

WILLIAM A. LAWSON INSTITUTE FOR
PEACE AND PROSPERITY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE

YEARS ENDED JUNE 30, 2023 AND 2022

AND INDEPENDENT AUDITOR'S REPORTS



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

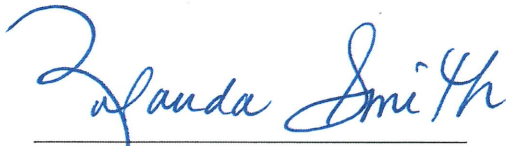
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AND SUBSIDIARIES
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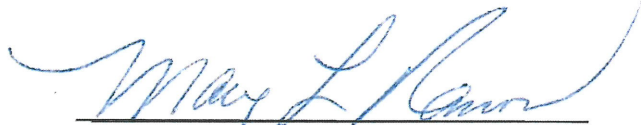
Certificate of Board

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 year ended June 30, 2023, at a meeting of the governing body of the charter holder on the 3rd day of November, 2023.



Signature of Board Secretary



Signature of Board President



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 Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of William A. Lawson Institute for Peace and Prosperity and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS 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 consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 audits were 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 21 - 35) and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (pages 41 - 42) are presented for purposes of additional analysis and are 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 audits 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 GAAS. In our opinion, except for that portion marked "unaudited," on which we express no opinion nor any assurance, the supplemental 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 3, 2023 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 (pages 36 - 37). 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

M. L. L. P.

Houston, Texas
November 3, 2023

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash	\$ 1,216,742	\$ 897,024
Restricted cash	643,345	860,374
Investment	-	28,434
Contributions receivable	161,269	159,861
Total current assets	<u>2,021,356</u>	<u>1,945,693</u>
 Noncurrent Assets:		
Capital assets, net	13,322,817	13,677,500
Note receivable	7,253,300	7,253,300
	<u>20,576,117</u>	<u>20,930,800</u>
	<u>\$ 22,597,473</u>	<u>\$ 22,876,493</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 156,864	\$ 63,344
Current maturities of notes payable	149,890	141,650
Total current liabilities	<u>306,754</u>	<u>204,994</u>
 Notes Payable, net of current maturities	<u>13,076,971</u>	<u>13,225,316</u>
 Net Assets:		
Without donor restrictions	8,617,587	3,975,822
With donor restrictions	596,161	5,470,361
	<u>9,213,748</u>	<u>9,446,183</u>
	<u>\$ 22,597,473</u>	<u>\$ 22,876,493</u>

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>	<u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenue:						
Federal grants	\$ -	\$ 843,142	\$ 843,142	\$ -	\$ 951,212	\$ 951,212
State grants	-	1,503,008	1,503,008	-	1,688,982	1,688,982
Contributions	62,086	-	62,086	238,741	-	238,741
Property rental income	538,426	-	538,426	533,993	-	533,993
Interest	77,908	-	77,908	72,797	-	72,797
Gain on replacement of capital asset	110,004	-	110,004	-	-	-
Other	56,939	-	56,939	20,317	-	20,317
	<u>845,363</u>	<u>2,346,150</u>	<u>3,191,513</u>	<u>865,848</u>	<u>2,640,194</u>	<u>3,506,042</u>
Net assets released from restrictions	<u>7,220,350</u>	<u>(7,220,350)</u>	<u>-</u>	<u>2,942,710</u>	<u>(2,942,710)</u>	<u>-</u>
Total support and revenue	<u>8,065,713</u>	<u>(4,874,200)</u>	<u>3,191,513</u>	<u>3,808,558</u>	<u>(302,516)</u>	<u>3,506,042</u>
Expenses:						
Program services	2,921,762	-	2,921,762	3,516,437	-	3,516,437
Management and general	493,645	-	493,645	592,043	-	592,043
Fundraising	8,541	-	8,541	27,550	-	27,550
Total expenses	<u>3,423,948</u>	<u>-</u>	<u>3,423,948</u>	<u>4,136,030</u>	<u>-</u>	<u>4,136,030</u>
Change in net assets	4,641,765	(4,874,200)	(232,435)	(327,472)	(302,516)	(629,988)
Net assets, beginning of year	<u>3,975,822</u>	<u>5,470,361</u>	<u>9,446,183</u>	<u>4,303,294</u>	<u>5,772,877</u>	<u>10,076,171</u>
Net assets, end of year	<u>\$ 8,617,587</u>	<u>\$ 596,161</u>	<u>\$ 9,213,748</u>	<u>\$ 3,975,822</u>	<u>\$ 5,470,361</u>	<u>\$ 9,446,183</u>

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	Program Services			Supporting Services			
	Senior Housing Operations	Charter School Operations	Total	Management and General	Fundraising	Total	Total Expenses
Salaries and Related Expenses:							
Salaries	\$ -	\$ 1,129,450	\$ 1,129,450	\$ 161,216	\$ -	\$ 161,216	\$ 1,290,666
Employee fringe benefits	-	107,710	107,710	2,342	-	2,342	110,052
Payroll taxes	-	17,605	17,605	12,444	-	12,444	30,049
Total salaries and related expenses	-	1,254,765	1,254,765	176,002	-	176,002	1,430,767
Operating Expenses:							
Contract services:							
Legal and professional fees	-	426,916	426,916	22,607	-	22,607	449,523
Food service	-	97,117	97,117	-	-	-	97,117
Transportation	-	211,381	211,381	-	-	-	211,381
Custodial services	13,260	-	13,260	-	-	-	13,260
Other contracted services	12,911	19,519	32,430	941	1,067	2,008	34,438
Property and equipment rent	-	22,600	22,600	-	-	-	22,600
Materials and supplies	-	113,407	113,407	2,543	936	3,479	116,886
Maintenance and repairs	70,757	32,088	102,845	-	-	-	102,845
Utilities	67,943	46,911	114,854	-	-	-	114,854
Insurance	-	38,861	38,861	67,461	-	67,461	106,322
Interest	60,707	222,503	283,210	-	-	-	283,210
Other	14,394	4	14,398	302	6,538	6,840	21,238
Total operating expenses before depreciation	239,972	1,231,307	1,471,279	93,854	8,541	102,395	1,573,674
Depreciation	178,778	16,940	195,718	223,789	-	223,789	419,507
Total Functional Expenses	\$ 418,750	\$ 2,503,012	\$ 2,921,762	\$ 493,645	\$ 8,541	\$ 502,186	\$ 3,423,948

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
For the Year Ended June 30, 2022

	<u>Program Services</u>			<u>Supporting Services</u>			
	<u>Senior Housing Operations</u>	<u>Charter School Operations</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total Expenses</u>
Salaries and Related Expenses:							
Salaries	\$ -	\$ 1,492,312	\$ 1,492,312	\$ 190,197	\$ -	\$ 190,197	\$ 1,682,509
Employee fringe benefits	-	133,268	133,268	821	-	821	134,089
Payroll taxes	-	27,463	27,463	18,916	-	18,916	46,379
Total salaries and related expenses	-	1,653,043	1,653,043	209,934	-	209,934	1,862,977
Operating Expenses:							
Contract services:							
Legal and professional fees	-	444,846	444,846	16,450	-	16,450	461,296
Food service	-	145,129	145,129	-	-	-	145,129
Transportation	-	135,600	135,600	-	-	-	135,600
Custodial services	10,181	-	10,181	-	-	-	10,181
Other contracted services	26,680	33,352	60,032	531	4,709	5,240	65,272
Property and equipment rent	-	33,607	33,607	-	-	-	33,607
Materials and supplies	-	218,564	218,564	3,918	3,384	7,302	225,866
Maintenance and repairs	78,811	44,059	122,870	-	-	-	122,870
Utilities	84,841	53,629	138,470	-	-	-	138,470
Insurance	-	37,725	37,725	74,826	-	74,826	112,551
Interest	68,820	226,544	295,364	-	-	-	295,364
Other	18,729	79,941	98,670	47,977	19,457	67,434	166,104
Total operating expenses before depreciation	288,062	1,452,996	1,741,058	143,702	27,550	171,252	1,912,310
Depreciation	105,345	16,991	122,336	238,407	-	238,407	360,743
Total Functional Expenses	\$ 393,407	\$ 3,123,030	\$ 3,516,437	\$ 592,043	\$ 27,550	\$ 619,593	\$ 4,136,030

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
State grant receipts	\$ 1,526,100	\$ 1,675,570
Federal grant receipts	843,642	951,212
Property rental receipts	538,426	533,993
Contribution receipts	37,086	210,307
Interest received	77,908	72,797
Receipts from miscellaneous sources	56,939	(4,689)
Payments to vendors for goods and services rendered	(1,196,944)	(1,660,258)
Payments to or on behalf of employees for services rendered	(1,430,767)	(1,862,977)
Interest paid	<u>(279,164)</u>	<u>(291,318)</u>
Net cash provided by (used in) operating activities	<u>173,226</u>	<u>(375,363)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investment	28,434	-
Proceeds for replacement of capital assets	145,785	-
Purchase of capital assets	<u>(100,605)</u>	<u>(155,281)</u>
Net cash provided by (used in) investing activities	<u>73,614</u>	<u>(155,281)</u>
Cash Flows from Financing Activities:		
Payments on notes payable	<u>(144,151)</u>	<u>(119,676)</u>
Net cash used in financing activities	<u>(144,151)</u>	<u>(119,676)</u>
Net increase (decrease) in cash and restricted cash	102,689	(650,320)
Cash and Restricted Cash, beginning of year	<u>1,757,398</u>	<u>2,407,718</u>
Cash and Restricted Cash, end of year	<u>\$ 1,860,087</u>	<u>\$ 1,757,398</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	\$ (232,435)	\$ (629,988)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	419,507	360,743
Gain on replacement of capital assets	(110,004)	-
Amortization of debt issuance costs	4,046	4,046
Donated investment	-	(28,434)
Changes in operating assets and liabilities:		
Contributions receivable	(1,408)	(38,418)
Accounts payable and accrued expenses	<u>93,520</u>	<u>(43,312)</u>
Net cash provided by (used in) operating activities	<u>\$ 173,226</u>	<u>\$ (375,363)</u>

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

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, 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 November 2020, WALIPP Regency Lofts, LLC (“Regency Lofts”) was formed as a limited liability company to transact business under the Internal Revenue Code of 1986, as amended. WALIPP is the sole member of Regency Lofts. For the year ended June 30, 2023 and 2022, there were no operations in Regency Lofts.

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.

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate Co. owns real and personal property in Houston, Texas. Real Estate Co. has an operating lease agreement with the Academy for the use of its land and facilities as the Academy's school (the "School").

Regency Lofts has a 20% investment in Regency GP, a Texas limited liability company formed to develop, construct, own, and operate the Regency Lofts project, a 120-unit low-income housing tax credit project located in Houston, Texas (Note 12). Subsequent to the completion of a 15-year low-income housing tax credit compliance period, Regency Lofts has the option to purchase the other member's interest in Regency GP at a price defined in the Regency GP Company Agreement. Regency GP had no operations in 2023 and 2022. When operations commence, the investment in Regency GP will be recorded on the equity basis of accounting.

Principles of Consolidation

The consolidated financial statements include the accounts of WALIPP, Real Estate Co., and Regency Lofts (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 ("U.S. 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.

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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 statements of activities and changes in net assets.

Grants are recognized as revenue when eligible expenditures are incurred.

Property rental income is recognized on a straight-line basis of the total required rental payments over the lease term, which is usually twelve months or less.

In-Kind Contributions

In-kind contributions 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 U.S. 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, 2023 and 2022, management determined no allowance for uncollectible accounts was considered necessary.

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Construction in progress represents costs incurred on building and improvements expected to be placed in service in future periods.

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 2023 and 2022, WALIPP had no tax-related interest or penalties included in the consolidated statements of activities and changes in net assets. With few exceptions, WALIPP is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2020.

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.

Estimates

The preparation of consolidated financial statements in conformity with U.S. 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.

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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, 2023 and 2022 comprise the following:

	<u>2023</u>	<u>2022</u>
Cash	\$1,216,742	\$ 897,024
Contributions receivable	<u>161,269</u>	<u>159,861</u>
Total financial assets available for general expenditure	<u>\$1,378,011</u>	<u>\$1,056,885</u>

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.

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 statements of financial position to the total amount reported in the consolidated statements of cash flows at June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Cash	<u>\$1,216,742</u>	<u>\$ 897,024</u>
Restricted cash:		
State and federal grants	577,082	740,361
Lender funds under a debt agreement	<u>66,263</u>	<u>120,013</u>
Restricted cash	<u>643,345</u>	<u>860,374</u>
Total cash and restricted cash	<u>\$1,860,087</u>	<u>\$1,757,398</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Teacher Education Agency ("TEA")	\$100,211	\$123,803
Other	<u>61,058</u>	<u>36,058</u>
	<u>\$161,269</u>	<u>\$159,861</u>

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NOTE 5 - CAPITAL ASSETS

Capital assets at June 30, 2023 and 2022 consist of the following:

	<u>Useful Lives</u>	<u>2023</u>	<u>2022</u>
Land		\$ 6,457,084	\$ 6,457,084
Building and improvements	5 - 40 years	10,118,145	10,078,784
Furniture and equipment	3 - 5 years	391,457	389,912
Construction in progress		<u>8,350</u>	<u>10,050</u>
		16,975,036	16,935,830
Less: Accumulated depreciation		<u>3,652,219</u>	<u>3,258,330</u>
		<u>\$13,322,817</u>	<u>\$13,677,500</u>

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, 2023 and 2022, the note receivable due from the Investment Fund is \$7,253,300.

Effective ninety days after the earlier of (1) the seventh anniversary of the last qualified equity investment ("QEI") by the Investment Fund from TMF Sub-CDE and WFCDE or (2) a specified recapture event such as a recapture, loss, or disallowance of NMTCs attributable to the applicable QEI, the sole member of the Investment Fund has one hundred eighty calendar days ("Put Exercise Period") to require the Organization to purchase the sole member's 100% interest in the Investment Fund. After the expiration of the Put Exercise Period, the Organization has a right and option to purchase the 100% interest in the Investment Fund for ninety days ("Call Exercise Period"). The put and call exercise prices are defined in the Investment Fund Put and Call Agreement.

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NOTE 7 - NOTES PAYABLE

Notes payable consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
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 \$1,425 and \$1,900 at June 30, 2023 and 2022, respectively.*	\$ 721,237	\$ 758,332
Construction note; payable to a nonprofit corporation; principal and interest at 6% 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 \$3,871 and \$7,442 at June 30, 2023 and 2022, respectively.**	1,664,633	1,730,614
Note; payable to a financial institution in monthly installments of \$4,972, including interest at 5.146%, maturing October 2026, collateralized by a deed of trust in real estate.	405,991	443,020
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 8). Principal prepayments are not allowed until July 2024.	<u>10,435,000</u>	<u>10,435,000</u>
Total, net of debt issuance costs of \$5,296 and \$9,342 at June 30, 2023 and 2022, respectively	13,226,861	13,366,966
Less: Current maturities	<u>149,890</u>	<u>141,650</u>
	<u>\$13,076,971</u>	<u>\$13,225,316</u>

Future maturities of the notes payable, net of debt issuance costs, at June 30, 2023 are as follows:

<u>For the Year Ending June 30:</u>	
2024	\$ 149,890
2025	4,893,880
2026	973,940
2027	573,030
2028	296,483
Thereafter	<u>6,339,638</u>
	<u>\$13,226,861</u>

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NOTE 7 - NOTES PAYABLE (CONTINUED)

Amortization of debt issuance costs is included in interest expense on the consolidated statements of activities and changes in net assets.

*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 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022, substantially all 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 the Academy's School. In accordance with the grant agreement, the Organization was subject to a five-year, restricted-use period of the land and campus. During the restricted-use period, the Organization was required to have at least 51% of low-income families comprise the student population and could not sell, transfer, or assign its interest in the land and campus without the City's written approval. The restricted-use period terminated in May 2023, and the land under the grant was released by the City and included in net assets released from restrictions on the consolidated statements of activities and changes in net assets.

Net assets with donor restrictions consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<i>Subject to the passage of time:</i>		
Land	\$ -	\$4,730,000
<i>Subject to expenditure for a specific purpose:</i>		
TEA federal and state grants	<u>596,161</u>	<u>740,361</u>
	<u>\$596,161</u>	<u>\$5,470,361</u>

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NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from restrictions during 2023 and 2022 by the fulfillment of the requirement of the restriction or by incurring expenses satisfying the restriction, as follows:

	<u>2023</u>	<u>2022</u>
<i>Satisfaction of purpose restrictions:</i>		
TEA federal and state grants	\$2,490,350	\$2,942,710
Land	<u>4,730,000</u>	<u>-</u>
	<u>\$7,220,350</u>	<u>\$2,942,710</u>

NOTE 9 - 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 each of the years ended June 30, 2023 and 2022, plan members contributed 8.0% of their annual covered salary. The Academy and the State of Texas contributed 8.0% and 7.8%; and the Academy made a 1.8% and 1.7% non-OASDI surcharge payment for all TRS eligible employees for the years ended June 30, 2023 and 2022, respectively. For 2023 and 2022, the Academy contributed \$63,933 and \$61,273, respectively, which does not represent more than 5% of the TRS plan's total contributions.

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, 2022 and 2021, TRS plan assets were \$207.6 billion and \$223.2 billion; plan accumulated benefit obligations were \$243.6 billion and \$227.3 billion; and the plan was 79.0% and 79.1% funded, respectively.

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NOTE 10 - 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.

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. For the years ended June 30, 2023 and 2022, contribution amounts for active members were \$6,594 and \$8,655 and contribution amounts for the Academy were \$6,922 and \$9,987, respectively.

NOTE 11 - 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 each of the years ended June 30, 2023 and 2022, 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 12 - REGENCY LOFTS PROJECT

In December 2020, WALIPP entered into a Development Services Agreement (“Development Agreement”) with the majority owner of Regency GP (Note 1) for the development, construction, maintenance and operation of the Regency Lofts project (the “Project”), a 120-unit low-income housing tax credit project located in Houston, Texas. Under the Development Agreement, WALIPP receives 20% of the development fee for the Project in exchange for providing certain services. For 2023 and 2022, no development fees were received by WALIPP.

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June 30, 2023 and 2022

NOTE 12 - REGENCY LOFTS PROJECT (CONTINUED)

In December 2022, WALIPP entered into an Affordable Housing Program Agreement for Rental Projects (“AHP Agreement”) with Federal Home Loan Bank of Dallas (“FHLB of Dallas”) and Frost Bank. Under the AHP Agreement, FHLB of Dallas approved the funding of a direct subsidy to Frost Bank in an amount not to exceed \$750,000. Frost Bank provided the direct subsidy as a conditional grant to WALIPP for the construction of the Project. The Project must be completed by October 2026, and subsequently, the rental units must remain occupied by low-income households. Additionally, WALIPP must remain in compliance with the AHP Agreement during a retention period of fifteen years after the Project’s completion date. As of June 30, 2023, no funding has been received from the direct subsidy.

NOTE 13 - LAWSON PRE-K

In May 2023, the Academy entered into a joint venture agreement (“Agreement”) with two independent entities to establish and operate Lawson Pre-K, a childcare program serving children ages three and four. In accordance with the Agreement, each joint venture member contributes to the Lawson Pre-K, which will be returned to the members in three equal quarterly disbursements of \$5,000 beginning in the last quarter of calendar year 2023.

In August 2023, the Academy entered into a Contract Agreement with one of the members to operate, manage and support the Program for Community Preschools. The Contract terminates in one year, unless terminated sooner by one of the parties, and may be extended with the approval of both parties.

NOTE 14 - 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, 2023 and 2022 and for each of the years then ended, TEA funding comprised approximately 62% and 77% of contributions receivable, respectively, and approximately 74% of total support and revenue each year. 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.

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NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 3, 2023, the date the consolidated financial statements were available to be issued.

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SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
June 30, 2023

<u>ASSETS</u>	<u>WALIPP</u>	<u>Real Estate Co.</u>	<u>Eliminating Entries</u>		<u>Total</u>
			<u>Debit</u>	<u>Credit</u>	
Current Assets:					
Cash	\$ 1,173,938	\$ 42,804	\$ -	\$ -	\$ 1,216,742
Restricted cash	577,082	66,263	-	-	643,345
Contributions receivable	161,269	-	-	-	161,269
Total current assets	<u>1,912,289</u>	<u>109,067</u>	<u>-</u>	<u>-</u>	<u>2,021,356</u>
Noncurrent Assets:					
Capital assets, net	3,288,159	10,034,658	-	-	13,322,817
Note receivable	7,253,300	-	-	-	7,253,300
	<u>10,541,459</u>	<u>10,034,658</u>	<u>-</u>	<u>-</u>	<u>20,576,117</u>
	<u>\$ 12,453,748</u>	<u>\$ 10,143,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,597,473</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 122,725	\$ 34,139	\$ -	\$ -	\$ 156,864
Current maturities of notes payable	149,890	-	-	-	149,890
Total current liabilities	<u>272,615</u>	<u>34,139</u>	<u>-</u>	<u>-</u>	<u>306,754</u>
Notes Payable, net of current maturities	<u>2,641,971</u>	<u>10,435,000</u>	<u>-</u>	<u>-</u>	<u>13,076,971</u>
Net Assets:					
Without donor restrictions	8,943,001	(325,414)	-	-	8,617,587
With donor restrictions	596,161	-	-	-	596,161
Total net assets	<u>9,539,162</u>	<u>(325,414)</u>	<u>-</u>	<u>-</u>	<u>9,213,748</u>
	<u>\$ 12,453,748</u>	<u>\$ 10,143,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,597,473</u>

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SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS INFORMATION
For the Year Ended June 30, 2023

	<u>WALIPP</u>	<u>Real Estate Co.</u>	<u>Eliminating Entries</u>		<u>Total</u>
			<u>Debit</u>	<u>Credit</u>	
Changes in Net Assets Without Donor Restrictions:					
Support and Revenue:					
Contributions	\$ 62,086	\$ -	\$ -	\$ -	\$ 62,086
Property rental income	538,426	240,000	240,000	-	538,426
Interest	77,908	-	-	-	77,908
Gain on replacement of capital asset	110,004	-	-	-	110,004
Other	<u>228,882</u>	<u>-</u>	<u>171,943</u>	<u>-</u>	<u>56,939</u>
	<u>1,017,306</u>	<u>240,000</u>	<u>411,943</u>	<u>-</u>	<u>845,363</u>
Net assets released from restrictions	<u>7,220,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,220,350</u>
Total support and revenue	<u>8,237,656</u>	<u>240,000</u>	<u>411,943</u>	<u>-</u>	<u>8,065,713</u>
Expenses:					
Program services	3,045,221	116,541	-	240,000	2,921,762
Management and general	258,404	407,184	-	171,943	493,645
Fundraising	<u>8,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,541</u>
Total expenses	<u>3,312,166</u>	<u>523,725</u>	<u>-</u>	<u>411,943</u>	<u>3,423,948</u>
Change in net assets without donor restrictions	<u>4,925,490</u>	<u>(283,725)</u>	<u>411,943</u>	<u>411,943</u>	<u>4,641,765</u>

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARIES
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS INFORMATION (CONTINUED)
For the Year Ended June 30, 2023

	<u>WALIPP</u>	<u>Real Estate Co.</u>	<u>Eliminating Entries</u>		<u>Total</u>
			<u>Debit</u>	<u>Credit</u>	
Changes in Net Assets with Donor Restrictions:					
Support and Revenue:					
Federal grants	\$ 843,142	\$ -	\$ -	\$ -	\$ 843,142
State grants	<u>1,503,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,503,008</u>
	<u>2,346,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,346,150</u>
Net assets released from restrictions	<u>(7,220,350)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,220,350)</u>
Total support and revenue	<u>(4,874,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,874,200)</u>
Change in net assets with donor restrictions	<u>(4,874,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,874,200)</u>
Change in net assets	<u>51,290</u>	<u>(283,725)</u>	<u>411,943</u>	<u>411,943</u>	<u>(232,435)</u>
Net assets, beginning of year:					
Without donor restrictions	4,017,511	(41,689)	-	-	3,975,822
With donor restrictions	<u>5,470,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,470,361</u>
Total net assets, beginning of year	<u>9,487,872</u>	<u>(41,689)</u>	<u>-</u>	<u>-</u>	<u>9,446,183</u>
Net assets, end of year:					
Without donor restrictions	8,943,001	(325,414)	-	-	8,617,587
With donor restrictions	<u>596,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>596,161</u>
Total net assets, end of year	<u>\$ 9,539,162</u>	<u>\$ (325,414)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,213,748</u>

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARIES
SCHEDULE OF CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION
For the Year Ended June 30, 2023

	<u>WALIPP</u>	<u>Real Estate Co.</u>	<u>Eliminating Entries</u>		<u>Total</u>
			<u>Debit</u>	<u>Credit</u>	
Cash Flows from Operating Activities:					
State grant receipts	\$ 1,526,100	\$ -	\$ -	\$ -	\$ 1,526,100
Federal grant receipts	843,642	-	-	-	843,642
Property rental receipts	538,426	240,000	-	240,000	538,426
Contribution receipts	37,086	-	-	-	37,086
Interest received	77,908	-	-	-	77,908
Receipts from miscellaneous sources	56,939	-	-	-	56,939
Payments to vendors for goods and services rendered	(1,436,659)	(285)	240,000	-	(1,196,944)
Payments to or on behalf of employees for services rendered	(1,430,767)	-	-	-	(1,430,767)
Interest paid	(60,233)	(218,931)	-	-	(279,164)
Net cash provided by operating activities	<u>152,442</u>	<u>20,784</u>	<u>240,000</u>	<u>240,000</u>	<u>173,226</u>
Cash Flows from Investing Activities:					
Proceeds from sale of investment	28,434				28,434
Proceeds for replacement of capital assets	145,785				145,785
Purchase of capital assets	(100,605)	-	-	-	(100,605)
Net cash provided by investing activities	<u>73,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,614</u>
Cash Flows from Financing Activities:					
Payments on notes payable	(74,599)	(69,552)	-	-	(144,151)
Net cash used in financing activities	<u>(74,599)</u>	<u>(69,552)</u>	<u>-</u>	<u>-</u>	<u>(144,151)</u>
Net increase (decrease) in cash and restricted cash	151,457	(48,768)	240,000	240,000	102,689
Cash and Restricted Cash, beginning of year	<u>1,599,563</u>	<u>157,835</u>	<u>-</u>	<u>-</u>	<u>1,757,398</u>
Cash and Restricted Cash, end of year	<u>\$ 1,751,020</u>	<u>\$ 109,067</u>	<u>\$ 240,000</u>	<u>\$ 240,000</u>	<u>\$ 1,860,087</u>

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARIES
SCHEDULE OF CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION (CONTINUED)
For the Year Ended June 30, 2023

	<u>WALIPP</u>	<u>Real Estate Co.</u>	<u>Eliminating Entries</u>		<u>Total</u>
			<u>Debit</u>	<u>Credit</u>	
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:					
Change in net assets	\$ 51,290	\$ (283,725)	\$ 411,943	\$ 411,943	\$ (232,435)
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	195,718	223,789	-	-	419,507
Gain on replacement of capital assets	(110,004)	-	-	-	(110,004)
Amortization of debt issuance costs	4,046	-	-	-	4,046
Bad debt expense	-	171,943	-	171,943	-
Gain on debt forgiveness	(171,943)	-	171,943	-	-
Changes in operating assets and liabilities:					
Contributions receivable	(1,408)	-	-	-	(1,408)
Intercompany	102,391	(102,391)	-	-	-
Accounts payable and accrued expenses	<u>82,352</u>	<u>11,168</u>	<u>-</u>	<u>-</u>	<u>93,520</u>
Net cash provided by operating activities	<u>\$ 152,442</u>	<u>\$ 20,784</u>	<u>\$ 583,886</u>	<u>\$ 583,886</u>	<u>\$ 173,226</u>

THE LAWSON ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash	\$ 1,051,601	\$ 1,048,844
Investment	-	28,434
Due from Texas Education Agency	<u>100,211</u>	<u>123,803</u>
Total current assets	1,151,812	1,201,081
 Capital Assets, net	 <u>33,558</u>	 <u>50,498</u>
	<u>\$ 1,185,370</u>	<u>\$ 1,251,579</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ <u>49,985</u>	\$ <u>1,690</u>
Total current liabilities	<u>49,985</u>	<u>1,690</u>
 Net Assets:		
Without donor restrictions	539,224	509,528
With donor restrictions	<u>596,161</u>	<u>740,361</u>
	<u>1,135,385</u>	<u>1,249,889</u>
	<u>\$ 1,185,370</u>	<u>\$ 1,251,579</u>

THE LAWSON ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2023 and 2022

		<u>2023</u>		<u>2022</u>		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>		<u>Restrictions</u>	<u>Restrictions</u>	
Revenues:						
Local support:						
5744 Gifts and bequests	\$ 20,000	\$ -	\$ 20,000	\$ 174,197	\$ -	\$ 174,197
5749 Other revenues from local sources	<u>39,855</u>	<u>-</u>	<u>39,855</u>	<u>17,427</u>	<u>-</u>	<u>17,427</u>
	<u>59,855</u>	<u>-</u>	<u>59,855</u>	<u>191,624</u>	<u>-</u>	<u>191,624</u>
State program revenues:						
5811 Per capita apportionment	-	101,699	101,699	-	89,571	89,571
5812 Foundation School Program entitlements	-	1,387,351	1,387,351	-	1,595,030	1,595,030
5829 State program revenues distributed by the Texas Education Agency	<u>-</u>	<u>13,958</u>	<u>13,958</u>	<u>-</u>	<u>4,381</u>	<u>4,381</u>
	<u>-</u>	<u>1,503,008</u>	<u>1,503,008</u>	<u>-</u>	<u>1,688,982</u>	<u>1,688,982</u>
Federal program revenues:						
5921 School breakfast program	-	24,681	24,681	-	25,315	25,315
5922 National school lunch program	-	72,865	72,865	-	78,292	78,292
5929 Federal revenues distributed by the Texas Education Agency	-	745,596	745,596	-	799,531	799,531
5939 Federal revenues distributed by State of Texas government agencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,074</u>	<u>48,074</u>
	<u>-</u>	<u>843,142</u>	<u>843,142</u>	<u>-</u>	<u>951,212</u>	<u>951,212</u>
Net assets released from restrictions:						
8910 Net assets released from restrictions	<u>2,490,350</u>	<u>(2,490,350)</u>	<u>-</u>	<u>2,942,710</u>	<u>(2,942,710)</u>	<u>-</u>
Total revenues	<u>2,550,205</u>	<u>(144,200)</u>	<u>2,406,005</u>	<u>3,134,334</u>	<u>(302,516)</u>	<u>2,831,818</u>

THE LAWSON ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
For the Years Ended June 30, 2023 and 2022

		<u>2023</u>			<u>2022</u>		
		<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
		<u>Restrictions</u>	<u>Restrictions</u>		<u>Restrictions</u>	<u>Restrictions</u>	
Expenses:							
11	Instruction	\$ 1,304,982	\$ -	\$ 1,304,982	\$ 1,624,321	\$ -	\$ 1,624,321
13	Curriculum development and instructional staff development	1,280	-	1,280	8,315	-	8,315
23	School leadership	145,686	-	145,686	215,341	-	215,341
34	Student transportation	211,381	-	211,381	135,600	-	135,600
35	Food services	145,653	-	145,653	188,356	-	188,356
36	Extracurricular activities	12,795	-	12,795	8,371	-	8,371
41	General administration	185,293	-	185,293	261,657	-	261,657
51	Facilities maintenance and operations	413,871	-	413,871	506,466	-	506,466
52	Security and monitoring services	26,326	-	26,326	34,794	-	34,794
53	Data processing services	<u>73,242</u>	<u>-</u>	<u>73,242</u>	<u>153,265</u>	<u>-</u>	<u>153,265</u>
	Total expenses	<u>2,520,509</u>	<u>-</u>	<u>2,520,509</u>	<u>3,136,486</u>	<u>-</u>	<u>3,136,486</u>
	Change in net assets	29,696	(144,200)	(114,504)	(2,152)	(302,516)	(304,668)
	Net assets, beginning of year	<u>509,528</u>	<u>740,361</u>	<u>1,249,889</u>	<u>511,680</u>	<u>1,042,877</u>	<u>1,554,557</u>
	Net assets, end of year	<u>\$ 539,224</u>	<u>\$ 596,161</u>	<u>\$ 1,135,385</u>	<u>\$ 509,528</u>	<u>\$ 740,361</u>	<u>\$ 1,249,889</u>

THE LAWSON ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
State grant receipts	\$ 1,526,100	\$ 1,675,570
Federal grant receipts	843,642	951,212
Contribution receipts	20,000	145,763
Receipts from miscellaneous sources	39,855	17,429
Payments to vendors for goods and services rendered	(1,200,509)	(1,547,424)
Payments to or on behalf of employees for services rendered	<u>(1,254,765)</u>	<u>(1,653,043)</u>
Net cash used in operating activities	<u>(25,677)</u>	<u>(410,493)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investment	28,434	-
Purchase of capital assets	<u>-</u>	<u>(14,231)</u>
Net cash provided by (used in) investing activities	<u>28,434</u>	<u>(14,231)</u>
 Net increase (decrease) in cash	 2,757	 (424,724)
 Cash, beginning of year	 <u>1,048,844</u>	 <u>1,473,568</u>
 Cash, end of year	 <u>\$ 1,051,601</u>	 <u>\$ 1,048,844</u>
 Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities:		
Change in net assets	\$ (114,504)	\$ (304,668)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	16,940	16,991
Donated investment	-	(28,434)
Changes in operating assets and liabilities:		
Due from Texas Education Agency	23,592	(13,412)
Accounts payable and accrued expenses	<u>48,295</u>	<u>(80,970)</u>
 Net cash used in operating activities	 <u>\$ (25,677)</u>	 <u>\$ (410,493)</u>

THE LAWSON ACADEMY
SCHEDULES OF EXPENSES
For the Years Ended June 30, 2023 and 2022

		<u>2023</u>	<u>2022</u>
Expenses:			
6100	Payroll costs	\$ 1,254,765	\$ 1,653,043
6200	Professional and contracted services	1,096,532	1,130,222
6300	Supplies and materials	113,407	218,564
6400	Other operating costs	<u>55,805</u>	<u>134,657</u>
	Total expenses	<u>\$ 2,520,509</u>	<u>\$ 3,136,486</u>

THE LAWSON ACADEMY
SCHEDULES OF ASSETS
June 30, 2023 and 2022

<u>2023</u>	<u>Local</u>	<u>Ownership Interest</u>	<u>Federal</u>	<u>Total</u>
		<u>State</u>		
1110 Cash	\$ 580,683	\$ 1,189,982	\$ (719,064)	\$ 1,051,601
1539 Furniture and equipment	<u>34,654</u>	<u>140,256</u>	<u>124,942</u>	<u>299,852</u>
Total cash, investments, and capital assets	<u>\$ 615,337</u>	<u>\$ 1,330,238</u>	<u>\$ (594,122)</u>	<u>\$ 1,351,453</u>

Reconciliation of schedule of assets to statement of financial position:

Total cash, investments, and capital assets	\$ 1,351,453
1573 Accumulated depreciation - Furniture and Equipment	(266,294)
1241 Due from Texas Education Agency	<u>100,211</u>
Total assets - statement of financial position	<u>\$ 1,185,370</u>

<u>2022</u>	<u>Local</u>	<u>Ownership Interest</u>	<u>Federal</u>	<u>Total</u>
		<u>State</u>		
1110 Cash	\$ 544,048	\$ 1,262,377	\$ (757,581)	\$ 1,048,844
1120 Investment	28,434	-	-	28,434
1539 Furniture and equipment	<u>34,654</u>	<u>140,256</u>	<u>124,942</u>	<u>299,852</u>
Total cash, investments, and capital assets	<u>\$ 607,136</u>	<u>\$ 1,402,633</u>	<u>\$ (632,639)</u>	<u>\$ 1,377,130</u>

Reconciliation of schedule of assets to statement of financial position:

Total cash, investments, and capital assets	\$ 1,377,130
1573 Accumulated depreciation - Furniture and Equipment	(249,354)
1241 Due from Texas Education Agency	<u>123,803</u>
Total assets - statement of financial position	<u>\$ 1,251,579</u>

THE LAWSON ACADEMY
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
For the Year Ended June 30, 2023

		<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget</u>
		<u>Original</u>	<u>Final</u>		
Revenues:					
5700	Local and intermediate sources	\$ 310,000	\$ 310,000	\$ 59,855	\$ 250,145
5800	State program	1,797,627	1,797,627	1,503,008	294,619
5900	Federal program	<u>909,402</u>	<u>909,402</u>	<u>843,142</u>	<u>66,260</u>
	Total revenues	<u>3,017,029</u>	<u>3,017,029</u>	<u>2,406,005</u>	<u>611,024</u>
Expenses:					
11	Instruction	1,622,925	1,487,199	1,304,982	182,217
13	Curriculum development and instructional staff development	2,600	300	1,280	(980)
23	School leadership	166,416	166,416	145,686	20,730
34	Student transportation	150,000	221,000	211,381	9,619
35	Food services	147,194	127,194	145,653	(18,459)
36	Extracurricular activities	11,500	12,300	12,795	(495)
41	General administration	227,058	229,108	185,293	43,815
51	Facilities maintenance and operations	445,730	441,530	413,871	27,659
52	Security and monitoring services	32,278	32,278	26,326	5,952
53	Data processing services	<u>72,090</u>	<u>75,200</u>	<u>73,242</u>	<u>1,958</u>
	Total expenses	<u>2,877,791</u>	<u>2,792,525</u>	<u>2,520,509</u>	<u>272,016</u>
	Change in net assets	139,238	224,504	(114,504)	339,008
Net assets, beginning of year		<u>621,413</u>	<u>690,806</u>	<u>1,249,889</u>	<u>(559,083)</u>
Net assets, end of year		<u>\$ 760,651</u>	<u>\$ 915,310</u>	<u>\$ 1,135,385</u>	<u>\$ (220,075)</u>

THE LAWSON ACADEMY
BUDGETARY COMPARISON SCHEDULE (UNAUDITED) (CONTINUED)
For the Year Ended June 30, 2023

MATERIAL BUDGET VARIANCE REVENUE

- (1) The following is an explanation of the 10% variance from final budget to actual revenue reported on the Budgetary Comparison Schedule for the year ended June 30, 2023.

Object 5700 – Due to no major fundraising efforts, revenue from private local sources was not received, as projected.

Object 5800 – Enrollment was lower than projected, resulting in less funding from the Foundation School Program.

MATERIAL BUDGET VARIANCE EXPENDITURES

- (1) The following is an explanation of the 10% variances from original budget to final budget of expenditures reported on the Budgetary Comparison Schedule for the year ended June 30, 2023.

Function 13 – Due to less funding received than projected, budgeted personnel costs were reduced.

Function 34 – Budgeted transportation costs were increased for an additional bus route established for student pick up and drop off, and an increase in fuel cost.

Function 35 – Due to less funding received than projected, budgeted food costs were reduced.

MATERIAL BUDGET VARIANCE EXPENDITURES

- (1) The following is an explanation of the 10% variances from final budget to actual expenditures reported on the Budgetary Comparison Schedule for the year ended June 30, 2023.

Function 11 – Due to less funding received than projected, personnel costs were reduced with the termination of some instructors.

Function 13 – An unexpected cost associated with training for a new PEIMS employee occurred.

Function 23 – Due to less funding received than projected, personnel costs were reduced with the termination of some instructors.

Function 35 – Vendor food cost was higher than funding from the state.

Function 41 – Due to less funding received than projected, costs were reduced.

Function 52 – Due to less funding received than projected, costs were reduced.

THE LAWSON ACADEMY
EDUCATION PROGRAMS SCHEDULE J-4 (UNAUDITED)
For the Year Ended June 30, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	<u>\$216,751</u>
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	<u>\$ 51,530</u>

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	No
AP6	Does the LEA have written policies and procedures for its bilingual education program?	No
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	<u>\$ -0-</u>
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	<u>\$ -0-</u>

THE LAWSON ACADEMY
SCHEDULES OF RELATED PARTY TRANSACTIONS
For the Years Ended June 30, 2023 and 2022

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During FY</u>	<u>Principal Balance Due</u>
<u>2023</u>								
The Lawson Academy Real Estate Co.	William A. Lawson Institute for Peace and Prosperity	100% Owned Subsidiary	Rental Expense	\$20,000 Payable, monthly; Termination date August 31, 2023; renewed September 1, 2023 for one year, at \$10,000 payable, monthly	State Funds	Monthly	<u>\$ 240,000</u>	<u>\$ -</u>
<u>2022</u>								
The Lawson Academy Real Estate Co.	William A. Lawson Institute for Peace and Prosperity	100% Owned Subsidiary	Rental Expense	\$20,000 Payable, monthly; Termination date extended to August 31, 2023, as of August 31, 2022	State Funds	Monthly	<u>\$ 240,000</u>	<u>\$ -</u>



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 Subsidiaries

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 Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 3, 2023 (pages 2 - 3).

Report On Internal Control Over Financial Reporting

In planning and performing our audits of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 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 or significant deficiencies.

Report On 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 consolidated 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 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 2023-001.

The Organization's Response to Findings

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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.

Mull: Mull, L.L.P.

Houston, Texas
November 3, 2023



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited William A. Lawson Institute for Peace and Prosperity and Subsidiaries' (the "Organization") 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 the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("Government Auditing Standards"); 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 the Organization'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 the Organization's federal programs.

Auditor's 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 the Organization'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 GAAS, *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 the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Organization'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 the Organization'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 the Organization'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.

Report on Internal Control Over Compliance

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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Mark : Mark, L.L.P.

Houston, Texas
November 3, 2023

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
Department of Education:			
<i>Passed Through Texas Education Agency:</i>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22610101101864	\$ 24,214
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101101864	83,408
Total ESEA, Title I, Part A			<u>107,622</u>
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	21694501101864	11,123
ESEA, Title IV, Part A	84.424A	21680101101864	8,911
Elementary Secondary School Emergency Relief (ESSER):			
COVID-19, ESSER II, Coronavirus Response and Relief (CRRSA)	84.425D	21521001101864	224,267
COVID-19, ESSER III, American Rescue Plan (ARP)	84.425U	21528001101864	259,795
COVID-19, ESSER III, Texas COVID Learning Acceleration Supports (TCLAS)	84.425U	21528042101864	79,983
Total ESSER			<u>564,045</u>
Special Education Cluster (IDEA)			
IDEA, Part B, Formula	84.027A	23600011018646000	37,245
Total passed through Texas Education Agency			<u>728,946</u>
Total Department of Education			<u>728,946</u>
Department of Agriculture			
<i>Passed through Texas Education Agency:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	71402301	12,928
School Breakfast Program	10.553	71402201	17,279
National School Lunch Program	10.555	71302301	36,316
National School Lunch Program	10.555	71302201	43,676
Total Child Nutrition Cluster			<u>110,199</u>
Total passed through Texas Education Agency			<u>110,199</u>
Total Department of Agriculture			<u>110,199</u>
Total Expenditures of Federal Awards			<u><u>\$ 839,145</u></u>

(See Notes to the Schedule of Expenditures of Federal Awards)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of William A. Lawson Institute for Peace and Prosperity and Subsidiaries (the "Organization") under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the 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"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For all federal programs, the Organization used the net asset classes and codes specified by the Texas Education Agency in the *Module 3: Special Supplement - Nonprofit Charter School Chart of Accounts*. Net assets with donor restrictions codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in net assets with donor restrictions.

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

There are no indirect costs included in the Schedule.

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

Section I: Summary of Auditor Results

Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes x No
- Significant deficiency(ies) identified? Yes x None Reported

Noncompliance material to financial statements noted? x Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes x No
- Significant deficiency(ies) identified? Yes x None Reported

Type of auditor's report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes x No

Identification of major federal program:

Assistance Listing Number(s): 84.425D, 84.425U

Name of Federal Program or Cluster: Elementary Secondary School Emergency Relief (ESSER)

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

Auditee qualified as a low-risk auditee? Yes x No

Section II: Financial Statement Findings

Finding 2023-001 – Late filing of the Annual Financial and Compliance Report (“AFR”) and inconsistent reporting in the AFR’s data feed submission for the year ended June 30, 2022.

Criteria: A complete electronic file of the board approved AFR must be submitted 150 days after the close of the Academy’s fiscal year. Additionally, the data feed submission must be consistent with the filed AFR.

Condition: The submission of the AFR for the year ended June 30, 2022 was completed on November 29, 2022, two days after the filing deadline. Additionally, several items in the data feed submission did not agree with the reported information in the Organization’s AFR.

Context: The finding was identified in a letter from the Financial Compliance Division at the Texas Education Agency, dated April 3, 2023.

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2023

Cause: Management oversight of the AFR due date and inaccurate data feed submission.

Effect or Potential Effect: Failure to comply with AFR filing requirements constitutes a material violation of the applicable contract for charter. Additionally, a violation of the PEIMS Data Standards may exist from not submitting actual, audited financial data in the data feed submission.

Recommendation: Management should set a reminder in its calendar to file the AFR prior to the 150th day after its fiscal year-end or November 27. Management should also review the data feed submission for accuracy prior to finalizing the filing.

Views of Responsible Official: This is a condition required by the Lone Star Governance and assigned to the superintendent. A procedures manual to ensure proper steps are taken has been completed and the AFR will be filed by the deadline.

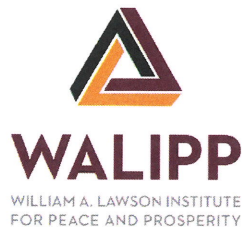
Section III: Federal Awards Findings

None

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2023

Finding 2022-001

Status of Prior Finding: A partial correction has been accomplished during the fiscal year and the full correction will be completed upon filing in November 2023.



CORRECTIVE ACTION PLAN

Audit Finding Reference: 2023-001 – Late filing of the Annual Financial and Compliance Report (“AFR”) and inconsistent reporting in the AFR’s data feed submission for the year ended June 30, 2022.

Planned Corrective Action: Using the Business Procedure #8 in the Board-Approved Manual, proper action will be taken at least a week ahead of the AFR submission deadline.

1. Board-approved audit firm received approval of the fiscal year audit by the WALIPP Board of Directors on Saturday, October 28, 2023.
2. During the week of October 30, 2023, WALIPP staff receives the final Audit Report and converts the auditor .pdf file to meet the required nomenclature for TEA submission.
3. During the week of October 30, 2023, Auditor received and confirmed online access to complete the TEA data feed.
4. During the week of October 30, 2023, auditor completes the online TEA data feed. List of all data feed requirements had been sent to Auditor in the week of October 30.
5. No later than November 6, 2023, WALIPP staff uploads the AFR to TEA and confirms the completion of the data feed.
6. After submission to TEA, WALIPP staff emails confirmation of TEA submission to Auditor and retains a copy for Board review in their next regularly scheduled meeting.

Name of Contact Person: Cheryl Lawson, Executive Director

Anticipated completion date: November 6, 2023