

EL PASO ACADEMY, INC.
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2023

EL PASO ACADEMY, INC.

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EL PASO ACADEMY, INC.


County District Identification Number 071-804

CERTIFICATE OF BOARD

We, the undersigned, certify that the attached Financial and Compliance Report of El Paso Academy, Inc. was reviewed and (check one) approved disapproved for the year ended August 31, 2023, at a meeting of the governing body of El Paso Academy, Inc. on the 25th day of January 2024.



Signature of Board Secretary



Signature of Board President

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
El Paso Academy, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of El Paso Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of El Paso Academy, Inc. as of August 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of El Paso Academy, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about El Paso Academy, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the required TEA schedules but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2024, on our consideration of El Paso Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of El Paso Academy, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso Academy, Inc.'s internal control over financial reporting and compliance.

Gibson Ruddock Patterson LLC

Gibson Ruddock Patterson, LLC
El Paso, Texas
January 25, 2024

EL PASO ACADEMY, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2023

ASSETS

Current Assets	
Cash and cash equivalents	\$ 8,257,591
Due from Texas Education Agency	646,070
Other receivables	7,423
Prepayments	<u>113,193</u>
Total current assets	9,024,277
Property and equipment, net	<u>1,663,132</u>
Total assets	<u><u>\$ 10,687,409</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 14,578
Payroll deductions and withholdings payable	21,124
Accrued wages payable	94,933
Due to student groups	<u>8,929</u>
Total current liabilities	<u>139,564</u>
Total liabilities	<u>139,564</u>
Net Assets	
With donor restrictions	9,188,416
Without donor restrictions	<u>1,359,429</u>
Total net assets	<u>10,547,845</u>
Total liabilities and net assets	<u><u>\$ 10,687,409</u></u>

The accompanying notes are an integral part of these financial statements.

EL PASO ACADEMY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Local support:			
Interest income	\$ 304,051	\$ -	\$ 304,051
Miscellaneous revenue	2,310	-	2,310
Total local support	<u>306,361</u>	<u>-</u>	<u>306,361</u>
State program revenues:			
Foundation school program	-	3,569,718	3,569,718
Per Capita Apportionment	-	155,280	155,280
Other State Programs	-	7,500	7,500
Total state program revenues	<u>-</u>	<u>3,732,498</u>	<u>3,732,498</u>
Federal program revenues:			
ESEA Title I Part A - Improving Basic Programs	-	158,172	158,172
ESEA Title II Part A - Supporting Effective Instruction	-	2,402	2,402
ESSER I - School Emergency Relief	-	15,443	15,443
ESSER II - CRRSA	-	152,653	152,653
ESSER III - American Rescue Plan	-	114,706	114,706
Total federal program revenues	<u>-</u>	<u>443,376</u>	<u>443,376</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>2,759,629</u>	<u>(2,759,629)</u>	<u>-</u>
Total revenue, support, and gains	<u>3,065,990</u>	<u>1,416,245</u>	<u>4,482,235</u>
Expenses			
Program services expense:			
Instruction and instructional - related services	1,641,531	-	1,641,531
Instructional and school leadership	260,042	-	260,042
Support services expense:			
Support services - student (pupil)	148,044	-	148,044
Administrative support services	369,866	-	369,866
Support services - non-student based	340,146	-	340,146
Total expenses	<u>2,759,629</u>	<u>-</u>	<u>2,759,629</u>
Change in net assets	306,361	1,416,245	1,722,606
Net assets, beginning of year	<u>1,053,068</u>	<u>7,772,171</u>	<u>8,825,239</u>
Net assets, end of year	<u>\$ 1,359,429</u>	<u>\$ 9,188,416</u>	<u>\$ 10,547,845</u>

The accompanying notes are an integral part of these financial statements.

EL PASO ACADEMY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2023

	Instruction & Instructional- Related Services	Instructional and School Leadership	Support Services - Pupil	Administrative Support Services	Support Services - Non-student Based	Total
Expenses						
Payroll						
Salaries and wages	\$ 1,140,676	\$ 209,440	\$ 77,703	\$ 148,340	\$ -	\$ 1,576,159
Benefits and payroll taxes	174,421	35,030	10,775	30,363	-	250,589
Total Payroll Expenses	1,315,097	244,470	88,478	178,703	-	1,826,748
Professional and contracted services						
Professional services	-	-	-	70,743	93,139	163,882
Education Service Center services	21,155	-	-	29,345	-	50,500
Maintenance and repair	-	-	-	-	69,539	69,539
Utilities	-	-	-	-	100,220	100,220
Rentals	10,451	-	-	687	3,420	14,558
Misc. Contracted services	84,800	-	51,624	-	35,315	171,739
Total Professional and Contracted Services	116,406	-	51,624	100,775	301,633	570,438
Supplies and materials						
Supplies for maintenance	-	-	-	-	2,188	2,188
Food costs	-	-	7,742	-	-	7,742
General supplies	128,484	8,746	200	2,741	17,605	157,776
Total Supplies and Materials	128,484	8,746	7,942	2,741	19,793	167,706
Other operating costs						
Travel	1,766	3,180	-	6,897	-	11,843
Insurance	-	-	-	13,856	17,576	31,432
Depreciation	44,345	-	-	2,531	-	46,876
Misc. Operating costs	35,433	3,646	-	64,363	1,144	104,586
Total Other Operating Costs	81,544	6,826	-	87,647	18,720	194,737
Total Expenses	\$ 1,641,531	\$ 260,042	\$ 148,044	\$ 369,866	\$ 340,146	\$ 2,759,629

The accompanying notes are an integral part of these financial statements.

EL PASO ACADEMY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2023

Cash flows from operating activities:	
Foundation School Program payments	\$ 3,710,305
Grant payments	387,621
Interest revenue	304,051
Miscellaneous sources	2,310
Payments to charter school personnel for services rendered	(1,821,272)
Payments to vendors for goods and services rendered	(799,215)
Payments for other operating expenditures	<u>(147,778)</u>
Net cash provided by operating activities	<u>1,636,022</u>
Cash flows from investing activities:	
Acquisition of capital assets	<u>-</u>
Net increase in cash	1,636,022
Cash, cash equivalents, and restricted cash at beginning of year	<u>6,621,569</u>
Cash and cash equivalents at end of year	<u>\$ 8,257,591</u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ 1,722,606
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	46,876
(Increase) decrease in assets	
Due from Texas Education Agency	(77,948)
Other receivables	(7,423)
Prepaid Assets	(41,236)
Increase (decrease) in operating liabilities	
Accounts payable	(12,412)
Payroll deductions and withholdings payable	1,192
Accrued wages	4,284
Due to Student Groups	<u>83</u>
Net cash provided by operating activities	<u>\$ 1,636,022</u>

The accompanying notes are an integral part of these financial statements.

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The financial statements of El Paso Academy, Inc. were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

A. Organization and Nature of Activities

El Paso Academy, Inc. (the Academy, we, us, our) was incorporated on June 21, 2000, and has been recognized as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. We are governed by a Board of Directors, selected pursuant to the bylaws of the corporation, which has the authority to make decisions, appoint the chief executive officer of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Academy.

We provide college preparatory curricula for students in grades 9 - 12. We operate two high school campuses in El Paso under one open enrollment charter granted by the State of Texas Board of Education and do not conduct any non-charter activities. We are a part of the public school system of the State of Texas and are therefore entitled to distributions from the State's available school fund. We do not have the authority to impose ad valorem taxes or to charge tuition. Our mission is to provide students an alternative educational options, varied methods of instruction, and flexible hours which allow students to work at their own pace, and develop strong academic skills

Since we receive funding from local, state, and federal government sources, we must comply with the requirements of the entities providing those funds.

B. Basis of Accounting Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when they are earned. Expenses are recognized when the related liability for payments is incurred.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, we consider all highly liquid investments available for current use with an initial maturity of three months or less, which are neither held for nor restricted by donors/grantors for long term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects or other long-term purposes are excluded from this definition.

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EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

D. Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and cash equivalents with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, we have not experienced any losses in any of these accounts.

Credit risk associated with amounts due from the Texas Education Agency is considered to be limited due to high historical collection rates and the amount due is from governmental agencies supportive of our mission.

E. Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

F. Fair Value Measurement

We utilize fair value measurement for financial assets and financial liabilities on a recurring basis and for non-financial items that are measured at fair value on a non-recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorized the inputs as follows:

Level 1: Fair value is determined by using quoted prices (unadjusted) for identical assets or liabilities in active markets that the Academy can access at the measurement date.

Level 2: Fair value is determined by using other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. These include quoted prices for identical assets or liabilities in inactive markets, quoted prices for similar assets or liabilities in active markets, observable inputs other than quoted prices, and inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Fair value is determined by using inputs based on management assumptions that are not directly observable. In these situations, management develops inputs using the best information available in the circumstances.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

In some cases, the inputs used to measure fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

G. Due from Texas Education Agency (TEA)

Amounts due from TEA consist primarily of non-interest-bearing amounts due for grant reimbursements and amounts due related to services provided. The allowance for uncollectible amounts is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. As of August 31, 2023, we consider all amounts due from TEA to be fully collectible. Accordingly, there was no allowance for doubtful accounts related to the amount due from TEA.

H. Property and Equipment

We record property and equipment additions over \$5,000 at cost, or, if donated, at fair value on the date of donation, or if a financed lease asset, at present value of lease payments over the lease term. Depreciation and amortization are computed by using the straight-line method over the estimated useful lives of the assets ranging from 5-50 years, or in the case of finance lease right-of-use assets or leasehold improvement, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any gain or loss is included in the statements of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Property and equipment acquired by us are considered to be owned by the Academy. However, federal and state funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

I. Analysis for Impairment

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. Indefinite-lived assets are reviewed for impairment at least annually. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended August 31, 2023.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

J. Personal Leave

All employees of the Academy earn five days of paid personal leave per fiscal year from the Academy. Any unused days do not carry over to the next fiscal year but are paid out at a flat rate. As of August 31, 2023, the balance for unpaid personal leave was zero.

In addition to the five days earn by the Academy, employees are granted five days by the State. These days are accumulated if not used and follow the employee upon separation from the Academy. As such, as of August 31, 2023, there is no liability accrued in these financial statements.

K. Leases

A contract is determined to contain a lease if the contract conveys the right to control the use of identified property or equipment (an identified asset) for a period of time in exchange for consideration.

We determine if a contract is a leasing arrangement and the classification of that lease, if applicable, at inception. Finance lease assets represent the right to control the use of an identified asset for the lease term and finance lease liabilities represent the obligation to make lease payments arising from the lease. Finance lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recorded on the statement of financial position and are expensed on a straight-line basis. For a lessee, operating leases are any lease other than a finance lease. From the perspective of a lessor, operating leases are any lease other than a sales-type lease or a direct financing lease.

L. Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events, specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction 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.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

In accordance with state law, a charter holder is entitled to receive state aid for the charter school based on student attendance; however, before the charter holder may reclassify state aid from net assets with donor restrictions to net assets without donor restrictions, it must meet a two part test.

1. First, the charter school must demonstrate that it expended state aid for the benefit of its students.
2. Second, the charter school must expend state aid consistent with TEC, §45.105(c).

M. Disclosures about the Fair Value of Financial Instruments

Due to the short-term nature of the accounts, certain assets and liabilities such as cash and cash equivalents, due from TEA, prepaid assets, accounts payables, and accrued liabilities are carried at values that we believe approximate fair value.

N. Support and Revenue Recognition

Our revenue comes primarily from state programs and federal grants. Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Grants - Grants can be either contribution or exchange transactions. Grants that are exchange transactions recognize revenue when the expenses are incurred or service delivery has been made, or when matches have been made in accordance with the related agreement.

Contributions - Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-imposed restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statement of Activities as net assets released from restriction.

Revenues from the State of Texas Available School Fund are earned based on reported attendance and are restricted as they are held in trust by the Academy for the benefit of the students of the Academy. These funds can only be used for the purpose for which a school can use local funds under Section 45.105(c) of the Texas Education Code.

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EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Contributions of nonfinancial assets - Contributions of nonfinancial assets include contributed services, which are defined as contributed services that would have to be purchased in order for us to operate if not donated, are recorded as revenue and expense in the Statement of Activities in the period received. We utilize rather than monetize any contributions of nonfinancial assets, unless it is a condition of receiving the non-financial asset. In addition, we prioritize the areas of most need when utilizing the nonfinancial asset, unless the asset is restricted by the donor for use in a specific program. For the year ended August 31, 2023 we did not have any contribution of nonfinancial assets.

O. Advertising

Advertising costs are expenses as incurred, and the total amounts expensed for the year ended August 31, 2023 was \$41,900.

P. Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of the expenses by function. Direct expenses of a particular program are charged to that program.

Q. Federal Income Taxes

We are a Texas nonprofit corporation and have been recognized by the IRS as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. We are required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, we are subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. Management has determined that the Academy is not subject to unrelated business income tax and has not filed an Exempt Organization Business Tax return (Form 990-T) with the IRS for the year ended August 31, 2023. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

Our tax returns are subject to examination by federal taxing authorities. The tax laws, rules and regulations governing these returns are complex, technical, and subject to varying interpretations. If an examination required the us to make adjustments, the profits or losses would be adjusted accordingly. No examination is currently in process. The IRS Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2020, 2021 and 2022 are subject to examination by the IRS, generally for three years after they were filed.

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EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

R. Uncertain Tax Positions

The Academy has adopted FASB ASC 740-10-25, Accounting for Uncertainty of Income Taxes. The accounting standards on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, an organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status for an organization and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. We continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Our evaluation as of August 31, 2023 revealed no uncertain tax positions that would have a material impact on the financial statements, and therefore, there were no unrecognized tax benefits identified or recorded as liabilities for the year ended August 31, 2023. Management does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

T. Change in Accounting Principle

Effective September 1, 2022, we adopted Financial Accounting Standards Update No. 2016-02, *Leases (Topic 842)* as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. We elected the effective date transition method and the package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date. We also elected, as a policy, the practical expedient in ASC 842, as amended, that allows us to use the risk-free rate as the discount rate for our leases. Our policy is to use this rate for all classes of underlying assets. Additionally, we made the election to not apply the recognition requirements of ASC 842 to short-term leases for all classes of underlying assets.

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EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Adoption of ASU 2016-02, (*Topic 842, Leases*) as amended, did not have a significant effect on our accounting for leases for the year ended August 31, 2023.

During September 2020, Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* was issued. Topic 958 clarifies the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Not-for-Profit entity. We have implemented ASU 2020-07 and have adjusted the presentation in these financial statements accordingly.

2. CASH AND INVESTMENTS

At August 31, 2023 the carrying amount of our deposits (cash and interest-bearing savings accounts) was \$1,670,281 and the bank balance was \$1,769,987. Of the aforementioned balance the entire amount was insured by the Federal Depository Insurance Corporation.

The Texas Administrative Code Section 100.1045 contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. For charter schools, it requires the Academy to (1) maintain a discrete charter investment account, (2) invest in accordance with any debt covenants or similar agreements, (3) use judgement and care under prevailing circumstances, (4) invest using the following objectives, in order of priority: preservation and safety of principal, liquidity, and yield, and (5) have investment decisions made by an employee who exercises prudence, discretion, and intelligence with respect to investment decisions.

In addition, the charter school must adhere to sections 2256.009-.016 of the Public Funds Investment Act (Government Code Chapter 2256), which authorizes the Academy to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. Management asserts that the Academy is in substantial compliance with the requirements of the Act and with local policies.

Due to the immediate availability of the funds, our temporary investments are presented as cash and cash equivalents as of August 31, 2023, and, include the following:

	Carrying Amount	Fair Value	WAM (in days)	Rating
TexSTAR	\$ 6,587,310	\$ 6,587,310	40 days	AAAm
Total	\$ 6,587,310	\$ 6,587,310		

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

2. CASH AND INVESTMENTS (Continued)

The TexSTAR Local Government Investment Pool is an external investment pool overseen by a five member governing board. The responsibility of the board includes the ability to influence operations, designation of management, and accountability for fiscal matters. In addition, the fund has a Participant Advisory Board which provides input and feedback on the operations and direction of the program. The Pool has received a rating of AAAM from Standard & Poor's as required by the Public Fund's Investment Act.

The fair value of our position in the TexSTAR pool is the same as the value of TexSTAR shares. These funds are not insured or guaranteed by the FDIC or any other governmental agency.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use beyond the limitations dictated by the charter, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$	8,257,591
Due from TEA		<u>646,070</u>
Total	\$	<u><u>8,903,661</u></u>

Per the Texas Education Agency, Foundation School Program revenues should be classified as revenue with donor restrictions. However, the funds do not have a time restriction but must be used for education purposes in accordance with State law. As such, there are cash, investments, and amounts due from the State which are available for use for educational purposes. Furthermore, we monitor cash flow and liquidity through budget analysis and timely grant reporting to ensure funds are available as needed.

4. DUE FROM TEXAS EDUCATION AGENCY

As of August 31, 2023, we had earned the following unpaid amounts:

ESEA Title I Part A - Improving Basic Programs	\$	10,899
ESEA Title II Part A - Supporting Effective Instruction		2,303
ESSER II - CRRSA		133,318
ESSER III - American Rescue Plan Act		13,029
School Safety and Security Grant		6,840
Foundation School Program		<u>479,681</u>
	\$	<u><u>646,070</u></u>

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

5. CAPITAL ASSETS

Capital asset activity for the Academy for the year ended August 31, 2023, was as follows:

Asset	Beginning Balance 8/31/22	Additions	Deletion, Reclassification and Adjustment	Ending Balance 8/31/23	Depreciable Lives
Land	\$ 168,000	\$ -	\$ -	\$ 168,000	
Building and improvements	2,371,339	-	-	2,371,339	50 yrs.
Equipment	68,309	-	-	68,309	5 yrs.
Total property and equipment	<u>2,607,648</u>	-	-	<u>2,607,648</u>	
Less accumulated depreciation for:					
Building and improvements	830,416	45,791	-	876,207	
Equipment	67,224	1,085	-	68,309	
Total accumulated depreciation	<u>897,640</u>	<u>46,876</u>	-	<u>944,516</u>	
Property and equipment, net	<u>\$ 1,710,008</u>	<u>\$ (46,876)</u>	<u>\$ -</u>	<u>\$ 1,663,132</u>	

Depreciation expense for the year ended August 31, 2023, was \$46,876.

Depreciation expense was charged to the following functions:

Instruction	\$ 44,345
General Administration	<u>2,531</u>
Total Depreciation Expense	<u>\$ 46,876</u>

6. SCHEDULE OF CAPITAL ASSET OWNERSHIP

Capital assets acquired with public funds received by us for our operations constitute public property pursuant to Chapter 12 of the Texas Education Code and is restricted for this purpose. As of August 31, 2023, the cost of these assets is identified as follows:

	Ownership Interest			
	Local	State	Federal	Total
1510 Land	\$ -	\$ 168,000	\$ -	\$ 168,000
1520 Buildings and improvements	10,000	2,361,339	-	2,371,339
1539 Equipment	-	68,309	-	68,309
Total capital assets	<u>\$ 10,000</u>	<u>\$ 2,597,648</u>	<u>\$ -</u>	<u>\$ 2,607,648</u>

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

7. **DEFINED BENEFIT PENSION PLAN**

Plan Description: We participate in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension 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 Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

Pension Plan Fiduciary Net Position: Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained by visiting the TRS website at www.trs.state.tx.us under the TRS Publication heading; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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 system.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district ("ISD") may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement.

Funding Policy: Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee and employer contribution rates for fiscal years 2020 through 2025.

There have been no changes that would affect the comparison of employer contributions from year to year. All contributions made were equal to the required contributions for the year. In addition, the Academy's contributions into the plan do not represent more than 5% of the total contributions to the plan. The Academy was assessed a surcharge as noted below for the Public Education Employer contribution and for the retiree rehires.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

7. DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended August 31	Staff Members' Contributions to TRS		State TRS Contribution Made on Behalf of the Academy		Academy Contributions to TRS	
	Rate	Amount	Rate	Amount	Rate	Amount
2023	8.00%	\$ 117,164	8.00%	\$ 77,991	8.00%	\$ 66,295
2022	8.00%	\$ 118,666	7.75%	\$ 83,603	7.75%	\$ 56,923
2021	7.70%	\$ 104,959	7.50%	\$ 74,624	7.50%	\$ 49,707

The Academy is required to contribute for those salaries funded through certain private and federal grants, new members, both the employer and employee contributions for retiree rehires (reporting entity pension surcharge for retirees) and also pay a 1.7% surcharge to TRS of all covered salaries that did not participate in social security (Public Education Employer surcharge). The contributions for each of these categories is as follows:

- Federally Funded salaries - \$9,898
- New Members - \$6,698
- Public Education Employer Contribution - \$26,350
- Statutory Minimum - \$23,349

The TRS Annual Comprehensive Financial Report for the plan year ended August 31, 2022, in which the El Paso Academy, Inc. participates, indicated the following:

Year	Total Plan Assets	TRS Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability	Percent Funded
2022	\$ 207,621,897,538	\$ 184,185,167,196	\$ 243,553,045,455	\$ 59,367,428,259	75.62%
2021	\$ 223,172,755,137	\$ 201,807,002,496	\$ 227,273,463,630	\$ 25,466,461,134	88.79%
2020	\$ 184,361,870,581	\$ 165,416,245,243	\$ 218,974,205,084	\$ 53,557,959,841	75.54%

8. HEALTH CARE COVERAGE

During the year ended August 31, 2023, we participated in the TRS - Active Care Health Insurance Program. Employees of the Academy were covered by our insurance plan (the "Plan"). Under this plan, the Academy and State (Teacher Retirement System of Texas) contribute approximately \$450 and \$75, respectively, to the employee's premium. The employee pays the balance of their premium as well as premiums for dependent coverage through payroll deductions. There were no other liabilities associated with the Plan.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

9. RETIREE HEALTH PLAN

Plan Description: We contribute to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined Other Post-Employment Benefit health care plan with a special funding situation administered by the Teacher Retirement System of Texas. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants.

OPEB Plan Fiduciary Net Position: Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; on the Internet at: <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; or by calling (512) 542-6592.

The TRS-Care plan for the year ended August 31, 2022, in which the Academy participates, is outlined in the table below. There are no collective-bargaining agreement nor is there a withdrawal penalty for leaving the TRS system:

TRS Care Other Post-Employment Benefits (OPEB)	Total Plan Assets	TRS Care Plan Fiduciary Net Position	Total OPEB Liabilities	Net OPEB Liability	Percent Funded
2022	\$3,308,391,215	\$3,117,937,218	\$ 27,061,942,520	\$ 23,944,005,302	11.52%
2021	\$2,733,911,371	\$2,539,242,470	\$ 41,113,711,083	\$ 38,574,468,613	6.18%
2020	\$2,146,681,144	\$1,996,317,932	\$ 40,010,833,815	\$ 38,014,515,883	4.99%

Benefits Provided: TRS-Care provides a basic health insurance coverage at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in the high deductible health plans. Eligible retirees and their dependents enrolled in Medicare may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

9. RETIREE HEALTH PLAN (Continued)

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with Medicare and without Medicare coverage.

TRS-Care Monthly Plan Premium Rates				
	Medicare		Non-Medicare	
Retiree or Surviving Spouse	\$	135	\$	200
Retiree and Spouse		529		689
Retiree or Surviving Spouse and Children		468		408
Retiree and Family		1,020		999

Contributions: Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee’s pay. The following table shows contributions to the TRS-Care plan by type of contributor.

For the Year ended August 31	Staff Members’ Contributions to TRS - Care		State TRS Contributions Made on Behalf of the Academy		Federal/private Funding remitted by the Academy		Academy Contributions to TRS - Care	
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount
	2023	0.65%	\$ 9,519	1.25%	\$ 16,881	1.25%	\$ 1,546	0.75%
2022	0.65%	\$ 9,707	1.25%	\$ 17,256	1.25%	\$ 1,340	0.75%	\$ 12,470
2021	0.65%	\$ 8,860	1.25%	\$ 15,563	1.25%	\$ 1,523	0.75%	\$ 11,746

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D contributions made on behalf of the Academy for the years ended August 31, 2021, 2022, and 2023 were, \$5,691, \$5,257, and \$6,638 respectively.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

10. COMMITMENTS AND CONTINGENCIES

Building Purchase Commitment - We executed an earnest money contract in August 2023 for the purchase of a building to relocate one of our campuses. We have requested an extension of the contract through June 30, 2024 due to re-zoning requirements.

Contingencies - We receive funds through state and federal programs which 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 the federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school 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. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

11. LITIGATION

We are the defendant in various lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the financial statements and accordingly, no provision has been accrued.

12. CONCENTRATION OF REVENUE, SUPPORT, AND GAINS

During the year ended August 31, 2023, we received revenue of \$4,175,874 from the Texas Education Agency (TEA) related to state programs and federal grants. This constitutes approximately 93% of our total revenue. The loss of this charter agreement with TEA could have a material impact on our ability to continue to provide the current level of services to our students.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

13. REVENUES BY DETAIL OBJECT CODE

As of August 31, 2023, we had the following revenues by detail object code:

	<u>Revenue</u>
<u>LOCAL SUPPORT</u>	
5740 Other revenues from local sources	\$ 306,361
<u>STATE PROGRAM REVENUES</u>	
5810 Per Capita and Foundation School Program Revenues	3,724,998
5820 Other state program revenues	7,500
Total state revenues	<u>3,732,498</u>
<u>FEDERAL PROGRAM REVENUES</u>	
5920 Federal revenues distributed by the TEA	443,376
Total federal revenues	<u>443,376</u>
Total revenues	<u><u>\$ 4,482,235</u></u>

14. EXPENSES BY TEA FUNCTION

As of August 31, 2023, we had the following expenses by TEA function:

<u>Function</u>	<u>Description</u>	<u>Expense</u>
11	Instruction	\$ 1,518,159
13	Curriculum Development and Instructional Staff Development	123,372
23	School Leadership	260,042
31	Guidance, Counseling and Evaluation Services	140,302
35	Food Services	7,742
41	General Administration	369,866
51	Plant Maintenance and Operations	197,587
52	Security and Monitoring Services	98,389
53	Data Processing Services	44,170
		<u><u>\$ 2,759,629</u></u>

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

15. SCHEDULE OF EXPENSES BY OBJECT CODE

Expenses as of August 31, 2023:

6100	Payroll costs	\$ 1,826,748
6200	Professional and contracted services	570,438
6300	Supplies and materials	167,706
6400	Other operating costs	<u>194,737</u>
	Total expenses	<u>\$ 2,759,629</u>

16. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets with donor restriction as of August 31, 2023 in the amount of \$9,188,416 are restricted by the Foundation School Program from the Texas Education Agency for educational purposes in accordance with Texas law.

Net assets were released from donor restriction by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors were as follows during the year ended August 31, 2023:

State Funds - Education	\$ 2,389,374
Federal Funds - Education	<u>370,255</u>
Total expenses	<u>\$ 2,759,629</u>

17. RELATED PARTIES

From time to time, we may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred during the year ending August 31, 2023.

18. EVALUATION OF SUBSEQUENT EVENTS

We have evaluated subsequent events through January 25, 2024, the date which the financial statements were available to be issued.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

19. BUDGET VARIANCES

The final budget did not vary from the original budget in total. However, the budget for Guidance, Counseling, and Evaluation Services and Food Services costs were increased to allow for additional contracted services and supplies necessary to meet student needs, and the budget for School Leadership and Data Processing Services was reduced due to changes in staffing levels and necessary services.

We experienced a budget overage in function 13 - Curriculum & Instructional Staff Development of \$96,627 due to a determination after year-end that salaries would be more appropriately code to this function in accordance with the Financial Accountability System Resource Guide. A related offsetting favorable budget variance was experienced in function 21 - Instructional Leadership.

20. NEW ACCOUNTING PRONOUNCEMENTS

During June 2016, Accounting Standards Update No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* was issued. The requirements of this ASU will be effective for periods beginning after December 15, 2022. The new guidance provides financial statement users with improved information about expected credit losses on financial instruments and other commitments to extend credit. We are evaluating the impact this standard will have on our financial reporting.

OTHER INFORMATION - REQUIRED TEA SCHEDULES

EL PASO ACADEMY, INC.

**BUDGETARY COMPARISON SCHEDULE
CHARTER SCHOOL (Non-GAAP Basis)
(UNAUDITED)**

FOR THE YEAR ENDED AUGUST 31, 2023

	<u>Budgeted Amounts</u>		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Local support:				
5740 Other Revenues from Local Sources	\$ 20,000	\$ 20,000	\$ 306,361	\$ 286,361
5760 Revenues from Intermediate Sources	1,000	1,000	-	(1,000)
Total Local support	<u>21,000</u>	<u>21,000</u>	<u>306,361</u>	<u>285,361</u>
State program revenues:				
5810 Foundation School Program Act Revenues	2,417,330	2,417,330	3,724,998	1,307,668
Total State support	<u>2,417,330</u>	<u>2,417,330</u>	<u>3,724,998</u>	<u>1,307,668</u>
Total revenues	<u>2,438,330</u>	<u>2,438,330</u>	<u>4,031,359</u>	<u>1,593,029</u>
Expenses:				
11 Instruction	1,087,813	1,100,813	1,187,907	(87,094)
13 Curriculum & Instructional Staff Development	-	-	96,627	(96,627)
21 Instructional Leadership	94,620	101,120	-	101,120
23 School Leadership	285,784	256,284	251,999	4,285
31 Guidance Counseling and Evaluation Services	117,220	136,220	138,215	(1,995)
35 Food Services	4,200	8,200	7,742	458
41 General Administration	372,338	372,338	367,771	4,567
51 Plant maintenance and operations	193,000	193,000	194,305	(1,305)
52 Security and Monitoring Services	97,300	102,300	98,389	3,911
53 Data Processing Services	65,000	47,000	38,919	8,081
Total expenses	<u>2,317,275</u>	<u>2,317,275</u>	<u>2,381,874</u>	<u>(64,599)</u>
Change in net assets	121,055	121,055	1,649,485	1,528,430
Net assets, beginning of year (budgeted funds)	<u>8,814,567</u>	<u>8,814,567</u>	<u>8,814,567</u>	<u>-</u>
Net assets, ending of year (budgeted funds)	8,935,622	8,935,622	10,464,052	1,528,430
Net assets, ending of year (unbudgeted funds)	<u>-</u>	<u>-</u>	<u>83,793</u>	<u>-</u>
	<u>\$ 8,935,622</u>	<u>\$ 8,935,622</u>	<u>\$ 10,547,845</u>	<u>\$ 1,612,223</u>

The preceding schedule discloses revenues by detailed object code and expenses by detailed function code as defined in the Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts (non-GAAP basis).

The budgetary comparison schedule only includes funds over which the Board has authority. As such, grant funds with budgets set by the granting agency and student activity funds are not included in the schedule above.

EL PASO ACADEMY, INC.

SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST

FOR THE YEAR ENDED AUGUST 31, 2023

Description	Property Address	Total Assessed Value	Ownership Interest - Local	Ownership Interest - State	Ownership Interest - Federal
14 Vista del Sol #10 RPL D WLY PT of 3-B (IRREG on N-154.96 FT on E-272.82 FT on S-200 FT on W) (48093.59 Sq Ft)	11000 Argal Ct., El Paso, TX 79935	\$ 1,061,617	\$ 10,000	\$ 1,016,900	\$ -
8 Colonia Miramonte ELY 485.30 FT of Block	201 W Redd Rd, El Paso, TX 79932	1,994,414	-	1,512,439	-
		<u>\$ 3,056,031</u>	<u>\$ 10,000</u>	<u>\$ 2,529,339</u>	<u>\$ -</u>

EL PASO ACADEMY, INC.
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	398797
<hr/>		
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	564195
<hr/>		

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
<hr/>		
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	28928
<hr/>		
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	7000
<hr/>		

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
El Paso Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of El Paso Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, 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 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Paso Academy, Inc.'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 El Paso Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of El Paso Academy, Inc.'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 entity'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Paso Academy, Inc.'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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the El Paso Academy, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gibson Ruddock Patterson LLC

Gibson Ruddock Patterson, LLC
El Paso, Texas
January 25, 2024

EL PASO ACADEMY, INC.

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED AUGUST 31, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Were significant deficiencies in internal control disclosed? None reported

Were material weaknesses in internal control disclosed? No

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with *Government Auditing Standards*? No

EL PASO ACADEMY, INC.

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED AUGUST 31, 2023

FINANCIAL STATEMENT FINDINGS

There are no current year findings.

EL PASO ACADEMY, INC.

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2023

FINANCIAL STATEMENTS FINDINGS

There were no prior year findings.