



El Paso Leadership Academy

**Financial Statements with Compliance Report
and Supplemental Information
August 31, 2019 and 2018**

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, 2019, at a meeting of the governing body of said charter school on the 7th day of January, 2020.



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 statements of financial position as of August 31, 2019 and 2018, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 7, 2020 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 7, 2020

El Paso Leadership Academy
Statements of Financial Position
August 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 400,331	\$ 321,575
Due from government agencies	260,869	194,669
Other assets	10,809	14,396
Prepaid expense	19,228	11,352
Total current assets	691,237	541,992
Property and equipment, net	1,923,821	1,828,467
Total assets	\$ 2,615,058	\$ 2,370,459
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 35,743	\$ 22,699
Accrued payroll liabilities	122,234	92,990
Deferred revenue	168	10,779
Current maturities of long-term debt	45,469	42,615
Total current liabilities	203,614	169,083
Long-term debt, net	1,224,456	1,265,843
Total liabilities	1,428,070	1,434,926
Net assets:		
Without donor restrictions	376,795	234,205
With donor restrictions	810,193	701,328
Total net assets	1,186,988	935,533
Total liabilities and net assets	\$ 2,615,058	\$ 2,370,459

See notes to financial statements.

El Paso Leadership Academy
Statement of Activities
Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Local support:			
5740 Other revenues from local sources	\$ 38,758	\$ 16,807	\$ 55,565
5750 Revenues from cocurricular, enterprising services or activities	378	-	378
Total local support	39,136	16,807	55,943
State program revenues:			
5810 Foundation school program act revenues	-	2,026,697	2,026,697
5820 State program revenues distributed by TEA	-	35,343	35,343
Total state program revenue	-	2,062,040	2,062,040
Federal program revenues:			
5920 Federal revenues distributed by TEA	-	267,791	267,791
Total federal program revenue	-	267,791	267,791
Net assets released from restrictions-satisfaction of program restrictions	2,237,773	(2,237,773)	-
Total revenue and other support	2,276,909	108,865	2,385,774
Expenses:			
11 Instruction	1,039,738	-	1,039,738
13 Curriculum development and instructional staff development	11,351	-	11,351
21 Instructional leadership	886	-	886
23 School leadership	344,564	-	344,564
31 Guidance, counseling and evaluation services	20,824	-	20,824
33 Health services	271	-	271
34 Student (pupil) transportation	10,050	-	10,050
35 Food services	132,932	-	132,932
36 Extracurricular activities	8,518	-	8,518
41 General administration	369,755	-	369,755
51 Facilities maintenance and operations	196,723	-	196,723
52 Security and monitoring services	293	-	293
53 Data processing services	42,473	-	42,473
61 Community services	3,129	-	3,129
71 Debt service	88,691	-	88,691
Total expenses	2,270,198	-	2,270,198
Excess of revenues over expenses from operations	6,711	108,865	115,576
Non-operating activities:			
Proceeds from insurance claims	135,879	-	135,879
Total non-operating activities	135,879	-	135,879
Change in net assets	142,590	108,865	251,455
Net assets at beginning of year	234,205	701,328	935,533
Net assets at end of year	\$ 376,795	\$ 810,193	\$ 1,186,988

See notes to financial statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Local support:			
5740 Other revenues from local sources	\$ 25,455	\$ -	\$ 25,455
5750 Revenues from cocurricular, enterprising services or activities	7,569	-	7,569
Total local support	33,024	-	33,024
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
Total state program revenue	-	1,994,635	1,994,635
Federal program revenues:			
5920 Federal revenues distributed by TEA	-	274,390	274,390
Total federal program revenue	-	274,390	274,390
Net assets released from restrictions-satisfaction of program restrictions	2,110,474	(2,110,474)	-
Total revenue and other support	2,143,498	158,551	2,302,049
Expenses:			
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
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
Total expenses	2,166,944	-	2,166,944
Change in net assets	(23,446)	158,551	135,105
Net assets at beginning of year	257,651	542,777	800,428
Net assets at end of year	\$ 234,205	\$ 701,328	\$ 935,533

See notes to financial statements.

El Paso Leadership Academy
Statements of Cash Flows
Year Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 251,455	\$ 135,105
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	115,754	128,299
Amortization	4,063	4,063
Changes in assets and liabilities:		
Due from government agencies	(66,200)	(110,990)
Other assets	3,587	1,971
Prepaid expense	(7,876)	(5,598)
Accounts payable and accrued expenses	13,044	(73,366)
Accrued payroll liabilities	29,244	(12,433)
Deferred revenue	<u>(10,611)</u>	<u>(193)</u>
Net cash provided by operating activities	332,460	66,858
Cash flows from investing activities:		
Purchases of property and equipment	<u>(211,108)</u>	<u>(90,076)</u>
Net cash used by investing activities	(211,108)	(90,076)
Cash flows from financing activities:		
Principal payments of long-term debt	<u>(42,596)</u>	<u>(39,941)</u>
Net cash used by financing activities	<u>(42,596)</u>	<u>(39,941)</u>
Change in cash	78,756	(63,159)
Cash at beginning of year	<u>321,575</u>	<u>384,734</u>
Cash at end of year	<u><u>\$ 400,331</u></u>	<u><u>\$ 321,575</u></u>

See notes to financial statements.

El Paso Leadership Academy

Notes to Financial Statements

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 seven members governs the Academy. The board of directors is selected pursuant to the bylaws of the Academy and significantly influences 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 or grant-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor or grantor-imposed restrictions even though their use may be limited in other respects, such as by contract or board designation.

Net assets with donor restrictions - 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 restrictions expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

El Paso Leadership Academy

Notes to Financial Statements

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Academy to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy. As of August 31, 2019 and 2018, no such net asset restrictions existed.

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, 2019, the Academy's uninsured bank balances totaled \$213,256. 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, 2019 and 2018, the Academy received 92% and 99%, 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.

For depreciable property and equipment, or resources to be used to acquire depreciable property and equipment, the donor or grantor restriction expires over the assets' useful life, as required by the Texas Education Agency (TEA).

The Academy reviews the carrying value of long-lived assets to determine if facts and circumstances suggest that they may be impaired or that the depreciation or amortization period may need to be changed. The Academy did not recognize an impairment loss during the years ended August 31, 2019 and 2018.

El Paso Leadership Academy

Notes to Financial Statements

Financing Costs

Costs of obtaining debt financing are recorded as financing costs and are deferred as a direct deduction from the carrying amount of that debt liability and amortized using the straight-line method over the related debt period. Amortization expense is included in debt service in the accompanying statements of activities.

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.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as an increase in net assets with donor restrictions.

Contributed Services

The Academy recognizes contribution revenue for certain services received at the fair value of those services provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Academy. No donated services were utilized that met the criteria to be recorded as revenue in the Academy's financial statements.

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, 2019 and 2018. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

El Paso Leadership Academy

Notes to 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, 2019 and 2018, 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 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

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

The Academy considers the applicability and impact of all ASUs. ASUs 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 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 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The standard is effective

El Paso Leadership Academy

Notes to Financial Statements

for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use 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, 2020.

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

Accounting Pronouncements Adopted

The Academy adopted FASB ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* as of and for the year ended August 31, 2019 with retrospective application for the 2018 financial statements. As result, the major changes applicable for the Academy include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, and (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources. The Academy opted to not disclose liquidity and availability information for 2018 as permitted under the ASU in the year of adoption. The adoption of this ASU had no effect on net assets or the change in net assets presented for the years ended August 31, 2019 and 2018.

Reclassification

Certain items in the 2018 financial statements have been reclassified to conform with the 2019 presentation.

El Paso Leadership Academy
Notes to Financial Statements

3. Property and Equipment

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

	2019	2018
Buildings and improvements	\$ 1,817,124	\$ 1,618,574
Land	191,702	191,702
Vehicles and equipment	377,418	364,860
Construction in progress	55,165	55,165
Library books and media	43,980	43,980
Total property and equipment	2,485,389	2,274,281
Less accumulated depreciation	(561,568)	(445,814)
Property and equipment, net	\$ 1,923,821	\$ 1,828,467

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, 2019 and 2018 totaled \$115,754 and \$128,299, respectively.

4. Long-Term Debt

On October 6, 2014, the Academy entered into a note payable 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, 2019 and 2018 totaled \$1,269,925 and \$1,320,985, respectively.

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

	Beginning Balance	Additions	Reductions	Amortization expense	Ending Balance
Notes payable:					
Raza Loan	\$ 1,320,985	\$ -	\$ (42,596)	\$ -	\$ 1,278,389
Debt issuance cost	(12,527)	-	-	4,063	(8,464)
Total	\$ 1,308,458	\$ -	\$ (42,596)	\$ 4,063	\$ 1,269,925

El Paso Leadership Academy Notes to Financial Statements

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 45,469	\$ 81,755	\$ 127,224
2021	48,514	78,710	127,224
2022	<u>1,184,386</u>	<u>13,870</u>	<u>1,198,256</u>
Total	<u>\$ 1,278,369</u>	<u>\$ 174,335</u>	<u>\$ 1,452,704</u>

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, 2019 and 2018 related to the loan closing costs was \$19,976 and \$15,913, respectively.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions totaling \$793,386 are available to pay expenditures as allowed by Section 45.105(c) of the Texas Education Code. Additionally, the Academy has net assets with donor restrictions totaling \$16,807 restricted for use in the 2019-2020 school year.

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.

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

Information with respect to the Plan and the Academy's participation in the Plan for the year ended August 31, 2018 is as follows:

Legal Name of Plan:	Teacher Retirement System of Texas
EIN/Pension Plan Number:	N/A
Total Plan Assets:	\$177,944,103,876
Accumulated Benefit Obligations:	\$209,611,328,793
Plan funded percentage:	73.74% funded
Is plan covered by collective bargaining agreements?	No
Employer contributions to the plan:	\$104,680
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. Liquidity and Availability of Resources

The Academy's financial assets available within one year of the statement of financial position date of August 31, 2019 for general expenditure total \$661,200, which consists of cash of \$400,331 and due from government agencies of \$260,869. The Academy relies on state and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Academy considers all expenditures related to its ongoing activities of education, as well as the conduct of services undertaken to support those activities, to be general expenditures. As part of the Academy's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in cash.

8. Health Care Coverage

During the years ended August 31, 2019 and 2018, employees of the Academy were covered by the Blue Cross Blue Shield of Texas Insurance Plan. The Academy contributed \$275 per month for employee only and \$375 per month for family plans for the period from September 1, 2018 to August 31, 2019 to the 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.

El Paso Leadership Academy
Notes to Financial Statements

9. 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:

2020	\$ 7,632
2021	7,632
2022	7,632
2023	<u>6,360</u>
Total	<u><u>\$ 29,256</u></u>

Lease expense related to these leases totaled approximately \$9,815 and \$7,369 for the years ended August 31, 2019 and 2018, 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.

10. Functional Expenses

Expenses are reported by their functional classification as program services or support services. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the Academy exists. Support services are not directly identifiable with specific program or fundraising activities.

Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefited. Salaries and related costs are charged directly either to program services or support services based on actual time worked in each area. Information technology costs, depreciation, interest expense, and occupancy costs are allocated based on square footage used for instructional (program services) or administrative (support services) purposes.

El Paso Leadership Academy Notes to Financial Statements

The following is a schedule of functional expenses for the year ended August 31, 2019:

	Payroll Costs	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Debt	Total
Program Services:						
Instructional and instructional related services	\$ 858,853	\$ 23,484	\$ 94,268	\$ 74,484	\$ 42,608	\$ 1,093,697
Instructional and school leadership	-	-	-	886	36	922
Support services - student	12,806	12,846	136,626	10,317	6,996	179,591
Support services - nonstudent based	38,576	87,414	6,201	64,825	8,246	205,262
Ancillary services	-	-	2,827	302	127	3,256
Total program services	910,235	123,744	239,922	150,814	58,013	1,482,728
Support Services:						
Instructional and school leadership	325,762	2,558	8,528	7,716	13,968	358,532
Administrative support services	274,123	29,145	13,590	52,897	14,988	384,743
Support services - nonstudent based	24,956	14,966	1,194	1,357	1,722	44,195
Total support services	624,841	46,669	23,312	61,970	30,678	787,470
Total expenses	\$ 1,535,076	\$ 170,413	\$ 263,234	\$ 212,784	\$ 88,691	\$ 2,270,198

The following is a schedule of functional expenses for the year ended August 31, 2018:

	Payroll Costs	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Debt	Total
Program Services:						
Instructional and instructional related services	\$ 839,214	\$ 33,444	\$ 78,733	\$ 77,871	\$ 45,298	\$ 1,074,560
Support services - student	12,724	20,107	101,729	5,314	6,157	146,031
Support services - nonstudent based	34,272	81,420	4,483	66,035	8,195	194,405
Ancillary services	-	802	-	15	35	852
Total program services	886,210	135,773	184,945	149,235	59,685	1,415,848
Support Services:						
Instructional and school leadership	329,278	2,158	2,597	6,801	15,000	355,834
Administrative support services	197,199	80,867	5,401	52,384	14,781	350,632
Support services - nonstudent based	21,975	19,776	839	159	1,881	44,630
Total support services	548,452	102,801	8,837	59,344	31,662	751,096
Total expenses	\$ 1,434,662	\$ 238,574	\$ 193,782	\$ 208,579	\$ 91,347	\$ 2,166,944

11. 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 Report

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, 2019, 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 7, 2020.

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.

A handwritten signature in black ink that reads "Sutton Frost Carney". The signature is written in a cursive, flowing style.

A Limited Liability Partnership

Arlington, Texas
January 7, 2020

**Supplemental Information Required by
Texas Education Agency**

El Paso Leadership Academy
Schedule of Capital Assets
August 31, 2019

Description	Ownership Interest		
	Local	State	Federal
1510 Land	\$ -	\$ 191,702	\$ -
1520 Building and improvements	520,710	1,296,414	-
1521 Construction in progress	-	55,165	-
1539 Furniture and equipment	-	9,561	367,857
1569 Library books and media	-	-	43,980
	<u>\$ 520,710</u>	<u>\$ 1,552,842</u>	<u>\$ 411,837</u>

**El Paso Leadership Academy
Budgetary Comparison Schedule
Year Ended August 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenue and other support:				
Local support:				
5740 Other revenues from local sources	\$ 1,200	\$ 197,192	\$ 55,565	\$ 141,627
5750 Revenues from cocurricular, enterprising services or activities	-	-	378	(378)
Total local support	1,200	197,192	55,943	141,249
State program revenues:				
5810 Foundation school program act revenues	1,888,938	2,055,600	2,026,697	28,903
5820 State program revenues distributed by TEA	-	-	35,343	(35,343)
Total state program revenue	1,888,938	2,055,600	2,062,040	(6,440)
Federal program revenues:				
5920 Federal revenues distributed by TEA	259,717	290,860	267,791	23,069
Total federal program revenue	259,717	290,860	267,791	23,069
Total revenue and other support	2,149,855	2,543,652	2,385,774	157,878
Expenses:				
Program services:				
11 Instruction	961,518	1,045,512	1,039,738	5,774
12 Instructional resources and media services	250	-	-	-
13 Curriculum development and instructional staff development	18,058	14,663	11,351	3,312
21 Instructional leadership	1,400	2,900	886	2,014
23 School leadership	320,547	358,553	344,564	13,989
31 Guidance, counseling and evaluation services	8,580	20,688	20,824	(136)
33 Health services	1,250	275	271	4
34 Student (pupil) transportation	5,000	10,000	10,050	(50)
35 Food services	118,611	143,630	132,932	10,698
36 Extracurricular activities	-	9,075	8,518	557
41 General administration	359,084	380,000	369,755	10,245
51 Facilities maintenance and operations	213,395	210,000	196,723	13,277
52 Security and monitoring services	500	250	293	(43)
53 Data processing services	50,206	52,000	42,473	9,527
61 Community services	1,456	7,850	3,129	4,721
71 Debt service	90,000	91,000	88,691	2,309
Total expenses	2,149,855	2,346,396	2,270,198	76,198
Excess of revenues over expenses from operations	-	197,256	115,576	(81,680)
Non-operating activities:				
Proceeds from insurance claims	-	-	135,879	(135,879)
Total non-operating activities	-	-	135,879	(135,879)
Change in net assets	-	197,256	251,455	(54,199)
Net assets at beginning of year	935,533	935,533	935,533	-
Net assets at end of year	\$ 935,533	\$ 1,132,789	\$ 1,186,988	\$ (54,199)

El Paso Leadership Academy
Schedule of Expenses
Year Ended August 31, 2019

<u>Object Code</u>	<u>Description</u>	<u>Amount</u>
6100	Payroll costs	\$ 1,535,076
6200	Professional and contracted services	170,413
6300	Supplies and materials	263,234
6400	Other operating costs	212,784
6500	Debt service	88,691
		<u>\$ 2,270,198</u>