depreciated.

Contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *net assets with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Brillante is entitled to receive or retain funding. Conditional contributions are recognized as revenue at

fair value when conditions have been met. Funding received before conditions are met is reported as refundable advances. During 2024, approximately 63% of other financial contributions were from one donor.

Donated materials and services – Donated materials are recognized at fair value when an unconditional commitment is received from the donor. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Program service fees are derived primarily from daycare and pre-K programs, food service and other student fees, and teacher training consulting 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 service fees at June 30, 2024.

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. General and administrative activities are not directly identifiable with specific program 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. Information technology costs, depreciation, interest, and facility costs are allocated based on estimated square footage.

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 reported as 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, 2024 comprise the following:

Financial assets:

| | |
|-------------------------------------|----------------|
| Cash | \$ 944,086 |
| Government contributions receivable | 194,881 |
| Other contributions receivable | <u>406,209</u> |

Total financial assets \$ 1,545,176

Brillante relies primarily 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, Brillante considers all expenditures related to its ongoing activities of instructional program and supplemental services, as well as the conduct of services undertaken to support those activities, to be general expenditures. As part of Brillante’s liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due by maintaining a significant portion of its assets in cash.

NOTE 3 – FINANCE LEASE

In fiscal year 2024, Brillante entered into a finance lease agreement for school buildings and associated real property utilized in its operations. The lease has a 20-year term, with two optional 5-year renewal periods that Brillante expects to exercise. Brillante has the right to terminate the lease if Brillante loses its government funding, which is not expected to happen during the term of the lease, including the two optional renewal periods. The agreement includes an option to purchase the building and land for the fair market value of the property at the end of the lease term, which the organization is 90% certain it will exercise.

Lease covenants include maintaining a minimum Fixed-Charge Coverage Ratio (FCCR) of 1.15x, measured annually based on audited financials. FCCR is earnings before interest, taxes, depreciation and amortization plus lease and rental expense, divided by interest plus lease and rental expense plus the prior year's current maturity of long-term indebtedness. Brillante expects to meet all covenants annually.

The initial right-of-use assets and lease liability were measured at the present value of lease payments over the 360-month lease term discounted at 3.87%. The portion of the right-of-use asset ascribed to the buildings is being amortized on a straight-line basis over the estimated useful life of 30 years.

Lease costs associated with the finance lease during the year ended June 30, 2024 are as follows:

| | |
|---|---------------------|
| Amortization of building right-of-use asset | \$ 384,629 |
| Interest expense | <u>830,979</u> |
| Total lease costs | <u>\$ 1,215,608</u> |

Cash paid for amounts included in the measurement of lease liability in 2024 was \$18,415.

Future payments due under the finance lease as of June 30, 2024 are as follows:

| | |
|------------------------------|----------------------|
| 2025 | \$ 749,424 |
| 2026 | 911,221 |
| 2027 | 1,058,028 |
| 2028 | 1,228,933 |
| 2029 | 1,247,367 |
| Thereafter | <u>36,252,252</u> |
| Total minimum lease payments | 41,447,225 |
| Less effects of discounting | <u>(17,855,865)</u> |
| Total lease liability | <u>\$ 23,591,360</u> |

As of June 30, 2024, the remaining lease term for the finance lease is 348 months. The discount rate associated with the finance lease as of June 30, 2024 is 3.87%.

NOTE 4 – PROPERTY

Property at June 30, 2024 is comprised of the following:

| | |
|--------------------------|-------------------|
| Vehicles | \$ 202,049 |
| Accumulated depreciation | <u>(26,256)</u> |
| Property, net | <u>\$ 175,793</u> |

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 are restricted as follows:

| | |
|--|-------------------|
| Not subject to appropriation or expenditure: | |
| Property purchased with federal funds | \$ 175,793 |
| Total net assets with donor restrictions | <u>\$ 175,793</u> |

NOTE 6 – GOVERNMENT GRANTS

Brillante 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 at June 30, 2024 include the following:

| | |
|--|---------------------|
| Federal grants: | |
| U. S. Department of Education | \$ 702,239 |
| U. S. Department of Agriculture | <u>123,400</u> |
| Total federal grants | 825,639 |
| State grants: | |
| Texas Education Agency Foundation School Program Act | 1,216,937 |
| TRS and TRS-Care On-Behalf Match | 38,984 |
| Other state grants | <u>408,085</u> |
| Total state grants | <u>1,664,006</u> |
| Total government grants | <u>\$ 2,489,645</u> |

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 Brillante with the terms of the contracts. Management believes such disallowances, if any, would not be material to Brillante's financial position or changes in net assets.

NOTE 7 – RELATED PARTY TRANSACTIONS AND NONFINANCIAL CONTRIBUTIONS

Brillante contracts with a Charter Management Organization (CMO), Seton Education Partners (Seton). Seton's Executive Director of Texas served as Brillante's founding Superintendent during the fiscal year ended June 30, 2024, under the terms of the agreement. Through a controlled company called SEP Los Ebanos, LLC, Seton owns the land and buildings that Brillante uses in its operations, and leases them to Brillante under a finance lease. During the fiscal year ended June 30, 2024, Brillante paid Seton and SEP Los Ebanos, LLC \$241,010 for 2024 CMO support services and lease payments due in 2024. Seton donated \$428,572 of CMO services by reducing the contracted management fee during the fiscal year. The services are provided to support leadership, instructional programs, food services, health services, data management, and management and general services. The donated services are valued using the contracted cost of the services for the months that were reduced. \$467,324 of scheduled lease payments on the building lease were forgiven by Seton during 2024, as well as \$152,514 of liabilities for health insurance, supplies and subscriptions used in programs and supporting services. Additionally, Seton gave approximately \$732,000 in financial support to Brillante during the year.

NOTE 8 – MULTIEmployer PENSION PLANS

Brillante’s 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 Brillante 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% |
| Brillante Public Education Employer Contribution | 1.9% | 1.8% |

Brillante 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> |
|---------------------------------|-------------------------------|
| Plan assets | \$213.5 billion |
| Accumulated benefit obligations | \$255.9 billion |
| Funded status | 73.2% |

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% |
| Brillante 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> |
|---------------------------------|------------------------------------|
| Plan assets | \$4.1 billion |
| Accumulated benefit obligations | \$26.0 billion |
| Funded status | 14.94% |

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.

Brillante recognized expense of \$69,868 during the year ended June 30, 2024 for contributions to TRS and TRS-Care plans. Brillante's contributions do not represent more than 5% of TRS's or TRS-Care's total plan contributions. The State of Texas matched approximately \$39,000 on behalf of Brillante's employees in 2024 with respect to these plans.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 20, 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.

Brillante Academy

Charter #108810

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

| | WITHOUT DONOR <u>RESTRICTIONS</u> | WITH DONOR <u>RESTRICTIONS</u> | <u>TOTAL</u> |
|---|--------------------------------------|-----------------------------------|------------------|
| REVENUE: | | | |
| Local program revenue: | | | |
| 5740 Other revenue from local sources | \$ 2,154,608 | \$ 70,037 | \$ 2,224,645 |
| Total local program revenue | <u>2,154,608</u> | <u>70,037</u> | <u>2,224,645</u> |
| State program revenue: | | | |
| 5810 Foundation School Program | | 1,216,937 | 1,216,937 |
| 5820 State program revenue distributed by Texas Education Agency | | 408,085 | 408,085 |
| 5830 State program revenue distributed by other State of Texas government agencies | | <u>38,984</u> | <u>38,984</u> |
| Total state program revenues | | <u>1,664,006</u> | <u>1,664,006</u> |
| Federal program revenue: | | | |
| 5920 Federal revenue distributed by Texas Education Agency | | <u>825,639</u> | <u>825,639</u> |
| Total federal program revenue | | <u>825,639</u> | <u>825,639</u> |
| Total revenue | <u>2,154,608</u> | <u>2,559,682</u> | <u>4,714,290</u> |
| Net assets released from restrictions: | | | |
| Capital expenditures | 202,049 | (202,049) | |
| Program expenditures | <u>2,181,840</u> | <u>(2,181,840)</u> | |
| Total | <u>4,538,497</u> | <u>175,793</u> | <u>4,714,290</u> |
| EXPENSES: | | | |
| 11 Instruction | 1,585,724 | | 1,585,724 |
| 13 Curriculum development and instructional staff development | 256,341 | | 256,341 |
| 21 Instructional leadership | 10,884 | | 10,884 |
| 23 School leadership | 361,288 | | 361,288 |
| 31 Guidance, counseling and evaluation services | 40,613 | | 40,613 |
| 33 Health services | 91,015 | | 91,015 |
| 34 Student transportation | 93,490 | | 93,490 |
| 35 Food services | 268,154 | | 268,154 |
| 41 General administration | 317,434 | | 317,434 |
| 51 Plant maintenance and operations | 186,398 | | 186,398 |
| 52 Security and monitoring services | 72,620 | | 72,620 |
| 53 Data processing services | 125,597 | | 125,597 |
| 61 Community services | 133,314 | | 133,314 |
| 71 Debt service | <u>1,215,608</u> | | <u>1,215,608</u> |
| Total expenses | <u>4,758,480</u> | | <u>4,758,480</u> |

(continued)

Brillante Academy

Charter #108810

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

(continued)

| | WITHOUT DONOR <u>RESTRICTIONS</u> | WITH DONOR <u>RESTRICTIONS</u> | <u>TOTAL</u> |
|-------------------------------|--------------------------------------|-----------------------------------|-------------------|
| CHANGES IN NET ASSETS | (219,983) | 175,793 | (44,190) |
| Net assets, beginning of year | <u>803,432</u> | <u>0</u> | <u>803,432</u> |
| Net assets, end of year | <u>\$ 583,449</u> | <u>\$ 175,793</u> | <u>\$ 759,242</u> |

Brillante Academy

Charter #108810

Schedule of Expenses for the year ended June 30, 2024

| | | |
|-------|--------------------------------------|---------------------|
| 6100 | Payroll costs | \$ 1,645,048 |
| 6200 | Professional and contracted services | 1,231,809 |
| 6300 | Supplies and materials | 593,226 |
| 6400 | Other operating costs | 72,789 |
| 6500 | Interest expense | <u>1,215,608</u> |
| Total | | <u>\$ 4,758,480</u> |

Brillante Academy

Charter #108810

Schedule of Assets as of June 30, 2024

| | OWNERSHIP INTEREST | | |
|--|----------------------|-----------------------------|-----------------------------|
| | <u>LOCAL</u> | <u>STATE</u> | <u>FEDERAL</u> |
| 1110 Cash | \$ 972,547 | \$ (28,906) | \$ 445 |
| 1541 Vehicles | | | 202,049 |
| 1551 Right-of-use asset: finance lease for land and buildings | <u>22,861,491</u> | <u> </u> | <u> </u> |
| Total Cash and Capital Assets | <u>\$ 23,834,038</u> | <u>\$ (28,906)</u> | <u>\$ 202,494</u> |

Reconciliation of Capital Assets to financial statements:

Per Schedule of Assets

| | |
|---|-------------------|
| 1541 Vehicles | \$ 202,049 |
| Less accumulated depreciation | <u>(26,256)</u> |
| Total property, net per statement of financial position | <u>\$ 175,793</u> |

Brillante Academy

Charter #108810

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> |
|---------------------------|--|---------------------|--------------------------------|--|---------------------------------|------------------------------|--|----------------------------------|
| SEP Los Ebanos LLC | Seton Partners | Owner | Financial | Lease payments | Local | Monthly | \$ 18,415 | |
| Seton Education Partners | Aaron Brenner | CEO | Financial | Charter Management and other services | State | Monthly | <u>433,568</u> | <u>\$ 15,553</u> |
| Total | | | | | | | <u>\$ 451,983</u> | <u>\$ 15,553</u> |

Brillante Academy

Charter #108810

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> |
|---------------------------|--|---------------------|------------------------------------|------------------------------|--------------------|---------------------------------|--|
| None | | | | | | | |

Brillante Academy

Charter #108810

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. | \$231,770 |
| List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34) | \$124,573 |
| 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. | \$36,237 |
| List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35) | \$23,511 |

Brillante Academy

Charter #108810

Budgetary Comparison Schedule for the year ended June 30, 2024

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE FROM</u> |
|------------------------------|--|---------------------|-----------------------|--|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>AMOUNTS</u> | <u>FINAL BUDGET</u> |
| REVENUE: | | | | |
| Local program revenue: | | | | |
| 5740 | Other revenue from local sources | \$ 1,133,560 | \$ 1,565,020 (1) | \$ 2,224,645 \$ 659,625 (15) |
| State program revenue: | | | | |
| 5810 | Foundation School Program | 3,048,394 | 1,256,632 (2) | 1,216,937 (39,695) |
| 5820 | State revenue distributed by TEA | 208,340 | 411,418 (3) | 408,085 (3,333) |
| 5830 | State revenue distributed by other State of Texas government agencies | | | 38,984 38,984 (16) |
| Federal program revenue: | | | | |
| 5920 | Federal revenue distributed by TEA | <u>820,216</u> | <u>813,792</u> | <u>825,639</u> <u>11,847</u> |
| | Total revenue | <u>5,210,510</u> | <u>4,046,862</u> | <u>4,714,290</u> <u>667,428</u> |
| EXPENSES: | | | | |
| 11 | Instruction | 1,637,520 | 1,595,014 | 1,585,724 (9,290) |
| 13 | Curriculum development and instructional staff development | 150,713 | 209,000 (4) | 256,341 47,341 (17) |
| 21 | Instructional leadership | 50,000 | 5,460 (5) | 10,884 5,424 (18) |
| 23 | School leadership | 361,799 | 302,722 (6) | 361,288 58,566 (19) |
| 31 | Guidance, counseling and evaluation services | 67,106 | (7) | 40,613 40,613 (20) |
| 33 | Health services | 55,089 | 48,151 (8) | 91,015 42,864 (21) |
| 34 | Student transportation | 259,335 | 91,122 (9) | 93,490 2,368 |
| 35 | Food services | 429,988 | 204,910 (10) | 268,154 63,244 (22) |
| 41 | General administration | 315,966 | 193,736 (11) | 317,434 123,698 (23) |
| 51 | Plant maintenance and operations | 824,644 | 187,752 (12) | 186,398 (1,354) |
| 52 | Security and monitoring services | 45,000 | 80,000 (13) | 72,620 (7,380) |
| 53 | Data processing services | 83,187 | 79,100 | 125,597 46,497 (24) |
| 61 | Community services | 156,567 | 163,543 | 133,314 (30,229) (25) |
| 71 | Debt service | | <u>1,679,309 (14)</u> | <u>1,215,608</u> <u>(463,701) (26)</u> |
| | Total expenses | <u>4,436,914</u> | <u>4,839,819</u> | <u>4,758,480</u> <u>(81,339)</u> |
| CHANGES IN NET ASSETS | | | | |
| | | 773,596 | (792,957) | (44,190) 748,767 |
| | Net assets, beginning of year | <u>803,432</u> | <u>803,432</u> | <u>803,432</u> <u>0</u> |
| | Net assets, end of year | <u>\$ 1,577,028</u> | <u>\$ 10,475</u> | <u>\$ 759,242</u> <u>\$ 748,767</u> |

Brillante Academy

Charter #108810

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

The following is an explanation of the 10% variances from original budget to final budget reported on the Budgetary Comparison Schedule:

- (1) 5740 Local program revenue – Budget was increased due to higher fundraising and Seton gift.
- (2) 5810 Foundation School Program Act Revenue – Budget was decreased due to lower enrollment than originally expected.
- (3) 5820 State revenue distributed by TEA – Budget was increased due to higher TCLAS Supplemental State Revenue than what was originally budgeted.
- (4) Function 13 – Instructional staff development: Budget was increased due to increased staff development.
- (5) Function 21 – Instructional leadership: Budget was decreased due to payroll coding updates.
- (6) Function 23 – School leadership: Budget was decreased due to payroll coding updates.
- (7) Function 31 – Guidance, counseling and evaluation services: Budget was decreased due to counselor role being removed.
- (8) Function 33 – Health services: Budget was decreased due to less spending than originally expected.
- (9) Function 34 – Student transportation: Budget was decreased due to lower enrollment and decreased need for transportation than originally expected.
- (10) Function 35 – Food services: Budget decreased due to lower enrollment than originally expected.
- (11) Function 41 – General administration: Budget decreased due to payroll positions being removed from this category.
- (12) Function 51 – Plant maintenance and operations: Budget decreased due to lease no longer being included in facilities expenses.
- (13) Function 52 – Security and monitoring services: Budget increased due to higher security expenses than originally expected.
- (14) Function 71 – Debt service: Budget increased due to lease no longer being included in facilities expenses.

The following is an explanation of the 10% variances from final budget to actual expenses reported on the Budgetary Comparison Schedule:

- (15) 5740 Local program revenue – This budget variance is due to adding the in-kind entry for the management fee which was not in the final amended budget and the Seton gift coming in higher than planned.

(continued)

Brillante Academy

Charter #108810

Explanations for Budget Variances for the year ended June 30, 2024 (unaudited) *(continued)*

- (16) 5830 State program revenue – This budget variance is due to TRS in-kind revenue not being included in the final amended budget.
 - (17) Function 13 – Instructional staff development: This budget variance is due to management fee in-kind expenses not accounted for in the final amended budget.
 - (18) Function 21 – Instructional leadership: This budget variance is due to payroll coding changes.
 - (19) Function 23 – School leadership: This budget variance is due to management fee in-kind expenses not accounted for in the final amended budget.
 - (20) Function 31 – Guidance, counseling and evaluation services: This budget variance is due to special education services coding changes.
 - (21) Function 33 – Health services: This budget variance is due to more hours worked by hourly health services workers.
 - (22) Function 35 – Food services: This budget variance is due to management fee in-kind expenses not accounted for in the final amended budget.
 - (23) Function 41 – General administration: This budget variance is due to payroll coding changes.
 - (24) Function 53 – Data processing services: This budget variance is due to more spending in IT maintenance and support than expected.
 - (25) Function 61 – Community services: This budget variance is due to less spending in advertisement and student recruitment than expected.
 - (26) Function 71 – Debt service: This budget variance is due to changes in the finance lease calculation.
-

Brillante Academy

Charter #108810

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

| <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> |
| None | | | | | |

Brillante Academy

Schedule of Expenditures of Federal Awards for the year ended June 30, 2024

FEDERAL GRANTOR

| <u>Pass-through Grantor</u> <u>Program Title & Period</u> | <u>Assistance</u> <u>Listing Number</u> | <u>Pass-through</u> <u>Grant Number</u> | <u>Award</u> <u>Amount</u> | <u>Federal</u> <u>Expenditures</u> |
|---|--|--|-------------------------------|---------------------------------------|
| U. S. DEPARTMENT OF AGRICULTURE | | | | |
| Passed through Texas Education Agency: | | | | |
| #1 School Breakfast Program (Child Nutrition Cluster) | | | | |
| 10/01/22 – 09/30/23 | 10.553 | 71402301 | N/A | \$ 3,992 |
| 10/01/23 – 09/30/24 | 10.553 | 71402401 | N/A | <u>33,747</u> |
| Total National School Breakfast Program | | | | <u>37,739</u> |
| #2 National School Lunch Program (Child Nutrition Cluster) | | | | |
| 10/01/22 – 09/30/23 | 10.555 | 71302301 | N/A | 8,203 |
| 10/01/23 – 09/30/24 | 10.555 | 71302401 | N/A | <u>77,458</u> |
| Total National School Lunch Program | | | | <u>85,661</u> |
| Total U. S. Department of Agriculture | | | | <u>123,400</u> |
| U. S. DEPARTMENT OF EDUCATION | | | | |
| Passed through Texas Education Agency: | | | | |
| #3 Title I Grants to Local Educational Agencies | | | | |
| 01/25/24 – 09/30/24 | 84.010A | S010A230043 | \$43,033 | <u>43,033</u> |
| #4 Special Education Grants to States (Special Education Cluster) | | | | |
| IDEA-B Formula | | | | |
| 01/25/24 – 09/30/24 | 84.027A | H027A220008 | \$34,096 | 34,096 |
| #5 Special Education Preschool Grants (Special Education Cluster) | | | | |
| IDEA-B Pre-School | | | | |
| 01/25/24 – 09/30/24 | 84.173A | H173A220004 | \$2,598 | <u>2,598</u> |
| Total Special Education Cluster | | | | <u>36,694</u> |
| #6 Charter Schools | | | | |
| 01/16/23 – 09/30/25 | 84.282A | S282A200011 | \$900,000 | <u>380,336</u> |
| #7 Supporting Effective Instruction State Grants | | | | |
| Title II, Part A | | | | |
| 01/25/24 – 09/30/24 | 84.367A | S367A220041 | \$4,764 | <u>4,764</u> |
| #8 COVID-19 Education Stabilization Fund | | | | |
| Texas COVID Learning Acceleration Supports Program (TCLAS) | | | | |
| 06/20/23 – 08/31/24 | 84.425U | S425U210042 | \$237,412 | <u>237,412</u> |
| Total U. S. Department of Education | | | | <u>702,239</u> |
| TOTAL FEDERAL AWARDS | | | | <u>\$ 825,639</u> |

(continued)

Brillante Academy

Schedule of Expenditures of Federal Awards for the year ended June 30, 2024 *(continued)*

FEDERAL GRANTOR

| <u>Pass-through Grantor</u> <u>Program Title & Period</u> | <u>Assistance</u> <u>Listing Number</u> | <u>Pass-through</u> <u>Grant Number</u> | <u>Award</u> <u>Amount</u> | <u>Federal</u> <u>Expenditures</u> |
|--|--|--|-------------------------------|---------------------------------------|
|--|--|--|-------------------------------|---------------------------------------|

Federal funds expended by Brillante, by Assistance Listing Number, are summarized as follows:

| <u>Assistant Listing</u> <u>Number(s)</u> | <u>Name of Program or Cluster</u> | <u>Amount</u> |
|--|---|-------------------|
| 10.553, 10.555 | Child Nutrition Cluster | \$ 123,400 |
| 84.010A | Title I Grants to Local Educational Agencies | 43,033 |
| 84.027A, 84.173A | Special Education Cluster (IDEA) | 36,694 |
| 84.282A | Charter Schools | 380,336 |
| 84.367A | Supporting Effective Instruction State Grants | 4,764 |
| 84.425U | COVID-19 Education Stabilization Fund | <u>237,412</u> |
| Total | | <u>\$ 825,639</u> |

See accompanying note to schedule of expenditures of federal awards.

Brillante Academy

Note to Schedule of Expenditures of Federal Awards for the year ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal expenses include allowable expenses funded by federal grants. Allowable costs are subject to the cost principles of the Uniform Guidance and include costs that are recognized in Brillante’s financial statements in conformity with generally accepted accounting principles. Brillante has elected not to use the 10% de minimus rate for indirect costs and does not have any subrecipients.

Because the schedule presents only a selected portion of the operations of Brillante, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Brillante.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors of
Brillante Academy:

We have audited, 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, the financial statements of Brillante Academy (Brillante), which comprise the statement of financial position as of June 30, 2024 and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brillante'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 Brillante's internal control. Accordingly, we do not express an opinion on the effectiveness of Brillante's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brillante'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 an instance of other noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item #2024-001.

Brillante's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Brillante's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Brillante's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blazek & Vetterling

November 20, 2024

**Independent Auditors' Report on Compliance for Each Major
Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

To the Board of Directors of
Brillante Academy:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brillante Academy's (Brillante) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Brillante's major federal programs for the year ended June 30, 2024. Brillante's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Brillante complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item #2024-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Brillante's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Brillante's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant

deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2024-002 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on Brillante's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Brillante's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Blazek & Vetterling

November 20, 2024

Brillante Academy

Schedule of Findings and Questioned Costs for the year ended June 30, 2024

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unmodified qualified adverse disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to the financial statements noted? yes no

Other noncompliance noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors’ report issued on compliance for major programs: unmodified qualified adverse disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? yes no

Identification of major programs:

Assistance Listing Number Name of Program or Cluster

84.282A Charter Schools

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

Auditee qualified as a low-risk auditee? yes no

Section II – Financial Statement Findings

Finding #2024-001 – Other Noncompliance

Criteria: Brillante is required by Texas Education Agency (TEA) financial accountability guidelines to adopt and follow local written policies addressing competitive procurement to ensure compliance with state and federal requirements and to ensure that purchases are made using a process that provides the best value for the charter school. Additionally, state and federal regulations require that local education agencies have controls in place to prevent contracting with parties that are suspended or debarred.

Condition and context: Brillante has a written procurement policy which addresses all federal and state procurement requirements. During our testing of procurement compliance for 6 purchases coded to both state and federal funds, we noted that 2 procured vendors (food services and IT services with total expenditures of approximately \$194,000 and \$68,000 during the year, respectively), had no retained documentation of the rationale for the procurement decisions. The food services were charged to both the federal Child Nutrition Cluster and to state funds, and the IT services were charged to the federal Charter Schools program. Additionally, we were unable to see evidence that any of the 6 procured vendors tested were evaluated for suspension or debarment.

Cause: Brillante did not follow its procurement policy.

Effect: Failure to follow its established procurement policies may result in Brillante purchasing goods or services for more than would be necessary if required competitive procurement procedures had been followed. Lack of documented procurement decisions could result in non-compliance.

Recommendation: Reemphasize to personnel the procurement process and adherence to Brillante's policies and procedures, including retention of documentary evidence of procurement decisions.

Views of responsible officials and planned corrective actions: Management agrees with the finding. See Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

Finding #2024-002 – Significant Deficiency and Other Noncompliance

Applicable federal program:

U. S. Department of Education
Passed through Texas Education Agency
Charter Schools
Assistance Listing # 84.282A
Contract Number: S282A200011
Contract Year: 01/16/23 – 09/30/25

Criteria: Procurement – Nonprofit organizations are required to conduct procurement transactions in a manner providing full and open competition consistent with procurement standards prescribed in Uniform Guidance, and the Texas Education Code, Section 12.1053, and conform to federal and state laws and regulations and other contractual requirements. Uniform Guidance and the Texas Education Code require obtaining competitive quotes for purchases over the Micro-purchase Threshold, as defined by the nonprofit organization's written policy, which is \$10,000 for Brillante. Additionally, state and federal regulations require that local education agencies have controls in place to prevent contracting with parties that are suspended or debarred.

Condition and context: Same as Finding #2024-001.

Cause: Same as Finding #2024-001.

Effect: Same as Finding #2024-001.

Questioned costs: Unknown

Recommendation: Same as Finding #2024-001.

Views of responsible officials and planned corrective actions: Management agrees with the finding. See Corrective Action Plan.



CORRECTIVE ACTION PLAN

November 20, 2024

TEXAS EDUCATION AGENCY

Brillante Academy (Brillante) respectfully submits the following Corrective Action Plan for the year ended June 30, 2024. The audit was performed by: Blazek & Vetterling, 2900 Wesleyan, Suite 200, Houston, Texas, 77027.

The findings from the June 30, 2024 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT FINDINGS AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding #2024-001 – Other Noncompliance

Recommendation: Reemphasize to personnel the procurement process and adherence to Brillante's policies and procedures, including retention of documentary evidence of procurement decisions.

Planned corrective action: Step 1: Formal communication with team reminding them of procurement policies and documentation requirements. Step 2: Chief Financial Officer taking over the repository of contracts and necessary documentation. Step 3: Requiring additional review and sign-off by the CFO in addition to the Superintendent's approval of all requests over threshold amounts.

Responsible officer: Trevor Sorensen, Chief Financial Officer

Estimated completion date: November 1, 2024

Finding #2024-002 – Significant Deficiency and Other Noncompliance

Recommendation: Reemphasize to personnel the procurement process and adherence to Brillante's policies and procedures, including retention of documentary evidence of procurement decisions.

Planned corrective action: Step 1: Formal communication with team reminding them of procurement policies and documentation requirements. Step 2: Chief Financial Officer taking over the repository of contracts and necessary documentation. Step 3: Requiring additional review and sign-off by the CFO in addition to the Superintendent's approval of all requests over threshold amounts.

Responsible officer: Trevor Sorensen, Chief Financial Officer

Estimated completion date: November 1, 2024

If the Texas Education Agency has questions regarding this plan, call Trevor Sorensen at 956-833-1642.

Sincerely,

Trevor K. Sorensen

Trevor Sorensen, Chief Financial Officer