



**El Paso Leadership Academy**

**Financial Statements with Compliance Reports  
and Supplemental Information  
August 31, 2018 and 2017**

**El Paso Leadership Academy**  
**Certificate of Board**

El Paso Leadership Academy  
Name of Charter Holder

45-5571815  
Federal Employer ID Number


El Paso Leadership Academy  
Name of Charter School

El Paso  
County

071-810  
Co. Dist. Number

We, the undersigned, certify that the attached Annual Financial and Compliance Report of El Paso Leadership Academy was reviewed and (check one)  approved \_\_\_ disapproved for the year ended August 31, 2018, at a meeting of the governing body of said charter school on the 14 day of January, 2019.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

# El Paso Leadership Academy

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## **Independent Auditors' Report**

To the Board of Directors of  
El Paso Leadership Academy

### **Report on the Financial Statements**

We have audited the accompanying financial statements of El Paso Leadership Academy (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of El Paso Leadership Academy as of August 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Prior Period Financial Statements**

The financial statements of El Paso Leadership Academy as of and for the year ended August 31, 2017 were audited by other auditors whose report dated November 8, 2017 expressed an unmodified opinion on those statements.

## **Other Matters**

### *Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the accompanying table of contents is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2019 on our consideration of El Paso Leadership Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 El Paso Leadership Academy's internal control over financial reporting and compliance.

  
A Limited Liability Partnership

Arlington, Texas  
January 16, 2019

**El Paso Leadership Academy**  
**Statements of Financial Position**  
**August 31, 2018 and 2017**

	2018	2017
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 321,575	\$ 384,734
Due from government agencies	194,669	83,679
Other assets	14,396	16,367
Prepaid expense	11,352	5,754
<b>Total current assets</b>	541,992	490,534
Property and equipment, net	1,828,467	1,866,690
<b>Total assets</b>	\$ 2,370,459	\$ 2,357,224
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 22,699	\$ 96,065
Accrued payroll liabilities	92,990	105,423
Deferred revenue	10,779	10,972
Current maturities of long-term debt	42,615	39,940
<b>Total current liabilities</b>	169,083	252,400
Long-term debt, net	1,265,843	1,304,396
<b>Total liabilities</b>	1,434,926	1,556,796
<b>Net assets:</b>		
Unrestricted	234,205	257,651
Temporarily restricted	701,328	542,777
<b>Total net assets</b>	935,533	800,428
<b>Total liabilities and net assets</b>	\$ 2,370,459	\$ 2,357,224

See notes to financial statements.

**El Paso Leadership Academy**  
**Statement of Activities**  
**Year Ended August 31, 2018**

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and other support:</b>			
Local support:			
5740 Other revenues from local sources	\$ 25,455	\$ -	\$ 25,455
5750 Revenues from cocurricular, enterprising services or activities	7,569	-	7,569
<b>Total local support</b>	<b>33,024</b>	<b>-</b>	<b>33,024</b>
State program revenues:			
5810 Foundation school program act revenues	-	1,958,532	1,958,532
5820 State program revenues distributed by TEA	-	36,103	36,103
<b>Total state program revenue</b>	<b>-</b>	<b>1,994,635</b>	<b>1,994,635</b>
Federal program revenues:			
5920 Federal revenues distributed by TEA	-	274,390	274,390
<b>Total federal program revenue</b>	<b>-</b>	<b>274,390</b>	<b>274,390</b>
Net assets released from restrictions-satisfaction of program restrictions	2,110,474	(2,110,474)	-
<b>Total revenue and other support</b>	<b>2,143,498</b>	<b>158,551</b>	<b>2,302,049</b>
<b>Expenses:</b>			
Program services:			
11 Instruction	1,016,546	-	1,016,546
12 Instructional resources and media services	8,995	-	8,995
13 Curriculum development and instructional staff development	5,008	-	5,008
23 School leadership	340,834	-	340,834
31 Guidance, counseling and evaluation services	24,862	-	24,862
33 Health services	403	-	403
34 Student (pupil) transportation	5,034	-	5,034
35 Food services	108,303	-	108,303
Supporting services:			
41 General administration	335,852	-	335,852
51 Facilities maintenance and operations	186,057	-	186,057
52 Security and monitoring services	153	-	153
53 Data processing services	42,748	-	42,748
61 Community services	802	-	802
71 Debt service	91,347	-	91,347
<b>Total expenses</b>	<b>2,166,944</b>	<b>-</b>	<b>2,166,944</b>
<b>Change in net assets</b>	<b>(23,446)</b>	<b>158,551</b>	<b>135,105</b>
<b>Net assets at beginning of year</b>	<b>257,651</b>	<b>542,777</b>	<b>800,428</b>
<b>Net assets at end of year</b>	<b>\$ 234,205</b>	<b>\$ 701,328</b>	<b>\$ 935,533</b>

See notes to financial statements.

**El Paso Leadership Academy**  
**Statement of Activities**  
**Year Ended August 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue and other support:</b>			
Local support:			
5740 Other revenues from local sources	\$ 24,172	\$ -	\$ 24,172
5750 Revenues from cocurricular, enterprising services or activities	13,025	-	13,025
<b>Total local support</b>	<u>37,197</u>	<u>-</u>	<u>37,197</u>
State program revenues:			
5810 Foundation school program act revenues	-	2,069,183	2,069,183
5820 State program revenues distributed by TEA	-	23,338	23,338
<b>Total state program revenue</b>	<u>-</u>	<u>2,092,521</u>	<u>2,092,521</u>
Federal program revenues:			
5920 Federal revenues distributed by TEA	-	193,786	193,786
<b>Total federal program revenue</b>	<u>-</u>	<u>193,786</u>	<u>193,786</u>
Net assets released from restrictions-satisfaction of program restrictions	2,073,339	(2,073,339)	-
<b>Total revenue and other support</b>	<u>2,110,536</u>	<u>212,968</u>	<u>2,323,504</u>
<b>Expenses:</b>			
Program services:			
11 Instruction	991,389	-	991,389
12 Instructional resources and media services	14,601	-	14,601
13 Curriculum development and instructional staff development	37,024	-	37,024
21 Instructional leadership	450	-	450
23 School leadership	265,273	-	265,273
31 Guidance, counseling and evaluation services	19,196	-	19,196
33 Health services	1,510	-	1,510
34 Student (pupil) transportation	1,770	-	1,770
35 Food services	119,352	-	119,352
Supporting services:			
41 General administration	319,391	-	319,391
51 Facilities maintenance and operations	167,127	-	167,127
52 Security and monitoring services	20,849	-	20,849
53 Data processing services	39,132	-	39,132
61 Community services	2,031	-	2,031
71 Debt service	93,854	-	93,854
<b>Total expenses</b>	<u>2,092,949</u>	<u>-</u>	<u>2,092,949</u>
<b>Change in net assets</b>	17,587	212,968	230,555
<b>Net assets at beginning of year</b>	<u>240,064</u>	<u>329,809</u>	<u>569,873</u>
<b>Net assets at end of year</b>	<u>\$ 257,651</u>	<u>\$ 542,777</u>	<u>\$ 800,428</u>

See notes to financial statements.



**El Paso Leadership Academy**  
**Statement of Cash Flows**  
**Year Ended August 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 135,105	\$ 230,555
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	128,299	130,470
Amortization	4,063	4,063
Changes in assets and liabilities:		
Grants receivable	(110,990)	66,473
Other assets	1,971	4,842
Prepaid expense	(5,598)	(5,754)
Accounts payable	(73,366)	2,342
Accrued payroll liabilities	(12,433)	15,836
Deferred revenue	(193)	10,972
Net cash provided by operating activities	<u>66,858</u>	<u>459,799</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(90,076)	(183,830)
Net cash used by investing activities	(90,076)	(183,830)
<b>Cash flows from financing activities:</b>		
Principal payments of long-term debt	(39,941)	(39,797)
Net cash used by financing activities	(39,941)	(39,797)
<b>Change in cash</b>	(63,159)	236,172
<b>Cash at beginning of year</b>	<u>384,734</u>	<u>148,562</u>
<b>Cash at end of year</b>	<u><u>\$ 321,575</u></u>	<u><u>\$ 384,734</u></u>

See notes to financial statements.

# El Paso Leadership Academy

## Notes to Financial Statements

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### 1. Organization and Nature of Activities

El Paso Leadership Academy (Academy) is a nonprofit organization incorporated in the State of Texas in September 2011 and exempt from federal income taxes pursuant to Section 501(C)(3) of the Internal Revenue Code. A Board of Directors of nine members governs the Academy. The Board of Directors is selected pursuant to the bylaws of the Academy, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Academy.

In May 2014, the State Board of Education of the State of Texas granted the Academy an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, the Academy was opened for the academic year 2014-2015. It was organized to provide educational services to students in 6th grade in its first year and additional grade levels in subsequent years. The Academy's board of directors governs its programs, services, activities, and functions.

The Academy is part of the public school system of the State of Texas (State) and is therefore entitled to distribution from the State's Foundation School Program (FSP) and Available School Fund (ASF). The Academy does not have the authority to impose ad valorem taxes or to charge tuition. The Academy operates a single charter school and does not conduct any non-charter activities.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Accounting and Presentation***

The Academy prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The accounting system is organized under the *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter School Chart of Accounts*, a module of the Texas Education Agency Financial Accountability Resource Guide.

Net assets and revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor or grantor stipulations that will be met by actions of the Academy and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## **El Paso Leadership Academy**

### **Notes to Financial Statements**

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*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that will never lapse thus requiring the funds to be maintained permanently by the Academy. There are no permanently restricted net assets at August 31, 2018 and 2017.

#### ***Financial Instruments and Credit Risk Concentrations***

Financial instruments which are potentially subject to concentrations of credit risk consist of cash and accounts receivable. Cash is placed with high credit quality financial institutions to minimize risk. The Academy maintains cash balances at a financial institution located in Texas. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At August 31, 2018, the Academy's uninsured bank balances totaled \$111,281. The uninsured balance was fully collateralized by securities held by the bank in the Academy's name. The Academy has not experienced any losses on such accounts. Accounts receivable are unsecured and are due from the Texas Education Agency. The Academy continually evaluates the collectability of accounts receivable and maintains allowances as necessary. No provision has been made for uncollectible accounts receivable as of the statement of financial position date, given that none have been identified.

For the years ended August 31, 2018 and 2017, the Academy received 99% and 98%, respectively, of its total revenue and support from governmental agencies.

#### ***Property and Equipment***

Property and equipment purchased by the Academy are recorded at cost. Donated assets are reported at the fair market value. Capital assets are defined by the corporation as assets with an individual cost of more than \$5,000 and a useful life longer than one year. Depreciation is provided on the straight-line method based upon the estimated useful lives of 3 to 40 years which represents the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed when incurred; significant renewals and betterments are capitalized. Property and equipment acquired with public funds received for the operation of the Academy constitute public property pursuant to Chapter 12 of the Texas Education Code.

#### ***Deferred Revenue***

Revenues received for future years are deferred to the appropriate period. All deferred revenue is recognizable within one year.

#### ***Revenues and Contributions***

Revenues from the State's FSP and ASF are earned based on reported attendance. Government grant contracts that are entered into by the Academy are recognized as revenue when services are rendered or when expenses in connection with those services are incurred.

## **El Paso Leadership Academy**

### **Notes to Financial Statements**

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All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

#### ***Federal Income Taxes***

The Academy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and has not been classified as a private foundation as defined in the Code. Income generated from activities unrelated to the Academy's exempt purposes is subject to tax under Code Section 511. The Academy had no unrelated business income for the years ended August 31, 2018 and 2017. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Academy's tax returns and recognition of a tax liability (or asset) if the Academy has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Academy, and has concluded that as of August 31, 2018 and 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

#### ***Estimates and Assumptions***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Allocation of Functional Expenses***

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

#### ***Reclassification***

Certain items in the 2017 financial statements have been reclassified for comparative purposes to conform with the presentation of the 2018 financial statements.

## El Paso Leadership Academy

### Notes to Financial Statements

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#### ***New Accounting Pronouncements***

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Academy considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Academy's financial position and changes in net assets.

In 2016, the FASB issued ASU 2016-14 Presentation of Financial Statements of Not-For-Profit Entities to improve the presentation of financial statements of not-for-profit entities. The key qualitative and quantitative changes in the ASU address the following: net asset classification, information presented about a not-for-profit entity's liquidity and availability of resources, investment return presentation, expense allocation methodology, disclosure and presentation in the financial statements, and the presentation of the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2016, the FASB issued its leasing standard in ASU 2016-02, Leases (ASC Topic 842) for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2019.

The Academy is currently assessing the impact that adopting this new guidance will have on the financial statements.

**El Paso Leadership Academy**  
**Notes to Financial Statements**

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### 3. Property and Equipment

Property and equipment consist of the following as of August 31:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 1,810,276	\$ 1,784,927
Vehicles and equipment	364,860	355,298
Construction in progress	55,165	-
Library books and media	<u>43,980</u>	<u>43,980</u>
<b>Total property and equipment</b>	2,274,281	2,184,205
Less accumulated depreciation	<u>(445,814)</u>	<u>(317,515)</u>
<b>Property and equipment, net</b>	<u><u>\$ 1,828,467</u></u>	<u><u>\$ 1,866,690</u></u>

Property and equipment acquired with public funds received for the operation of the Academy constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets. Depreciation expense for the years ended August 31, 2018 and 2017 totaled \$128,299 and \$130,470, respectively.

### 4. Long-Term Debt

On October 6, 2014 the Academy entered into a note payable with Raza Development Fund collateralized by real property, improvements and the deed of trust. The note bears interest at 6.5% with monthly principal and interest payments totaling \$127,225 maturing in October 2021. Interest is payable monthly until October 6, 2021 when all principal and unpaid interest is due. The balance outstanding on the loan at August 31, 2018 and 2017 totaled \$1,320,985 and \$1,360,925, respectively.

The following is a summary of changes in the Academy's long-term liabilities for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amortization expense</u>	<u>Ending Balance</u>
<b>Notes payable:</b>					
Raza Loan	\$ 1,360,925	\$ -	\$ (39,940)	\$ -	\$ 1,320,985
Debt issuance cost	<u>(16,590)</u>	<u>-</u>	<u>-</u>	<u>4,063</u>	<u>(12,527)</u>
<b>Total</b>	<u><u>\$ 1,344,335</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (39,940)</u></u>	<u><u>\$ 4,063</u></u>	<u><u>\$ 1,308,458</u></u>

## El Paso Leadership Academy Notes to Financial Statements

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The required debt service payments of the note payable are as follows for the years ending August 31:

	Principal	Interest	Total
2019	\$ 42,615	\$ 84,610	\$ 127,225
2020	45,469	81,755	127,224
2021	48,514	78,711	127,225
2022	1,184,387	13,870	1,198,257
<b>Total</b>	<b>\$ 1,320,985</b>	<b>\$ 258,946</b>	<b>\$ 1,579,931</b>

Loan closing costs of \$28,440 are being amortized on the straight-line method over the life of the loan of seven years. Accumulated amortization at August 31, 2018 and 2017 related to the loan closing costs was \$15,913 and \$11,850, respectively.

### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available to pay expenditures as allowed by Section 45.105(c) of the Texas Education Code.

### 6. Multi-employer Defined Benefit Pension Plan

The Academy participates in a cost-sharing multi-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan (Plan) is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The Plan's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the Plan.

Detailed information about the Plan is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained at the TRS website; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (800) 223-8778.

TRS provides service retirement and disability retirement benefits, and death benefits to eligible employees (and their beneficiaries) of public and higher education in Texas. Charter schools are legally separate entities from the State and each other. Assets contributed by one charter school or Independent School District (ISD) may be used for the benefit of an employee of another ISD or charter school. The unfunded obligations get passed along to the other charter schools and ISDs. There is not a withdrawal penalty for leaving the TRS system.

## El Paso Leadership Academy

### Notes to Financial Statements

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Information with respect to the Plan and the Academy's participation in the Plan for the year ended August 31, 2017 is as follows:

Legal Name of Plan:	Teacher Retirement System of Texas
EIN/Pension Plan Number:	N/A
Total Plan Assets:	\$165,379,341,964
Accumulated Benefit Obligations:	\$179,336,534,918
Plan funded percentage:	82.17% funded
Is plan covered by collective bargaining agreements?	No
Employer contributions to the plan:	\$100,542
Contributions greater than 5% of total plan contributions?	No
Contribution rates:	
Member	7.7%
Non-Employer Contributing Entity (State)	6.8%
Employers	6.8%

There have been no changes that would affect the comparison of employer contributions from year to year.

## 7. Health Care Coverage

During the year ended August 31, 2018, employees of the Academy were covered by the Blue Cross Blue Shield of Texas Insurance Plan. The Academy contributed \$260 per month for employee only and \$350 per month for family plans for the period from September 1, 2017 to August 31, 2018 to the plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

## 8. Commitments and Contingencies

### *Leases*

The Academy has a non-cancelable operating leases for office equipment expiring June 2023.

The following is a schedule of future minimum lease payments under this operating lease agreement for the years ending August 31:

2019	\$ 7,632
2020	7,632
2021	7,632
2022	7,632
2023	<u>7,632</u>
<b>Total</b>	<u><u>\$ 38,160</u></u>



## **El Paso Leadership Academy**

### **Notes to Financial Statements**

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Lease expense related to these leases totaled approximately \$7,369 and \$8,165 for the years ended August 31, 2018 and 2017, respectively.

#### ***Contingencies***

The Academy receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the Academy have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

#### **9. Subsequent Events**

The Academy has evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.

## **Compliance Reports**

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

To the Board of Directors of  
El Paso Leadership Academy

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of El Paso Leadership Academy (Academy) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Academy'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

## ***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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sutton Frost Cary*

A Limited Liability Partnership

Arlington, Texas  
January 16, 2019

**Supplemental Information Required by  
Texas Education Agency**

**El Paso Leadership Academy**  
**Schedule of Capital Assets**  
**August 31, 2018**

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Description	Ownership Interest		
	Local	State	Federal
1520 Building and Improvements	\$ -	\$ 1,810,276	\$ -
1521 Construction in progress	-	55,165	-
1539 Furniture and Equipment	-	364,860	-
1569 Library Books and Media	-	43,980	-
	<u>\$ -</u>	<u>\$ 2,274,281</u>	<u>\$ -</u>

**El Paso Leadership Academy  
Budgetary Comparison Schedule  
Year Ended August 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenue and other support:</b>				
Local support:				
5740 Other revenues from local sources	\$ 6,340	\$ 19,043	\$ 25,455	\$ (6,412)
5750 Revenues from cocurricular, enterprising services or activities	11,000	11,000	7,569	3,431
<b>Total local support</b>	<b>17,340</b>	<b>30,043</b>	<b>33,024</b>	<b>(2,981)</b>
State program revenues:				
5810 Foundation school program act revenues	1,766,837	1,884,559	1,958,532	(73,973)
5820 State program revenues distributed by TEA	30,675	32,475	36,103	(3,628)
<b>Total state program revenue</b>	<b>1,797,512</b>	<b>1,917,034</b>	<b>1,994,635</b>	<b>(77,601)</b>
Federal program revenues:				
5920 Federal revenues distributed by TEA	222,119	263,752	274,390	(10,638)
<b>Total federal program revenue</b>	<b>222,119</b>	<b>263,752</b>	<b>274,390</b>	<b>(10,638)</b>
<b>Total revenue and other support</b>	<b>2,036,971</b>	<b>2,210,829</b>	<b>2,302,049</b>	<b>(91,220)</b>
<b>Expenses:</b>				
Program services:				
11 Instruction	939,840	1,030,343	1,016,546	13,797
12 Instructional resources and media services	250	9,246	8,995	251
13 Curriculum development and instructional staff development	12,723	12,723	5,008	7,715
23 School leadership	359,268	346,677	340,834	5,843
31 Guidance, counseling and evaluation services	15,395	26,860	24,862	1,998
33 Health services	1,300	1,680	403	1,277
34 Student (pupil) transportation	3,000	5,500	5,034	466
35 Food services	102,241	102,241	108,303	(6,062)
41 General administration	310,949	341,949	335,852	6,097
51 Facilities maintenance and operations	178,285	275,628	186,057	89,571
52 Security and monitoring services	300	300	153	147
53 Data processing services	26,135	43,567	42,748	819
61 Community services	-	799	802	(3)
71 Debt service	87,285	91,348	91,347	1
<b>Total expenses</b>	<b>2,036,971</b>	<b>2,288,861</b>	<b>2,166,944</b>	<b>121,917</b>
<b>Change in net assets</b>	<b>-</b>	<b>(78,032)</b>	<b>135,105</b>	<b>213,137</b>
<b>Net assets at beginning of year</b>	<b>724,214</b>	<b>704,839</b>	<b>800,428</b>	<b>95,589</b>
<b>Net assets at end of year</b>	<b>\$ -</b>	<b>\$ 626,807</b>	<b>\$ 935,533</b>	<b>\$ 308,726</b>

**El Paso Leadership Academy**  
**Schedule of Expenses**  
**Year Ended August 31, 2018**

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<u>Object Code</u>	<u>Description</u>	<u>Amount</u>
6100	Payroll costs	\$ 1,434,662
6200	Professional and contracted services	238,574
6300	Supplies and materials	193,782
6400	Other operating costs	208,579
6500	Debt service	91,347
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		\$ 2,166,944