

EL PASO ACADEMY, INC.
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

EL PASO ACADEMY, INC.

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EL PASO ACADEMY, INC.

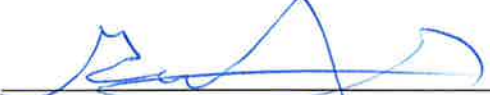
County District Identification Number 071-804

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, 2022, at a meeting of the governing body of El Paso Academy, Inc. on the 24th day of January 2023.



Signature of Board Secretary



Signature of Board President

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EL PASO, TX 79912

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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, 2022, and the related statements of activities 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, 2022, 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.

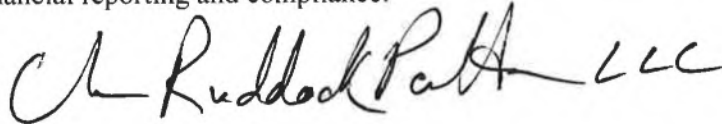
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison schedule and the Schedule of Real Property Ownership, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023, 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.

A handwritten signature in black ink that reads "Gibson Ruddock Patterson LLC". The signature is written in a cursive, flowing style.

Gibson Ruddock Patterson, LLC
El Paso, Texas
January 24, 2023

EL PASO ACADEMY, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2022

ASSETS

Current Assets	
Cash and cash equivalents	\$ 6,612,723
Restricted cash and cash equivalents	8,846
Due from Texas Education Agency	568,122
Prepayments	<u>71,957</u>
Total current assets	7,261,648
Property and equipment, net	<u>1,710,008</u>
Total assets	<u><u>\$ 8,971,656</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 26,990
Payroll deductions and withholdings payable	19,932
Accrued wages payable	90,649
Due to student groups	<u>8,846</u>
Total current liabilities	<u>146,417</u>
Total liabilities	<u>146,417</u>
Net Assets	
With donor restrictions	7,772,171
Without donor restrictions	<u>1,053,068</u>
Total net assets	<u>8,825,239</u>
Total liabilities and net assets	<u><u>\$ 8,971,656</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Local support:			
Interest income	\$ 28,382	\$ -	\$ 28,382
Miscellaneous revenue	819	-	819
Total local support	<u>29,201</u>	<u>-</u>	<u>29,201</u>
State program revenues:			
Foundation school program	-	2,677,076	2,677,076
Per Capita Apportionment	-	132,151	132,151
Other State Programs	-	18,510	18,510
Total state program revenues	<u>-</u>	<u>2,827,737</u>	<u>2,827,737</u>
Federal program revenues:			
ESEA Title I Part A - Improving Basic Programs	-	236,034	236,034
ESEA Title II Part A - Supporting Effective Instruction	-	12,625	12,625
ESSER I - School Emergency Relief	-	23,829	23,829
ESSER II - CRRSA	-	775	775
ESSER III - American Rescue Plan	-	185,601	185,601
Total federal program revenues	<u>-</u>	<u>458,864</u>	<u>458,864</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>2,768,975</u>	<u>(2,768,975)</u>	<u>-</u>
Total revenues	<u>2,798,176</u>	<u>517,626</u>	<u>3,315,802</u>
Expenses			
Program services:			
Instruction and instructional - related services	1,483,255	-	1,483,255
Instructional and school leadership	317,621	-	317,621
Support services:			
Support services - student (pupil)	163,424	-	163,424
Administrative support services	413,980	-	413,980
Support services - non-student based	390,695	-	390,695
Total expenses	<u>2,768,975</u>	<u>-</u>	<u>2,768,975</u>
Change in net assets	29,201	517,626	546,827
Net assets, beginning of year	<u>1,023,867</u>	<u>7,254,545</u>	<u>8,278,412</u>
Net assets, end of year	<u>\$ 1,053,068</u>	<u>\$ 7,772,171</u>	<u>\$ 8,825,239</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, 2022

	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	\$ 971,625	\$ 260,571	\$ 67,848	\$ 232,201	\$ -	\$ 1,532,245
Benefits and payroll taxes	148,581	36,406	9,852	26,506	-	221,345
Total Payroll Expenses	1,120,206	296,977	77,700	258,707	-	1,753,590
Professional and contracted services						
Professional services	256	-	-	64,979	93,679	158,914
Education Service Center services	22,502	-	-	28,662	-	51,164
Maintenance and repair	-	-	-	-	87,783	87,783
Utilities	-	-	-	-	99,128	99,128
Rentals	8,636	-	-	698	3,920	13,254
Misc. Contracted services	134,879	-	79,487	-	41,345	255,711
Total Professional and Contracted Services	166,273	-	79,487	94,339	325,855	665,954
Supplies and materials						
Supplies for maintenance	-	-	-	-	2,565	2,565
Food costs	-	-	4,971	-	-	4,971
General supplies	137,581	14,154	60	2,123	29,880	183,798
Total Supplies and Materials	137,581	14,154	5,031	2,123	32,445	191,334
Other operating costs						
Travel	1,749	2,413	1,206	3,085	-	8,453
Insurance	-	-	-	12,989	21,063	34,052
Depreciation	44,345	-	-	2,629	11,332	58,306
Misc. Operating costs	13,101	4,077	-	40,108	-	57,286
Total Other Operating Costs	59,195	6,490	1,206	58,811	32,395	158,097
Total Expenses	\$ 1,483,255	\$ 317,621	\$ 163,424	\$ 413,980	\$ 390,695	\$ 2,768,975

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, 2022

Cash flows from operating activities:	
Foundation School Program payments	\$ 2,734,718
Grant payments	389,339
Interest revenue	28,382
Miscellaneous sources	819
Payments to charter school personnel for services rendered	(1,736,720)
Payments to vendors for goods and services rendered	(846,986)
Payments for other operating expenditures	<u>(99,769)</u>
Net cash provided by operating activities	<u>469,783</u>
Cash flows from investing activities:	
Acquisition of capital assets	<u>(6,641)</u>
Net increase in cash	463,142
Cash, cash equivalents, and restricted cash at beginning of year	<u>6,158,427</u>
Cash, cash equivalents, and restricted cash at end of year	<u><u>\$ 6,621,569</u></u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ 546,827
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	58,306
(Increase) decrease in assets	
Due from Texas Education Agency	(162,544)
Prepaid Assets	4,976
Increase (decrease) in operating liabilities	
Accounts payable	5,326
Payroll deductions and withholdings payable	(827)
Accrued wages	17,697
Due to Student Groups	<u>22</u>
Net cash provided by operating activities	<u><u>\$ 469,783</u></u>

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

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

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”) 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. Accordingly, no tax liability has been included in the accompanying financial statements. The Academy is governed by a Board of Directors selected pursuant to the bylaws of the corporation and 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.

The Academy provides college preparatory curricula for students in grades 9 - 12. The Academy operates under one open enrollment charter granted by the State of Texas Board of Education and does not conduct any non-charter activities. The Academy is part of the public school system of the State of Texas and is therefore entitled to distributions from the State’s available school fund. The Academy does not have the authority to impose ad valorem taxes or to charge tuition.

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

B. Financial Statement Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. 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 obligations and not subject to donor restrictions 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.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

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).

C. 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.

D. Cash, Cash Equivalents, and Restricted Cash

For purposes of the statement of cash flows, the Academy considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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 statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

F. Certificates of Deposit

Certificates of deposit with original maturities greater than three months are considered investments. Certificates of deposit with original maturities of more than three months that are held for more than 12 months are considered long-term investments.

G. Financial Instruments and Credit Risk

The Academy manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Academy has not experienced any losses in any of these accounts.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

H. Property and Equipment

All assets acquired with a value of \$5,000 or greater are defined by the Academy as fixed assets and are recorded at historical or estimated cost. Such assets are depreciated over the estimated useful lives of the assets, which range from 5 to 50 years, using the straight-line method of depreciation. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donated assets are reported as direct additions to net assets at the fair market value at the time of donation, which is then treated as cost. The Academy's long-lived assets are not carried at amounts in excess of their fair values at August 31, 2022.

I. Revenues and Revenue Recognition

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. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. 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.

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.

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.

J. Fair Value Measurement

The Academy utilizes 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 defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Academy follows a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Fair value is determined by using quoted prices for identical assets or liabilities in active markets.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Estimates of fair values are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could affect the fair value estimates.

The Academy has determined that the following items meet the definition of financial instruments: Cash and Cash equivalents, Certificates of Deposits, due from Texas Education Agency, prepaid assets, accounts payables, and accrued liabilities. Management believes the carrying amount of its financial instruments, approximate fair value at August 31, 2022, because of the relative short term nature of these instruments. These are all considered to be recorded at Level 1 measurements.

The Academy reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and is not aware of any events or changes in circumstances that would require impairment testing during the fiscal year under audit.

K. Personal Leave

All employees of the Academy earn ten days of paid personal leave per year. Five of these days are granted by the State. Only these days are accumulated if not used. However, the Academy does not have a policy requiring the payment of any amounts related to accumulated personal leave when employees separate from service. As such, as of August 31, 2022, there is no liability accrued on these financial statements.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

2. CASH AND INVESTMENTS

At August 31, 2022 the carrying amount of the Academy's deposits (cash and interest-bearing savings accounts) was \$1,530,252 and the bank balance was \$1,602,623. Of the aforementioned balance the entire amount was insured by the Federal Depository Insurance Corporation.

The Academy reported \$8,846 of restricted cash and cash equivalents which is restricted for Student groups.

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, the Academy's temporary investments are presented as cash and cash equivalents as of August 31, 2022, and, include the following:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>WAM (in days)</u>	<u>Rating</u>
TexSTAR	<u>\$ 5,091,317</u>	<u>\$ 5,091,317</u>	53 days	AAAm
Total	<u><u>\$ 5,091,317</u></u>	<u><u>\$ 5,091,317</u></u>		

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 the Academy's 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.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

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	\$ 6,612,723
Due from TEA	<u>568,122</u>
Total	<u>\$ 7,180,845</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, the Academy monitors 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, 2022, the Academy had earned the following unpaid amounts:

ESEA Title I Part A - Improving Basic Programs	\$ 69,165
ESEA Title II Part A - Supporting Effective Instruction	443
ESSER I - School Emergency Relief	15,279
ESSER II - CRRSA	209
ESSER III - American Rescue Plan	19,557
School Safety and Security	5,981
Foundation School Program	<u>457,488</u>
	<u>\$ 568,122</u>

Management has determined that an allowance for doubtful accounts is not necessary for fair presentation as there is usually no risk of uncollectibility.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

5. CAPITAL ASSETS

Capital asset activity for the Academy for the year ended August 31, 2022, was as follows:

Asset	Beginning Balance 8/31/20	Additions	Deletion, Reclassification and Adjustment	Ending Balance 8/31/21	Depreciable Lives
Land	\$ 168,000	\$ -	\$ -	\$ 168,000	
Building and improvements	2,364,698	6,641	-	2,371,339	50 yrs.
Equipment	68,309	-	-	68,309	5 yrs.
Total property and equipment	<u>2,601,007</u>	<u>6,641</u>	<u>-</u>	<u>2,607,648</u>	
Less accumulated depreciation for:					
Building and improvements	784,624	45,792	-	830,416	
Equipment	54,710	12,514	-	67,224	
Total accumulated depreciation	<u>839,334</u>	<u>58,306</u>	<u>-</u>	<u>897,640</u>	
Property and equipment, net	<u>\$ 1,761,673</u>	<u>\$ (51,665)</u>	<u>\$ -</u>	<u>\$ 1,710,008</u>	

Depreciation expense for the year ended August 31, 2022, was \$58,306.

Depreciation expense was charged to the following functions:

Instruction	\$ 44,345
General Administration	2,629
Security Monitoring	<u>11,332</u>
Total Depreciation Expense	<u>\$ 58,306</u>

6. SCHEDULE OF CAPITAL ASSET OWNERSHIP

Capital assets acquired with public funds received by the Academy for its operations constitute public property pursuant to Chapter 12 of the Texas Education Code and is restricted for this purpose. As of August 31, 2022, 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

AUGUST 31, 2022

7. DEFINED BENEFIT PENSION PLAN

Plan Description: The Academy participates 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 Comprehensive Annual 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

AUGUST 31, 2022

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
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
2020	7.70%	\$ 97,448	7.50%	\$ 72,133	7.50%	\$ 45,840

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 - \$7,755
- New Members - \$6,482
- Public Education Employer Contribution - \$25,229
- Statutory Minimum - \$17,457

The TRS Comprehensive Annual Financial Report for the plan year ended August 31, 2021, 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
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%
2019	\$ 181,800,159,205	\$ 157,978,199,075	\$ 209,961,325,288	\$ 51,983,126,213	75.24%

8. HEALTH CARE COVERAGE

During the year ended August 31, 2022, the Academy participated in the TRS - Active Care Health Insurance Program. Employees of the Academy were covered by the Academy's 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

AUGUST 31, 2022

9. RETIREE HEALTH PLAN

Plan Description: The Academy Inc. contributes 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 Comprehensive Annual 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/#CAFR>; or by calling (512) 542-6592.

The TRS-Care plan for the year ended August 31, 2021, 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
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%
2019	\$1,475,508,564	\$1,292,022,349	\$ 48,583,247,239	\$ 47,291,224,890	2.66%

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

AUGUST 31, 2022

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
	2022	0.65%	\$ 9,707	1.25%	\$ 17,256	1.25%	\$ 1,340	0.75%
2021	0.65%	\$ 8,860	1.25%	\$ 15,563	1.25%	\$ 1,523	0.75%	\$ 11,746
2020	0.65%	\$ 8,147	1.25%	\$ 15,314	1.25%	\$ 1,272	0.75%	\$ 10,371

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, 2020, 2021, and 2022 were \$5,618, \$5,691 and \$5,257, respectively.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

10. OPERATING LEASES

The Academy leases office equipment under lease agreements. The original terms of the agreements are either on a month-to-month basis or for a period of 60 months.

The following is a lease schedule of future minimum rental payments required under all non-cancelable operating leases as of August 31, 2022:

2023	\$	5,880
2024		<u>3,430</u>
Total	\$	<u>15,190</u>

Total rental expense for all operating leases was \$13,254 for the year ended August 31, 2022.

11. COMMITMENTS AND CONTINGENCIES

The Academy receives 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 contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been made in the accompanying financial statements for such contingencies.

12. LITIGATION

The Academy is 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 effect on the accompanying financial statements and accordingly, no provision has been accrued.

13. ECONOMIC DEPENDENCY

During the year ended August 31, 2022, the Academy received revenue of \$3,286,601 from the Texas Education Agency (TEA). This constitutes approximately 99.1% of total revenue earned. The loss of this charter agreement with TEA could have a material impact on the ability of the Academy to continue to provide the current level of services to its students.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

14. INCOME TAX STATUS

The Internal Revenue Service has determine that the Academy is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code section 501(c)(3). Accordingly, no tax liability has been included in the accompanying financial statements.

The Academy's Forms 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ending in 2019, 2020, and 2021 are subject to examination by the IRS, generally for three years after they were filed.

Management believes there is no unrelated business income for the year ended August 31, 2022.

15. REVENUES BY DETAIL OBJECT CODE

As of August 31, 2022, the Academy had the following revenues by detail object code:

	<u>Revenue</u>
<u>LOCAL SUPPORT</u>	
5740 Other revenues from local sources	\$ 28,382
5760 Revenues from intermediate sources	<u>819</u>
Total local revenues	<u>29,201</u>
<u>STATE PROGRAM REVENUES</u>	
5810 Foundation school program act revenues	2,809,227
5820 Other state program revenues	<u>18,510</u>
Total state revenues	<u>2,827,737</u>
<u>FEDERAL PROGRAM REVENUES</u>	
5920 Federal revenues distributed by the TEA	<u>458,864</u>
Total federal revenues	<u>458,864</u>
Total revenues	<u><u>\$ 3,315,802</u></u>

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

16. EXPENSES BY TEA FUNCTION

As of August 31, 2022, the Academy had the following expenses by TEA function:

Function	Description	Expense
11	Instruction	\$ 1,447,880
13	Curriculum Development and Instructional Staff Development	35,375
21	Instructional Leadership	53,118
23	School Leadership	264,503
31	Guidance, Counseling and Evaluation Services	158,453
35	Food Services	4,971
41	General Administration	413,980
51	Plant Maintenance and Operations	214,459
52	Security and Monitoring Services	110,261
53	Data Processing Services	65,975
		<u>\$ 2,768,975</u>

17. SCHEDULE OF EXPENSES BY OBJECT CODE

Expenses as of August 31, 2022:

6100	Payroll costs	\$ 1,753,590
6200	Professional and contracted services	665,954
6300	Supplies and materials	191,334
6400	Other operating costs	158,097
	Total expenses	<u>\$ 2,768,975</u>

18. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction as of August 31, 2022, are restricted by the Foundation School Program from the Texas Education Agency.

Net assets were released from restriction by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

State Funds	\$ 2,310,111
Federal Funds	<u>458,864</u>
Total expenses	<u>\$ 2,768,975</u>

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

19. RELATED PARTIES

From time to time, the Academy 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, 2022.

20. EVALUATION OF SUBSEQUENT EVENTS

The Academy has evaluated subsequent events through January 24, 2023, the date which the financial statements were available to be issued.

21. BUDGET VARIANCES

The final budget did not vary from the original budget in total. However, the budget for instructional leadership and security costs were increased to allow for staffing changes and additional contracted services necessary after campuses returned to in-person learning, and instruction was reduced by the same amount. In addition, several functions did fluctuate, two of which fluctuated by more than 10% of the original budget.

Also, the Academy experienced a budget overage in function 31 - Guidance, counseling, and evaluation services of \$21,850, or 16%, and in function 52 - Security and monitoring services of \$22,261, or 25% due to increased use and scope of services for guidance and counseling contracted services and increased use of security guards during the year.

22. NEW ACCOUNTING PRONOUNCEMENTS

During February 2016, Accounting Standards Update No. 2016-02, Leases (Topic 842) was issued. ASU2020-05 Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) - Effective Dates for Certain Entities delayed this standard's effective date. The requirements of this ASU will be effective for periods beginning after December 15, 2021. The new guidance increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. We are evaluating the impact this standard will have on our financial reporting.

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.

(Continued)

EL PASO ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2022

22. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

During July 2021, Accounting Standards Update No. 2021-05, Leases (Topic 842) Lessors - Certain Leases with Variable Lease Payments, was issued. The requirements of this ASU will be effective for periods beginning after December 15, 2021. The new guidance requires a lessor to classify a lease with variable lease payments that do not depend on an index or rate as an operating lease on the commencement date of the lease if specified criteria are met. We are evaluating the impact this standard will have on our financial reporting.

During November 2021, Accounting Standards Update No. 2021-09 Leases (Topic 842) Discount Rate for Lessees that are Not Public Business Entities was issued. The requirements of this ASU will be effective for periods beginning after December 15, 2021. The new guidance allows lessees that are not public business entities to apply the existing risk-free discount rate expedient by class of underlying asset rather than to all leases. We are evaluating the impact this standard will have on our financial reporting.

OTHER INFORMATION - REQUIRED TEA SCHEDULE

EL PASO ACADEMY, INC.

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

FOR THE YEAR ENDED AUGUST 31, 2022

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Local support:				
5740 Other Revenues from Local Sources	\$ 40,000	\$ 40,000	\$ 28,382	\$ (11,618)
5760 Revenues from Intermediate Sources	1,500	1,500	819	(681)
Total Local support	41,500	41,500	29,201	(12,299)
State program revenues:				
5810 Foundation School Program Act Revenues	2,593,336	2,593,336	2,809,227	215,891
Total State support	2,593,336	2,593,336	2,809,227	215,891
Total revenues	2,634,836	2,634,836	2,838,428	203,592
Expenses:				
11 Instruction	1,240,324	1,126,524	1,062,827	63,697
21 Instructional Leadership	-	50,800	51,936	(1,136)
23 School Leadership	294,655	294,655	252,935	41,720
31 Guidance Counseling and Evaluation Services	135,397	135,397	157,247	(21,850)
35 Food Services	2,000	5,000	4,971	29
41 General Administration	405,628	405,628	406,381	(753)
51 Plant maintenance and operations	223,000	223,000	197,578	25,422
52 Security and Monitoring Services	28,000	88,000	110,261	(22,261)
53 Data Processing Services	55,000	55,000	54,106	894
Total expenses	2,384,004	2,384,004	2,298,242	85,762
Change in net assets	250,832	250,832	540,186	289,354
Net assets, beginning of year (budgeted funds)	8,274,381	8,274,381	8,274,381	-
Net assets, ending of year (budgeted funds)	8,525,213	8,525,213	8,814,567	289,354
Net assets, ending of year (unbudgeted funds)	10,672	10,672	10,672	-
	\$ 8,535,885	\$ 8,535,885	\$ 8,825,239	\$ 289,354

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, 2022

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	\$ 1,003,451	\$ 10,000	\$ 1,016,900	\$ -
8 Colonia Miramonte ELY 485.30 FT of Block	201 W Redd Rd, El Paso, TX 79932	1,884,820		1,512,439	-
		<u>\$ 2,888,271</u>	<u>\$ 10,000</u>	<u>\$ 2,529,339</u>	<u>\$ -</u>

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, 2022, 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 24, 2023.

Report of 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.

A handwritten signature in black ink that reads "Gibson Ruddock Patterson, LLC". The signature is written in a cursive, flowing style.

Gibson Ruddock Patterson, LLC
El Paso, Texas
January 24, 2023

EL PASO ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2022

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, 2022

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, 2022

FINANCIAL STATEMENTS FINDINGS

There were no prior year findings.