



El Paso Leadership Academy

**Financial Statements with Compliance Report
and Supplemental Information
August 31, 2020 and 2019**

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, 2020, at a meeting of the governing body of said charter school on the 20th day of January, 2021.



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, 2020 and 2019, 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, 2020 and 2019 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 19, 2021 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 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 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 20, 2021

El Paso Leadership Academy
Statements of Financial Position
August 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 995,102	\$ 400,331
Due from government agencies	217,960	260,869
Other assets	-	10,809
Prepaid expense	8,065	19,228
Total current assets	1,221,127	691,237
Property and equipment, net	1,927,238	1,923,821
Total assets	\$ 3,148,365	\$ 2,615,058
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 68,841	\$ 35,743
Accrued payroll liabilities	87,988	122,234
Deferred revenue	168	168
Current maturities of long-term debt	48,514	45,469
Paycheck Protection Program loan	300,570	-
Total current liabilities	506,081	203,614
Long-term debt, net	1,180,004	1,224,456
Total liabilities	1,686,085	1,428,070
Net assets:		
Without donor restrictions	394,951	376,795
With donor restrictions	1,067,329	810,193
Total net assets	1,462,280	1,186,988
Total liabilities and net assets	\$ 3,148,365	\$ 2,615,058

See notes to financial statements.

El Paso Leadership Academy
Statement of Activities
Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Local support:			
5740 Other revenues from local sources	\$ 17,712	\$ -	\$ 17,712
5750 Revenues from cocurricular, enterprising services or activities	444	-	444
Total local support	18,156	-	18,156
State program revenues:			
5810 Foundation school program act revenues	-	2,272,802	2,272,802
5820 State program revenues distributed by TEA	-	46,261	46,261
Total state program revenue	-	2,319,063	2,319,063
Federal program revenues:			
5920 Federal revenues distributed by TEA	-	282,729	282,729
Total federal program revenue	-	282,729	282,729
Net assets released from restrictions- satisfaction of program restrictions	2,344,656	(2,344,656)	-
Total revenue and other support	2,362,812	257,136	2,619,948
Expenses:			
11 Instruction	1,023,020	-	1,023,020
13 Curriculum development and instructional staff development	8,653	-	8,653
21 Instructional leadership	14,125	-	14,125
23 School leadership	361,923	-	361,923
31 Guidance, counseling and evaluation services	32,713	-	32,713
33 Health services	506	-	506
34 Student (pupil) transportation	24,000	-	24,000
35 Food services	117,957	-	117,957
36 Extracurricular activities	9,594	-	9,594
41 General administration	399,763	-	399,763
51 Facilities maintenance and operations	213,627	-	213,627
52 Security and monitoring services	1,780	-	1,780
53 Data processing services	46,692	-	46,692
61 Community services	4,485	-	4,485
71 Debt service	85,818	-	85,818
Total expenses	2,344,656	-	2,344,656
Change in net assets	18,156	257,136	275,292
Net assets at beginning of year	376,795	810,193	1,186,988
Net assets at end of year	\$ 394,951	\$ 1,067,329	\$ 1,462,280

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
Statements of Cash Flows
Year Ended August 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 275,292	\$ 251,455
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	110,754	115,754
Amortization of debt issuance costs	4,063	4,063
Changes in assets and liabilities:		
Due from government agencies	42,909	(66,200)
Other assets	10,809	3,587
Prepaid expense	11,163	(7,876)
Accounts payable and accrued expenses	33,098	13,044
Accrued payroll liabilities	(34,246)	29,244
Deferred revenue	-	(10,611)
Net cash provided by operating activities	453,842	332,460
Cash flows from investing activities:		
Purchases of property and equipment	(114,171)	(211,108)
Net cash used by investing activities	(114,171)	(211,108)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	300,570	-
Principal payments of long-term debt	(45,470)	(42,596)
Net cash provided (used) by financing activities	255,100	(42,596)
Change in cash	594,771	78,756
Cash at beginning of year	400,331	321,575
Cash at end of year	\$ 995,102	\$ 400,331

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.

The Academy operates under an open enrollment charter granted by the State of Texas Board of Education. The original charter was issued for the period July 31, 2014 through July 31, 2019. The charter was last renewed June 2019 and expires June 2029. The charter is subject to review and renewal prior to expiration.

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.

The Academy's mission is to prepare students to obtain a four-year college degree and become engaged leaders in their community. We currently serve students in grades 6th through 8th at one location in El Paso, TX.

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 restriction expires, net assets with donor restrictions are reclassified to net assets without donor

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Notes to Financial Statements

restrictions and reported in the statement of activities as net assets released from restrictions.

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, 2020 and 2019, 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 a high credit quality financial institution to minimize risk. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2020, the Academy's uninsured bank balances totaled \$765,049. 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, 2020 and 2019, the Academy received 99% and 92%, 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 Academy 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 the assets of 3 to 40. 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, 2020 and 2019.

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Notes to Financial Statements

Debt Issuance Costs

Costs of obtaining debt financing are recorded as debt issuance 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

The Academy considers all government grants and contracts to be 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, 2020 and 2019. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

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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, 2020 and 2019, 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 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, 2021.

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

Accounting Pronouncements Adopted

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

El Paso Leadership Academy

Notes to Financial Statements

between contribution and exchange components. The Academy has adopted this ASU as of and for the year ended August 31, 2020, with retrospective application for the 2019 financial statements.

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 Academy has adopted this ASU as of and for the year ended August 31, 2020, with retrospective application for the 2019 financial statements.

Analysis of various provisions of the adopted ASUs resulted in no significant changes in the way the Academy recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the ASUs.

3. Property and Equipment

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

	2020	2019
Buildings and improvements	\$ 1,836,693	\$ 1,817,124
Land	191,702	191,702
Vehicles and equipment	428,073	377,418
Construction in progress	99,112	55,165
Library books and media	43,980	43,980
Total property and equipment	2,599,560	2,485,389
Less accumulated depreciation	<u>(672,322)</u>	<u>(561,568)</u>
Property and equipment, net	<u>\$ 1,927,238</u>	<u>\$ 1,923,821</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, 2020 and 2019 totaled \$110,754 and \$115,754, respectively.

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Notes to Financial Statements

4. Long-Term Debt

On October 6, 2014, the Academy entered into a note payable collateralized by a deed of trust on real property. The note bears interest at 6.5% with monthly principal and interest payments totaling \$127,225 through October 2021, when all principal and interest is due. The balance outstanding on the loan at August 31, 2020 and 2019 totaled \$1,228,519 and \$1,269,925, respectively.

The following is a summary of changes in the Academy's long-term debt for the year 8/31/2020:

	Beginning Balance	Additions	Reductions	Amortization expense	Ending Balance
Notes payable:					
Raza Loan	\$ 1,278,389	\$ -	\$ (45,470)	\$ -	\$ 1,232,919
Debt issuance cost	(8,464)	-	-	4,063	(4,401)
Total	<u>\$ 1,269,925</u>	<u>\$ -</u>	<u>\$ (45,470)</u>	<u>\$ 4,063</u>	<u>\$ 1,228,518</u>

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

	Principal	Interest	Total
2021	\$ 48,514	\$ 78,710	\$ 127,224
2022	1,184,386	13,870	1,198,256
Total	<u>\$ 1,232,900</u>	<u>\$ 92,580</u>	<u>\$ 1,325,480</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, 2020 and 2019 related to the loan closing costs was \$24,039 and \$19,976, respectively.

5. Paycheck Protection Program Loan

On June 10, 2020, the Academy entered into an unsecured loan (PPP Loan) in the aggregate amount of \$300,570 with a bank pursuant to the Paycheck Protection Program (PPP), which is sponsored by the Small Business Administration (SBA), and is part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), as amended by the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act). The PPP provides loans to qualifying businesses, the proceeds of which may only be used for payroll costs, rent, utilities, mortgage interest, and interest on other pre-existing indebtedness (Permissible Expenses). The PPP Loan matures on June 10, 2025, bears interest rate at a fixed rate of 1% per annum and is payable in monthly installments commencing on the earlier of the date on which the amount of loan forgiveness is determined or May 10, 2021. The PPP Loan may be prepaid at any time period to maturity with no prepayment penalties. The PPP Loan, and accrued interest, may be forgiven partially or in full, if certain conditions are met. The most significant of the conditions are:

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- Only amounts expended for Permissible Expenses during the eight-week or 24-week period, as elected by the Academy, following June 10, 2020 (Covered Period) are eligible for loan forgiveness. The Academy has elected a 24-week Covered Period;
- Of the total amount of Permissible Expenses for which forgiveness can be granted, at least 60% must be for payroll costs, or a proportionate reduction of the maximum loan forgiveness amount will occur; and
- If employee headcount is reduced, or employee compensation is reduced by more than 25%, during the Covered Period, a further reduction of the maximum loan forgiveness amount will occur, subject to certain safe harbors added by the Flexibility Act.

In order to obtain forgiveness of the PPP Loan, in whole or in part, the Academy must request forgiveness and provide satisfactory documentation in accordance with applicable SBA guidelines. Any portion of the PPP Loan that is not forgiven, together with accrued interest, will be repaid based on the terms and conditions of the PPP Loan and in accordance with the PPP as amended by the Flexibility Act. The Academy has recorded the full amount of the PPP Loan as debt at August 31, 2020 and intends to reflect the benefit of any loan forgiveness when the loan forgiveness application is submitted to, and approved by, the SBA and it has reasonable assurance from the SBA that it has met the eligibility and loan forgiveness requirements of the PPP. Management of the Academy believes the entire loan amount will be forgiven.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions totaling \$1,105,828 are available to pay expenditures as allowed by Section 45.105(c) of the Texas Education Code.

7. 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

El Paso Leadership Academy Notes to Financial Statements

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.

Information with respect to the Plan and the Academy's participation in the Plan for the year ended August 31, 2019 is as follows:

Legal Name of Plan:	Teacher Retirement System of Texas
EIN/Pension Plan Number:	N/A
Total Plan Assets:	\$183,275,667,769
Accumulated Benefit Obligations:	\$209,961,325,288
Plan funded percentage:	75.24% funded
Is plan covered by collective bargaining agreements?	No
Employer contributions to the plan:	\$100,839
Contributions greater than 5% of total plan contributions?	No
Contribution rates:	
Member	7.7%
Non-Employer Contributing Entity (State)	7.5%
Employers	6.8%

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

8. Liquidity and Availability of Resources

The Academy's financial assets available within one year of the statement of financial position date of August 31, 2020 for general expenditure total \$1,213,062 which consists of cash of \$995,102 and due from government agencies of \$217,960. 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.

9. Health Care Coverage

During the years ended August 31, 2020 and 2019, 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 year ending August 31, 2020. The Academy contributed \$275 per month for employee only and \$375 per month for family plans for the year ending August 31, 2019. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

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Notes to Financial Statements

10. 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:

2021	\$ 7,632
2022	7,632
2023	<u>6,360</u>
Total	<u><u>\$ 21,624</u></u>

Lease expense related to these leases totaled approximately \$8,455 and \$9,815 for the years ended August 31, 2020 and 2019, 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.

11. 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 a specific program.

Expenses that are attributable to one or more programs 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.

The following is a schedule of functional expenses for the year ended August 31, 2020:

El Paso Leadership Academy Notes to Financial Statements

	Payroll Costs	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Debt	Total
Program Services:						
Instructional and instructional related services	\$ 850,741	\$ 16,085	\$ 113,457	\$ 51,390	\$ 39,106	\$ 1,070,779
Instructional and School leadership	-	-	-	14,125	535	14,660
Support services - student	28,206	22,387	123,263	10,914	7,004	191,774
Support services - nonstudent based	45,993	88,728	5,917	74,769	8,407	223,814
Ancillary services	-	1,000	3,390	95	170	4,655
Total program services	924,940	128,200	246,027	151,293	55,222	1,505,682
Support Services:						
Instructional and School leadership	342,987	6,794	4,480	7,662	13,719	375,642
Administrative support services	308,987	21,950	14,068	54,712	15,153	414,870
Support services - nonstudent based	23,091	20,169	1,051	2,381	1,770	48,462
Total support services	675,065	48,913	19,599	64,755	30,642	838,974
Total expenses	\$ 1,600,005	\$ 177,113	\$ 265,626	\$ 216,048	\$ 85,864	\$ 2,344,656

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

12. Uncertainty

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. As a result of the global coronavirus pandemic of 2020, the financial picture for schools has seen an unanticipated change. Given the uncertainty in the economic outlook, there may be short and long-term implications for the instruction, student experience and operations. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

13. 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, 2020, 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 20, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. 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 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 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 Limited Liability Partnership

Arlington, Texas
January 20, 2021

**Supplemental Information Required by
Texas Education Agency**

El Paso Leadership Academy
Schedule of Capital Assets
August 31, 2020

Description	Ownership Interest		
	Local	State	Federal
1510 Land	\$ -	\$ 191,702	\$ -
1520 Building and improvements	520,710	1,315,984	-
1521 Construction in progress	-	99,111	-
1539 Furniture and equipment	-	60,216	367,857
1569 Library books and media	-	-	43,980
	<u>\$ 520,710</u>	<u>\$ 1,667,013</u>	<u>\$ 411,837</u>

**El Paso Leadership Academy
Budgetary Comparison Schedule
Year Ended August 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenue and other support:				
Local support:				
5740 Other revenues from local sources	\$ 1,600	\$ 9,508	\$ 17,712	\$ (8,204)
5750 Revenues from cocurricular, enterprising services or activities	-	-	444	(444)
Total local support	<u>1,600</u>	<u>9,508</u>	<u>18,156</u>	<u>(8,648)</u>
State program revenues:				
5810 Foundation school program act revenues	2,107,490	2,225,897	2,272,802	(46,905)
5820 State program revenues distributed by TEA	-	-	46,261	(46,261)
Total state program revenue	<u>2,107,490</u>	<u>2,225,897</u>	<u>2,319,063</u>	<u>(93,166)</u>
Federal program revenues:				
5920 Federal revenues distributed by TEA	334,996	321,987	282,729	39,258
Total federal program revenue	<u>334,996</u>	<u>321,987</u>	<u>282,729</u>	<u>39,258</u>
Total revenue and other support	<u>2,444,086</u>	<u>2,557,392</u>	<u>2,619,948</u>	<u>(62,556)</u>
Expenses:				
Program services:				
11 Instruction	1,041,113	1,122,566	1,023,020	99,546
13 Curriculum development and instructional staff development	14,000	8,603	8,653	(50)
21 Instructional leadership	18,500	19,750	14,125	5,625
23 School leadership	368,209	375,309	361,923	13,386
31 Guidance, counseling and evaluation services	18,038	38,958	32,713	6,245
33 Health services	300	550	506	44
34 Student (pupil) transportation	11,500	27,000	24,000	3,000
35 Food services	179,297	126,297	117,957	8,340
36 Extracurricular activities	-	18,021	9,594	8,427
41 General administration	413,451	416,601	399,763	16,838
51 Facilities maintenance and operations	219,582	226,682	213,627	13,055
52 Security and monitoring services	4,828	1,828	1,780	48
53 Data processing services	60,049	47,452	46,692	760
61 Community services	4,617	10,308	4,485	5,823
71 Debt service	90,602	90,602	85,818	4,784
Total expenses	<u>2,444,086</u>	<u>2,530,527</u>	<u>2,344,656</u>	<u>185,871</u>
Change in net assets	-	26,865	275,292	248,427
Net assets at beginning of year	<u>935,533</u>	<u>1,132,789</u>	<u>1,186,988</u>	<u>(54,199)</u>
Net assets at end of year	<u>\$ 935,533</u>	<u>\$ 1,159,654</u>	<u>\$ 1,462,280</u>	<u>\$ 194,228</u>

El Paso Leadership Academy
Schedule of Expenses
Year Ended August 31, 2020

<u>Object Code</u>	<u>Description</u>	<u>Amount</u>
6100	Payroll costs	\$ 1,600,005
6200	Professional and contracted services	177,113
6300	Supplies and materials	265,626
6400	Other operating costs	216,048
6500	Debt service	85,864
		<hr/>
		\$ 2,344,656
		<hr/> <hr/>