WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE

TEN MONTHS ENDED JUNE 30, 2020

AND INDEPENDENT AUDITOR'S REPORT

MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARY

TABLE OF CONTENTS

Certificate of Board

The Lawson Academy
(Federal Employer Identification Number: 76-0496051)

We, the undersigned, certify that the attached Financial and Compliance Report of The Lawson Academy was reviewed and (check one) X approved ___ disapproved for the ten months ended June 30, 2020, at a meeting of the governing body of the charter holder on the 26th day of October, 2020.

Yolanda Smith
Signature of Board Secretary

Mary L Ramos
Signature of Board President

NOTE: If the governing body of the charter holder does not approve the independent auditor's report, it must forward a written statement discussing the reason(s) for not approving the report.

MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
William A. Lawson Institute for Peace and Prosperity and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of William A. Lawson Institute for Peace and Prosperity and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the ten months then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of William A. Lawson Institute for Peace and Prosperity and Subsidiary as of June 30, 2020, and the changes in their net assets and their cash flows for the ten months then ended in accordance with accounting principles generally accepted in the United States of America.

6002 Rogerdale, Ste. 200 Houston, Texas 77072 Tel 281-759-1120 Fax 281-759-5500

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information to the consolidated financial statements and for The Lawson Academy (pages 24 through 32), is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited" was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information, except for that portion marked "unaudited" has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for that portion marked "unaudited", on which we express no opinion or any assurance, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters (page 33). 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Mult & Mult, L.L.P.

Houston, Texas
November 5, 2020

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2020

Current Assets:	
Cash	$ 657,452
Restricted cash	1,076,411
Contributions receivable	114,117
Total current assets	1,847,980
Noncurrent Assets:	
Capital assets, net	13,727,381
Note receivable	7,253,300
	20,980,681
	$ 22,828,661

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and accrued expenses	$ 59,370
Current maturities of notes payable	92,266
Refundable advance	316,600
Total current liabilities	468,236
Notes Payable, net of current maturities	13,017,931
Net Assets:	
Without donor restrictions	3,738,596
With donor restrictions	5,603,898
	9,342,494
	$ 22,828,661

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Ten Months Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Federal grants	$ -	$ 297,125	$ 297,125
State grants	-	1,691,159	1,691,159
Contributions	41,099	-	41,099
Property rental income	402,150	-	402,150
Interest	72,694	-	72,694
Other	6,189	-	6,189
	522,132	1,988,284	2,510,416
Net assets released from restrictions	1,830,617	(1,830,617)	-
Total support and revenue	2,352,749	157,667	2,510,416
Expenses:			
Program services:			
Senior housing operations	255,500	-	255,500
Charter school operations	2,055,278	-	2,055,278
Total program services	2,310,778	-	2,310,778
Supporting services:			
Management and general	434,374	-	434,374
Fundraising	33,409	-	33,409
Total supporting services	467,783	-	467,783
Total expenses	2,778,561	-	2,778,561
Change in net assets	(425,812)	157,667	(268,145)
Net assets, beginning of period	4,164,408	5,446,231	9,610,639
Net assets, end of period	**$ 3,738,596**	**$ 5,603,898**	**$ 9,342,494**

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Ten Months Ended June 30, 2020

	Program Services			Supporting Services			
	Senior Housing Operations	Charter School Operations	Total	Management and General	Fundraising	Total	Total Expenses
Salaries and Related Expenses:							
Salaries	$ -	$ 1,048,779	$ 1,048,779	$ 129,514	$ -	$ 129,514	$ 1,178,293
Employee fringe benefits	-	101,380	101,380	-	-	-	101,380
Payroll taxes	-	25,759	25,759	10,784	-	10,784	36,543
Total salaries and related expenses	-	1,175,918	1,175,918	140,298	-	140,298	1,316,216
Operating Expenses:							
Contract services:							
Legal and professional fees	-	94,043	94,043	18,000	-	18,000	112,043
Food service	-	118,680	118,680	-	-	-	118,680
Transportation	-	147,370	147,370	-	-	-	147,370
Custodial services	4,945	-	4,945	894	-	894	5,839
Other contracted services	13,636	34,424	48,060	969	7,959	8,928	56,988
Property and equipment rent	-	30,329	30,329	-	-	-	30,329
Materials and supplies	-	81,511	81,511	15,483	5,450	20,933	102,444
Maintenance and repairs	50,754	21,249	72,003	-	-	-	72,003
Utilities	55,689	41,685	97,374	-	-	-	97,374
Insurance	-	28,130	28,130	38,307	-	38,307	66,437
Interest	35,910	214,129	250,039	-	-	-	250,039
Other	7,197	44,016	51,213	18,607	20,000	38,607	89,820
Total operating expenses before depreciation	168,131	855,566	1,023,697	92,260	33,409	125,669	1,149,366
Depreciation	87,369	23,794	111,163	201,816	-	201,816	312,979
Total Functional Expenses	**$ 255,500**	**$ 2,055,278**	**$ 2,310,778**	**$ 434,374**	**$ 33,409**	**$ 467,783**	**$ 2,778,561**

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Ten Months Ended June 30, 2020

Cash Flows from Operating Activities:	
State grant receipts	$ 1,691,048
Federal grant receipts	281,460
Property rental receipts	402,150
Contribution receipts	78,599
Interest received	72,694
Receipts from miscellaneous sources	11,256
Payments to vendors for goods and services rendered	(896,034)
Payments to or on behalf of employees for services rendered	(1,316,216)
Interest paid	(250,039)
Net cash provided by operating activities	74,918
Cash Flows from Investing Activities:	
Purchase of capital assets	(2,512)
Net cash used in investing activities	(2,512)
Cash Flows from Financing Activities:	
Proceeds from refundable advance	316,600
Payments on notes payable	(72,431)
Net cash provided by financing activities	244,169
Net increase in cash	316,575
Cash, beginning of period	1,417,288
Cash, end of period	**$ 1,733,863**
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:	
Change in net assets	$ (268,145)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	312,979
Changes in operating assets and liabilities:	
Contributions receivable	26,791
Accounts payable and accrued expenses	3,293
Net cash provided by operating activities	**$ 74,918**

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

William A. Lawson Institute for Peace and Prosperity ("WALIPP") is a nonprofit organization incorporated in the state of Texas in March 1996. WALIPP is governed by a Board of Directors ("WALIPP Board") comprised of not fewer than three members. The WALIPP Board is elected pursuant to the bylaws of WALIPP and has the authority to make decisions, appoint the chief executive officer of WALIPP, and significantly influence operations. The WALIPP Board has primary accountability for the fiscal affairs of WALIPP.

WALIPP operates The Lawson Academy (the "Academy") for boys and girls and a senior housing facility (the "Residence"), both located in Houston, Texas. WALIPP is supported through funds received from federal, state, and local governmental agencies, as well as from private donors including foundations, corporations, and other nonprofit organizations.

The Lawson Academy Real Estate Co. ("Real Estate Co.") was formed as a supporting organization and for the exclusive benefit of WALIPP. WALIPP is the sole member of Real Estate Co. Real Estate Co. is governed by a separate Board of Directors comprised of five members, of which three are also members of the WALIPP Board. Upon the dissolution of Real Estate Co., its assets and liabilities will be distributed to WALIPP.

In June 2019, the WALIPP Board approved a change in fiscal year from August 31 to June 30 for WALIPP. Management filed the applicable forms and notified the Texas Education Agency ("TEA") of the fiscal year change to start with the fiscal year beginning July 1, 2020. Accordingly, the accompanying consolidated financial statements are as of and for the ten months ended June 30, 2020.

Corporate Operations

The Academy was organized in 2001 to provide educational services to students in the 6th through 8th grades. In 2011, the Texas State Board of Education granted the Academy an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Subsequently, the Academy was operated in accordance with the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter. The Academy's programs, services, activities, and functions are governed by the WALIPP Board. The Academy is part of the public school system of the State of Texas and is, therefore, entitled to distributions from the State's available school fund. The Academy does not have the authority to impose ad valorem taxes on its district or to charge tuition.

The Residence was constructed in 2003 and is a four-story structure with 42 two-bedroom apartments and eight one-bedroom apartments designed for independent living by adults 55 and older, of which 26 of the apartments are designated for low-income and very low-income adults.

In July 2017, Real Estate Co. acquired real and personal property from the Residence for the development and construction of Academy's new school facility (the "school") located in Houston, Texas. Real Estate Co. has an operating lease agreement with the Academy for the use of the school's land and facilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The consolidated financial statements include the accounts of WALIPP and Real Estate Co. (together, the "Organization"). All intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting and Presentation

The consolidated financial statements of the Organization are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

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.

Support and Revenue

Grants are recognized as revenue when eligible expenditures are incurred.

Contributions are recognized as revenue when an unconditional promise to give is received and is recorded as net assets without donor restrictions or net assets with donor restrictions depending on the absence or existence of any restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in net assets released from restrictions on the consolidated statement of activities.

Property rental income is recognized on a straight-line basis of the total required rental payments over the lease term.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services and In-Kind Gifts

Contributed services and in-kind gifts 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. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the consolidated financial statements because the services did not meet the criteria for recognition under US GAAP.

Restricted Cash

Restricted cash consists of funds received for state and federal grants and lender funds received for capital expenditures under a debt agreement (Note 7). Funds received are required to be maintained in separate bank accounts.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are reported at net realizable value. An allowance for contributions receivable is provided when it is believed balances may not be collected in full. It is WALIPP's policy to write off receivables against the allowance when management determines the receivable will not be collected. The amount of bad debt expense or loss on contributions receivable recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and individual account-by-account analysis of receivable balances. It is possible that management's estimate regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables. At June 30, 2020, management determined no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets are recorded at cost. The Organization has no donated capital assets to be valued. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from capital asset disposals are credited or charged to operations currently.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the respective classes of assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

WALIPP is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and currently has no taxable unrelated business income. Accordingly, no provision for income taxes has been recorded.

Management has evaluated WALIPP's tax positions and concluded that WALIPP has taken no uncertain tax positions that require adjustment to the consolidated financial statements. In 2020, WALIPP had no tax-related interest or penalties included in the consolidated statement of activities. With few exceptions, WALIPP is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2017.

Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the Organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated effort expended. Depreciation of building and improvements.

Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements.

Recent Accounting Pronouncements

Adopted:

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows: Restricted Cash* (Topic 230). ASU 2016-18 applies to all entities that have restricted cash and are required to present a statement of cash flows under Topic 230. The amendments require that a statement of cash flows explains the change during the period in the total of cash and amounts generally described as restricted cash. The Organization adopted ASU 2016-18 as of September 1, 2019, prospectively. For 2020, all cash, with and without restrictions, are combined in the consolidated statement of cash flows. There was no effect on beginning net assets as a result of the adoption of ASU 2016-18.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provides additional guidance on determining whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 as of September 1, 2019, prospectively. For 2020, there was no effect on the consolidated financial statements as a result of the adoption of ASU 2018-08.

Pending:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 supersedes the revenue recognition requirements or most exchange transactions not specifically covered by other guidance. It does not apply to contributions. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and established a 5-step process to determine when revenue is recognized. WALIPP is required to apply the amendments in its financial statements for the year ended June 30, 2021. Management expects the impact to be primarily additional disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the identification of arrangements that should be accounted for as leases by lessees. In general, for operating or financing lease arrangements exceeding a twelve-month term, a right-of-use asset and a lease obligation will be recognized on the consolidated statement of financial position of the lessee while the consolidated statement of activities will reflect lease expense for operating leases and amortization/interest expense for financing leases. ASU 2016-02, as further amended by ASU 2020-05, is effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted and applied using a modified retrospective approach. Management has not evaluated the impact ASU 2016-02 will have on the Organization's consolidated financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2020 comprise the following:

Cash	$657,452
Contributions receivable	114,117
Total financial assets available for general expenditure	$771,569

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. General expenditures do not include capital projects funded by capital campaigns.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

In addition to the financial assets available to meet general expenditures, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. As part of the liquidity management practices, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due by maintaining a significant portion of its assets in cash.

NOTE 3 - CASH AND RESTRICTED CASH

The following table provides a reconciliation of cash and restricted cash in the Organization's consolidated statement of financial position to the total amount reported in the consolidated statement of cash flows at June 30, 2020.

Cash	$ 657,452
Restricted cash:	
State and federal grants	$ 848,898
Lender funds under a debt agreement	227,513
Restricted cash	1,076,411
Total cash and restricted cash	$1,733,863

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2020 consist of the following:

TEA	$ 79,043
Foundation	25,000
Other	10,074
	$114,117

NOTE 5 - CAPITAL ASSETS

Capital assets consist of the following at June 30, 2020:

	Useful Lives	
Land		$ 5,862,083
Building and improvements	5 - 40 years	10,078,784
Furniture and equipment	3 - 5 years	333,422
		16,274,289
Less: Accumulated depreciation		2,546,908
		$13,727,381

NOTE 6 - NOTE RECEIVABLE

The Organization has a note receivable agreement with the Lawson Academy Investment Fund, LLC ("Investment Fund"), an unrelated third-party, under the New Markets Tax Credit ("NMTC") program. Interest, only, is due quarterly at 1% through the first principal balloon payment of $3 million in July 2024. Prior to July 2024, no prepayments of principal are allowed. Beginning September 2024, principal and interest payments of $51,809 are due quarterly through the maturity date in July 2047. Payments to the Organization are made only from distribution funds received by the Investment Fund from TMF Sub-CDE 31, LLC ("TMF Sub-CDE") and Wells Fargo Community Development Enterprise Round 12 Subsidiary 16, LLC ("WFCDE"), the direct and indirect lenders, respectively, of four notes payable between the lenders and Real Estate Co. The note receivable is collateralized by a first-priority assignment of and security interest in TMF Sub-CDE and WFCDE. Interest income is recorded as earned on the accrual basis. At June 30, 2020, the note receivable due from the Investment Fund is $7,253,300.

NOTE 7 - NOTES PAYABLE

Notes payable consist of the following at June 30, 2020:

Note; payable to a financial institution in monthly installments of $6,252, including interest at 4.99%, maturing June 2026, collateralized by an interest in the senior housing facility, net of unamortized debt issuance costs of $2,850 at June 30, 2020.*	$ 824,508
Construction note; payable to a nonprofit corporation; principal and interest due in monthly installments of $14,329; maturing July 2024; collateralized by a first lien deed of trust on certain real property and substantially all assets of the Organization; net of unamortized debt issuance costs of $14,584 at June 30, 2020.**	1,850,689
Four notes; payable to TMF Sub-CDE and Renaissance New Markets Fund, LLC ("Renaissance"), two separate community development entities; only interest due quarterly at 1.11683% through the first principal balloon payment of $3 million in July 2024; beginning September 2024, principal and interest due in quarterly installments of $91,932; maturing July 2047; collateralized by a leasehold deed of trust against the school and interest in the land and a deposit account*** (Note 1). Principal prepayments are not allowed until July 2024.	10,435,000
Total, net of debt issuance costs of $17,434 at June 30, 2020	13,110,197
Less: Current maturities	92,266
	$13,017,931

NOTE 7 - NOTES PAYABLE (CONTINUED)

Future maturities of the notes payable, net of debt issuance costs, at June 30, 2020 are as follows:

For the Year Ending June 30:	
2021	$ 92,266
2022	97,838
2023	103,735
2024	109,978
2025	4,930,306
Thereafter	7,776,074
	$13,110,197

Amortization of debt issuance costs is included in interest expense on the consolidated statement of activities.

*The senior housing facility is included in building and improvements and was constructed with $1.3 million in federal funds passed through from the City of Houston, Texas (the "City"). Per the terms of the grant agreement with the City, the facility is subject to a minimum affordability period of 20 years, terminating in December 2024. During the affordability period, the Organization is required to designate 26 apartment units of the total 50 residential rental units on a continuous basis for low-income and very low-income adults age 55 and older. The facility may not be mortgaged or used as collateral, sold, or otherwise transferred to another party without the written permission of the City. Title to the facility vests with the Organization.

**The proceeds of the note payable were provided from the Credit Enhancement of Charter School Facilities Program authorized by Title V, Part B, Subpart 2 of the No Child Left Behind Act. In accordance with the note agreement, the Academy must remain a charter school during the note term and comply with applicable federal, state, and local laws and regulations as they relate to the application, acceptance, and use of the proceeds.

***A fee reserve deposit account was established for the benefit of TMF Sub-CDE and Renaissance (collectively, "Lenders") under an Account Pledge and Control Agreement ("Control Agreement"). In accordance with the Control Agreement, the deposit account holds funds for compliance with NMTC covenants, future improvements, and other costs, as determined by the Lenders. After final payment and satisfaction of all obligations under the note payable agreements, the remaining funds will be released to the Organization. The deposit account is held at Wells Fargo, the servicer of the Control Agreement.

NOTE 8 - REFUNDABLE ADVANCE

In April 2020, the Organization entered into an unsecured Small Business Administration Paycheck Protection Program loan with a financial institution. The loan may be forgiven in whole or in part, dependent on the Organization's compliance with certain criteria defined in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Substantially all of the net assets with donor restrictions are related to a $4,730,000 grant received from the City to acquire land for the current site of Academy's new school. In accordance with the grant agreement, the Organization is subject to a five-year, restricted-use period of the land and campus terminating May 2023. During the restricted-use period, the Organization is required to have at least 51% of low-income families comprise the student population and will not sell, transfer, or assign its interest in the land and campus without the City's written approval. The City holds a deed of trust on the land subordinate to the construction note (Note 7). Upon a violation of the grant's restrictions, the Organization may be required to pay the grant funds plus accrued interest at 6% to the City. At the end of the restricted-use period, the deed of trust and the net assets with donor restrictions will be released.

Net assets with donor restrictions consist of the following at June 30, 2020:

Subject to the passage of time:	
Land	$4,730,000
Subject to expenditure for a specific purpose:	
TEA federal and state grants	848,898
Promises to give	25,000
	$5,603,898

Net assets were released from restrictions during 2020 by incurring expenses satisfying the restricted purpose, as follows:

Satisfaction of purpose restrictions:	
TEA federal and state grants	$1,793,117
Promises to give	37,500
	$1,830,617

NOTE 10 - PENSION PLAN OBLIGATION

The Academy's full-time employees participate in the Teacher Retirement System of Texas ("TRS"), a public employee retirement system. TRS is a cost-sharing, multiple-employer, defined benefit pension plan and is qualified under Section 401(a) of the IRC. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. That report may be obtained by writing the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, www.trs.texas.gov.

For the ten months ended June 30, 2020, plan members contributed 7.7% of their annual covered salary; the Academy and the State of Texas contributed 7.5%; and the Academy made a 1.5% non-OASDI surcharge payment for all TRS eligible employees. For 2020, the Academy contributed $40,200, which does not represent more than 5% of the TRS plan's total contributions.

NOTE 10 - PENSION PLAN OBLIGATION (CONTINUED)

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.

As of August 31, 2019, TRS plan assets were $181.8 billion; plan accumulated benefit obligations were $210.0 billion; and the plan was 76.40% funded.

NOTE 11 - POSTRETIREMENT HEALTH CARE BENEFIT

Plan Description

The Organization contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing, multiple-employer, defined benefit Other Post-Employment Benefit plan administered by the Board of Trustees of TRS. The statutory authority for TRS-Care is the Texas Insurance Code, Chapter 1575. Under Section 1575.052, the Board of Trustees has the authority to establish basic and optional group insurance coverage for participants as well as amend benefit terms as needed. TRS-Care is funded on a pay-as-you-go basis and is subject to change based on available funding. The Texas Legislature determines the contribution rates for TRS-Care, and there is no continuing obligation to provide benefits beyond each fiscal year. Eligibility includes retirees from public schools, charter schools, regional service centers, and other educational districts who are members of the TRS pension system and have at least ten years of service credit in the TRS pension system. Retirees receive free basic health insurance coverage and may pay premiums for dependent coverage and participation in other insurance plans with more comprehensive benefits.

Funding Policy

Texas Insurance Code, Chapter 1575, Section 202 to 204 establishes state, active employee, and public school contribution rates. 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. Public school contributions may not be less than 0.25% or greater than 0.75% of the salary of each active employee. Contribution amounts for active members and the Academy is $6,139 and $7,083, respectively, for the ten months ended June 30, 2020.

NOTE 12 - HEALTH CARE COVERAGE

The 77th Texas Legislature enacted the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343), establishing a statewide health coverage program for public school employees and their dependents. TRS administers this program, known as TRS-ActiveCare. For the ten months ended June 30, 2020, the Organization contributed $225 per month per employee. The risk associated with this program is retained by the participants, and no risk is transferred to TRS, the Organization, or the State of Texas.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases equipment under a noncancelable operating lease that expires in January 2024. For the ten months ended June 30, 2020, rent expense was approximately $23,000. Future minimum lease payments of the operating lease is as follows:

For the Year Ending June 30:	
2021	$ 28,080
2022	28,080
2023	28,080
2024	16,380
	$100,620

Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash deposits in excess of federally insured limits. The Organization places its cash with financial institutions that are considered high quality financial institutions by the Organization's management. At times, such cash investments may be in excess of federally insured limits.

The Organization receives a large portion of its funding from the TEA. As of June 30, 2020 and for the ten months then ended, TEA funding was approximately 69% of contributions receivable, and 79% of total support and revenue. An unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the Academy to continue to provide the current level of services to its students.

The Organization 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 TEA and is subject to audit and adjustment. In addition, expenses charged to federal and state programs are subject to audit and adjustment by the grantor agencies. These funding sources may suspend payments, require reimbursement of expenses or return of funds, or both, as a result of noncompliance with the terms of their funding agreements. This could result in a liability or decrease of revenues for the Organization. Also, grants and contributions are funded annually and subject to annual funding renewals. In management's opinion, the risk of these events occurring is minimal.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 5, 2020, the date the consolidated financial statements were available to be issued. 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.

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARY
SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
June 30, 2020

ASSETS	WALIPP	Real Estate Co.	Eliminating Entries Debit	Eliminating Entries Credit	Total
Current Assets:					
Cash	$ 610,213	$ 47,239	$ -	$ -	$ 657,452
Restricted cash	848,898	227,513	-	-	1,076,411
Contributions receivable	114,117	163,290	-	163,290	114,117
Total current assets	1,573,228	438,042	-	163,290	1,847,980
Noncurrent Assets:					
Capital assets, net	2,991,202	10,736,179	-	-	13,727,381
Note receivable	7,253,300	-	-	-	7,253,300
	10,244,502	10,736,179	-	-	20,980,681
	$ 11,817,730	**$ 11,174,221**	**$ -**	**$ 163,290**	**$ 22,828,661**
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable and accrued expenses	$ 199,688	$ 22,972	$ 163,290	$ -	$ 59,370
Current maturities of notes payable	92,266	-	-	-	92,266
Refundable advance	316,600	-	-	-	316,600
Total current liabilities	608,554	22,972	163,290	-	468,236
Notes Payable, net of current maturities	2,582,931	10,435,000	-	-	13,017,931
Net Assets:					
Without donor restrictions	3,022,347	716,249	-	-	3,738,596
With donor restrictions	5,603,898	-	-	-	5,603,898
Total net assets	8,626,245	716,249	-	-	9,342,494
	$ 11,817,730	**$ 11,174,221**	**$ 163,290**	**$ -**	**$ 22,828,661**

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARY
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES INFORMATION
For the Ten Months Ended June 30, 2020

	WALIPP	Real Estate Co.	Eliminating Entries Debit	Eliminating Entries Credit	Total
Changes in Net Assets Without Donor Restrictions:					
Support and Revenue:					
Contributions	$ 41,099	$ -	$ -	$ -	$ 41,099
Property rental income	402,150	200,000	200,000	-	402,150
Interest	72,694	-	-	-	72,694
Other	6,189	-	-	-	6,189
	522,132	200,000	200,000	-	522,132
Net assets released from restrictions	1,830,617	-	-	-	1,830,617
Total support and revenue	2,352,749	200,000	200,000	-	2,352,749
Expenses:					
Program services:					
Senior housing operations	255,500	-	-	-	255,500
Charter school operations	2,138,737	116,541	-	200,000	2,055,278
Total program services	2,394,237	116,541	-	200,000	2,310,778
Supporting services:					
Management and general	222,135	212,239	-	-	434,374
Fundraising	33,409	-	-	-	33,409
Total supporting services	255,544	212,239	-	-	467,783
Total expenses	2,649,781	328,780	-	200,000	2,778,561
Change in net assets without donor restrictions	(297,032)	(128,780)	200,000	(200,000)	(425,812)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARY
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES INFORMATION (CONTINUED)
For the Ten Months Ended June 30, 2020

	WALIPP	Real Estate Co.	Eliminating Entries Debit	Eliminating Entries Credit	Total
Changes in Net Assets with Donor Restrictions					
Support and Revenue:					
Federal grants	$ 297,125	$ -	$ -	$ -	$ 297,125
State grants	1,691,159	-	-	-	1,691,159
	1,988,284	-	-	-	1,988,284
Net assets released from restrictions	(1,830,617)	-	-	-	(1,830,617)
Total support and revenue	157,667	-	-	-	157,667
Change in net assets with donor restrictions	157,667	-	-	-	157,667
Change in net assets	(139,365)	(128,780)	200,000	(200,000)	(268,145)
Net assets, beginning of period:					
Without donor restrictions	3,319,379	845,029	-	-	4,164,408
With donor restrictions	5,446,231	-	-	-	5,446,231
Total net assets, beginning of period	8,765,610	845,029	-	-	9,610,639
Net assets, end of period:					
Without donor restrictions	3,022,347	716,249	-	-	3,738,596
With donor restrictions	5,603,898	-	-	-	5,603,898
Total net assets, end of period	**$ 8,626,245**	**$ 716,249**	**$ -**	**$ -**	**$ 9,342,494**

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARY
SCHEDULE OF CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION
For the Ten Months Ended June 30, 2020

	WALIPP	Real Estate Co.	Eliminating Entries Debit	Eliminating Entries Credit	Total
Cash Flows from Operating Activities:					
State grant receipts	$ 1,691,048	$ -	$ -	$ -	$ 1,691,048
Federal grant receipts	281,460	-	-	-	281,460
Property rental receipts	402,150	200,000	-	200,000	402,150
Contribution receipts	78,599	-	-	-	78,599
Interest received	72,694	-	-	-	72,694
Receipts from miscellaneous sources	11,256	-	-	-	11,256
Payments to vendors for goods and services rendered	(1,085,611)	(10,423)	200,000	-	(896,034)
Payments to or on behalf of employees for services rendered	(1,316,216)	-	-	-	(1,316,216)
Interest paid	(35,910)	(214,129)	-	-	(250,039)
Net cash provided by (used in) operating activities	99,470	(24,552)	200,000	200,000	74,918
Cash Flows from Investing Activities:					
Purchase of capital assets	(2,512)	-	-	-	(2,512)
Net cash used in investing activities	(2,512)	-	-	-	(2,512)
Cash Flows from Financing Activities:					
Proceeds from refundable advance	316,600	-	-	-	316,600
Payments on notes payable	(26,733)	(45,698)	-	-	(72,431)
Net cash provided by (used in) financing activities	289,867	(45,698)	-	-	244,169
Net increase (decrease) in cash	386,825	(70,250)	200,000	200,000	316,575
Cash, beginning of period	1,072,286	345,002	-	-	1,417,288
Cash, end of period	**$ 1,459,111**	**$ 274,752**	**$ 200,000**	**$ 200,000**	**$ 1,733,863**

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARY
SCHEDULE OF CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION (CONTINUED)
For the Ten Months Ended June 30, 2020

	WALIPP	Real Estate Co.	Eliminating Entries Debit	Eliminating Entries Credit	Total
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:					
Change in net assets	$ (139,365)	$ (128,780)	$ 200,000	$ 200,000	$ (268,145)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation	111,163	201,816	-	-	312,979
Changes in operating assets and liabilities:					
Contributions receivable	26,791	-	-	-	26,791
Intercompany	97,588	(97,588)	-	-	-
Accounts payable and accrued expenses	3,293	-	-	-	3,293
Net cash provided by (used in) operating activities	**$ 99,470**	**$ (24,552)**	**$ 200,000**	**$ 200,000**	**$ 74,918**

THE LAWSON ACADEMY
STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS

Current Assets:	
Cash	$ 1,005,048
Due from Texas Education Agency	79,043
Total current assets	1,084,091
Capital Assets, net	17,008
	$ 1,101,099

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and accrued expenses	$ 290,185
Total current liabilities	290,185
Net Assets (Deficit):	
Without donor restrictions	(37,984)
With donor restrictions	848,898
	810,914
	$ 1,101,099

THE LAWSON ACADEMY
STATEMENT OF ACTIVITIES
For the Ten Months Ended June 30, 2020

		Without Donor Restrictions	With Donor Restrictions	Total
Revenues:				
Local support:				
5744	Gifts and bequests	$ 31,200	$ -	$ 31,200
5749	Other revenues from local sources	6,170	-	6,170
		37,370	-	37,370
State program revenues:				
5811	Per capital apportionment	-	49,946	49,946
5812	Foundation School Program Act entitlements	-	1,620,036	1,620,036
5829	State program revenues distributed by the Texas Education Agency	-	21,177	21,177
		-	1,691,159	1,691,159
Federal program revenues:				
5921	School breakfast program	-	34,957	34,957
5922	National school lunch program	-	87,801	87,801
5929	Federal revenues distributed by the Texas Education Agency	-	174,367	174,367
		-	297,125	297,125
Net assets released from restrictions:				
	Restrictions satisfied by payments	1,793,117	(1,793,117)	-
	Total revenues	1,830,487	195,167	2,025,654

THE LAWSON ACADEMY
STATEMENT OF ACTIVITIES (CONTINUED)
For the Ten Months Ended June 30, 2020

		Without Donor Restrictions	With Donor Restrictions	Total
Expenses:				
11	Instruction	$ 1,028,730	$ -	$ 1,028,730
13	Curriculum development and instructional staff development	14,057	-	14,057
23	School leadership	111,429	-	111,429
34	Student (pupil) transportation	147,370	-	147,370
35	Food services	135,171	-	135,171
36	Cocurricular/extracurricular activities	23,273	-	23,273
41	General administration	161,047	-	161,047
51	Plant maintenance and operations	339,385	-	339,385
52	Security and monitoring services	43,520	-	43,520
53	Data processing services	37,167	-	37,167
	Total expenses	2,041,149	-	2,041,149
	Change in net assets	(210,662)	195,167	(15,495)
Net assets, beginning of period		172,678	653,731	826,409
Net assets (deficit), end of period		**$ (37,984)**	**$ 848,898**	**$ 810,914**

THE LAWSON ACADEMY
STATEMENT OF CASH FLOWS
For the Ten Months Ended June 30, 2020

Cash Flows from Operating Activities:	
State grant receipts	$ 1,691,048
Federal grant receipts	281,460
Contribution receipts	31,200
Receipts from miscellaneous sources	6,170
Payments to vendors for goods and services rendered	(572,879)
Payments to or on behalf of employees for services rendered	(1,175,918)
Net cash provided by operating activities	261,081
Net increase in cash	261,081
Cash, beginning of period	743,967
Cash, end of period	**$ 1,005,048**

Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:	
Change in net assets	$ (15,495)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	23,794
Changes in operating assets and liabilities:	
Due from Texas Education Agency	(15,776)
Accounts payable and accrued expenses	268,558
Net cash provided by operating activities	**$ 261,081**

THE LAWSON ACADEMY
SCHEDULE OF EXPENSES
For the Ten Months Ended June 30, 2020

Expenses:		
6100	Payroll costs	$ 1,175,918
6200	Professional and contracted services	687,780
6300	Supplies and materials	81,511
6400	Other operating costs	95,940
	Total expenses	**$ 2,041,149**

THE LAWSON ACADEMY
SCHEDULE OF CAPITAL ASSETS
June 30, 2020

		Ownership Interest		
		Local	**State**	**Federal**
1539	Furniture and equipment	$ 34,654	$ 78,856	$ 129,853
		34,654	78,856	129,853
	Less: accumulated depreciation			
1573	Furniture and equipment	34,654	61,848	129,853
		34,654	61,848	129,853
	Total capital assets, net	**$ -**	**$ 17,008**	**$ -**

THE LAWSON ACADEMY
BUDGETARY COMPARISON SCHEDULE
For the Ten Months Ended June 30, 2020

		Budgeted Amounts			Variance from
		Original	Final	Actual	Final Budget
Revenues:					
5700	Local and intermediate sources	$ 24,000	$ 37,196	$ 37,370	$ (174)
5800	State program	2,043,760	1,755,419	1,691,159	64,260
5900	Federal program	515,403	291,560	297,125	(5,565)
	Total revenues	2,583,163	2,084,175	2,025,654	58,521
Expenses:					
11	Instruction	1,257,398	1,149,572	1,028,730	120,842
13	Curriculum development and instructional staff development	71,715	16,610	14,057	2,553
23	School leadership	159,746	112,391	111,429	962
34	Student (pupil) transportation	190,722	147,370	147,370	-
35	Food services	157,405	135,616	135,171	445
36	Cocurricular/extracurricular activities	20,043	23,273	23,273	-
41	General administration	227,573	171,038	161,047	9,991
51	Plant maintenance and operations	470,130	347,584	339,385	8,199
52	Security and monitoring services	37,082	102,664	43,520	59,144
53	Data processing services	42,320	39,000	37,167	1,833
	Total expenses	2,634,134	2,245,118	2,041,149	203,969
	Change in net assets	(50,971)	(160,943)	(15,495)	(145,448)
Net assets, beginning of period		607,039	625,790	826,409	(200,619)
Net assets, end of period		**$ 556,068**	**$ 464,847**	**$ 810,914**	**$ (346,067)**

THE LAWSON ACADEMY
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
For the Ten Months Ended June 30, 2020 (UNAUDITED)

MATERIAL BUDGET VARIANCE REVENUE

(1) The following is an explanation of the 10% variances from original budget to final budget of revenue reported on the Budgetary Comparison Schedule for the ten months ended June 30, 2020.

Object 5700 – An unexpected $25,000 gift-in-kind was received for funding teacher supplies upon the closing of The Lawson Academy ("Academy") in March 2020 for the Coronavirus (COVID-19) pandemic.

Object 5800 – The change in the Academy's fiscal year start date from September 1 to July 1 was approved in May 2020. Accordingly, the original budget was amended to reflect a 10-month period instead of a 12-month period.

Object 5900 – The change in the Academy's fiscal year start date from September 1 to July 1 was approved in May 2020. Accordingly, the original budget was amended to reflect a 10-month period instead of a 12-month period. Further, the receipt of the School Improvement grant under the Title I, Part A program was less than the amount included in the original budget.

MATERIAL BUDGET VARIANCE EXPENDITURES

(1) The following is an explanation of the 10% variances from original budget to final budget of expenses reported on the Budgetary Comparison Schedule for the ten months ended June 30, 2020.

Function 13 – The change in the Academy's fiscal year start date from September 1 to July 1 was approved in May 2020. Accordingly, the original budget was amended to reflect a 10-month period instead of a 12-month period. Further, there were no employee wages in this function due to applicable employee responsibilities being performed by the principal or the superintendent.

Function 23, 51 – The change in the Academy's fiscal year start date from September 1 to July 1 was approved in May 2020. Accordingly, the original budget was amended to reflect a 10-month period instead of a 12-month period. Further, the original budget was amended to reflect the effects of the closing of the Academy in March 2020 for the Coronavirus (COVID-19) pandemic.

Function 34, 35, 41 – The change in the Academy's fiscal year start date from September 1 to July 1 was approved in May 2020. Accordingly, the original budget was amended to reflect a 10-month period instead of a 12-month period.

Function 36 – Unexpected cost for S.T.E.M. leadership and development from a third-party was incurred after the adoption of the original budget.

Function 52 – The $75,000 Safety and Security grant was received in mid-year of the Academy's financial reporting period.

THE LAWSON ACADEMY
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
For the Ten Months Ended June 30, 2020 (UNAUDITED)

MATERIAL BUDGET VARIANCE EXPENDITURES

(1) The following is an explanation of the 10% variances from final budget to actual expenses reported on the Budgetary Comparison Schedule for the ten months ended June 30, 2020.

Function 11 – The Academy had an unexpected reduction in workforce for decreased student enrollment.

Function 13 – The original budget was not amended for the effects of the closing of the Academy in March 2020 for the Coronavirus (COVID-19) pandemic.

Function 52 – The expenditures for the $75,000 Safety and Security grant were not fully incurred during the ten-month period ending June 30, 2020.

MELTON & MELTON, L.L.P.
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*

To the Board of Directors of
William A. Lawson Institute for Peace and Prosperity and Subsidiary

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 consolidated financial statements of William A. Lawson Institute for Peace and Prosperity and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the ten months then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 5, 2020 (pages 2 - 3).

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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 may exist that have not been identified.

Compliance and Other Matters

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

6002 Rogerdale, Ste. 200 Houston, Texas 77072 Tel 281-759-1120 Fax 281-759-5500

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.

Malt & Malt, L.L.P.

Houston, Texas
November 5, 2020

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Ten Months June 30, 2020

Summary of Auditor's Results

Financial Statements

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of William A. Lawson Institute for Peace and Prosperity and Subsidiary (the "Organization").
2. There are no material weaknesses or significant deficiencies identified during the audit of the Organization's consolidated financial statements.
3. No instances of noncompliance material to the consolidated financial statements of the Organization were identified during the audit.

Findings - Financial Statement Audit

None