

EL PASO EDUCATION INITIATIVE, INC.
FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT
FOR THE YEAR ENDED AUGUST 31, 2016 AND 2015

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Certified Public Accountant

EL PASO EDUCATION INITIATIVE, INC.
EL PASO, TEXAS

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EL PASO EDUCATION INITIATIVE, INC.

CERTIFICATE OF BOARD

<u>Name of School District</u>	<u>County</u>	<u>Co.-Dist. Number</u>
Burnham Wood Charter School District	El Paso County	071-801
Vista del Futuro Charter School	El Paso County	071-809

We, the undersigned, certify that the attached Financial and Compliance Report of the El Paso Education Initiative, Inc., charter holder of the Burnham Wood Charter School District and the Vista del Futuro Charter School was reviewed and (check one): approved disapproved for the year ended August 31, 2016, at a meeting of the governing body of El Paso Education Initiative, Inc. on the 18th day of January, 2017.



Signature of Board Secretary



Signature of Board Officer

If the governing body of the charter holder does not approve the independent auditor's report, it must forward a written statement discussing the reason(s) for not approving the report.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
El Paso Education Initiative, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of El Paso Education Initiative, Inc. (a nonprofit organization) which comprise the statement of financial position as of August 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of El Paso Education Initiative, Inc. as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

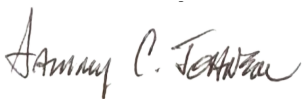
Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statement of financial position-individual charter schools, statement of activities-individual charter schools, statement of cash flows-individual charter schools, and statement of activities by functional expense are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenses-individual charter schools, schedule of capital assets-individual charter schools, and budgetary comparison schedule-individual charter schools, as required by the Texas Education Agency, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 18, 2017, on my consideration of El Paso Education Initiative, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso Education Initiative, Inc.'s internal control over financial reporting and compliance.



El Paso, Texas
January 18, 2017

EL PASO EDUCATION INITIATIVE, INC.

Statement of Financial Position

For the year ended August 31, 2016

(With Comparative Totals for 2015)

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 8,194,850	\$ 6,252,353
Due from governments	620,919	491,193
Due from others	218	2,002
Inventory	5,101	3,878
Deferred expenses	2,403	3,664
Total current assets	<u>8,823,491</u>	<u>6,753,090</u>
Property and equipment - net	10,567,841	10,210,679
Bond costs - net of amortization	211,557	222,085
	<u>10,779,398</u>	<u>10,432,764</u>
Total assets	<u>\$ 19,602,889</u>	<u>\$ 17,185,854</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 50,588	\$ 86,361
Accrued liabilities	161,502	163,880
Accrued interest	226,750	-
Due to governments	9,831	-
Deferred revenue	-	5,916
Bonds payable - current portion	180,000	-
Total current liabilities	<u>628,671</u>	<u>256,157</u>
Long-term debt		
Bonds payable	<u>7,145,000</u>	<u>7,325,000</u>
Total liabilities	<u>7,773,671</u>	<u>7,581,157</u>
Net assets		
Unrestricted	672,862	483,826
Temporarily restricted	11,156,356	9,120,871
Total net assets	<u>11,829,218</u>	<u>9,604,697</u>
Total liabilities and net assets	<u>\$ 19,602,889</u>	<u>\$ 17,185,854</u>

The accompanying notes are an integral part of these statements.

EL PASO EDUCATION INITIATIVE, INC.

Statement of Activities

For the year ended August 31, 2016

(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
REVENUES AND OTHER SUPPORT				
Local support				
Contributions	\$ 4,250	\$ -	\$ 4,250	\$ 7,602
Interest income	-	4,778	4,778	1,169
Other revenues from local sources	368,011	206,827	574,838	375,831
Total local support	372,261	211,605	583,866	384,602
State program revenues				
Foundation school program	-	11,230,367	11,230,367	10,133,798
State revenues distributed by the Texas				
Education Agency	-	49,983	49,983	161,486
State Revenues from State of Texas				
Government Agencies	-	4,206	4,206	-
Total state program revenues	-	11,284,556	11,284,556	10,295,284
Federal program revenues				
ESEA Title I, Part A	-	362,071	362,071	316,869
ESEA Title II, Part A	-	76,026	76,026	69,843
IDEA-B Formula	-	203,124	203,124	179,394
IDEA-B Preschool	-	449	449	450
Title III, Part A, Sub 2	-	9,788	9,788	18,787
National School Lunch and Breakfast Program	-	439,486	439,486	395,888
NASA InSPIRESS Program	-	-	-	3,750
Summer School LEP	-	6,537	6,537	2,953
Total federal program revenues	-	1,097,481	1,097,481	987,934
Net assets released from restrictions				
Restrictions satisfied by payments	10,558,157	(10,558,157)	-	-
Total revenue	10,930,418	2,035,485	12,965,903	11,667,820
EXPENSES AND LOSS				
Program services				
Instruction and instructional related services	5,337,432	-	5,337,432	5,273,950
Instruction and school leadership	942,657	-	942,657	789,266
Support services				
Administrative support services	1,058,846	-	1,058,846	1,065,814
Support services - non-student based	1,862,788	-	1,862,788	1,591,101
Support services - student (pupil)	1,071,630	-	1,071,630	897,829
Debt Service	468,029	-	468,029	477,654
Fundraising	-	-	-	13,285
Total expenses	10,741,382	-	10,741,382	10,108,899
Change in net assets	189,036	2,035,485	2,224,521	1,558,921
Net assets - beginning of year	483,826	9,120,871	9,604,697	8,045,776
Net assets - end of year	\$ 672,862	\$ 11,156,356	\$ 11,829,218	\$ 9,604,697

The accompanying notes are an integral part of these statements.

EL PASO EDUCATION INITIATIVE, INC.

Statement of Cash Flows

For the year ended August 31, 2016

(With Comparative Totals for 2015)

CASH FLOWS FROM OPERATING ACTIVITIES	2016	2015
State program revenues	\$ 11,152,753	\$ 10,056,218
Grant payments	1,018,499	1,026,418
Contributions and fund-raising activities	4,250	7,602
Local sources	579,617	376,527
Payments to vendors for goods and services rendered	(3,311,610)	(2,863,473)
Payments to charter school personnel for services rendered	(6,566,513)	(6,278,250)
Interest payments	(226,750)	(699,225)
	<hr/>	<hr/>
Net cash provided by operating activities	2,650,246	1,625,817
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisition costs	(707,749)	(852,682)
	<hr/>	<hr/>
Net cash used for investing activities	(707,749)	(852,682)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of bonds payable	-	(340,000)
	<hr/>	<hr/>
Net cash used for financing activities	-	(340,000)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,942,497	433,135
Cash and cash equivalents at beginning of year	6,252,353	5,819,218
Cash and cash equivalents at end of year	\$ 8,194,850	\$ 6,252,353
	<hr/>	<hr/>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH		
CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 2,224,521	\$ 1,558,921
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	361,115	332,353
(Increase) decrease in assets		
Inventory	(1,223)	(3,878)
Due from others	1,784	(1,280)
Due from governments	(129,726)	(10,224)
Deferred expenses	1,261	2,490
Increase (decrease) in liabilities		
Accounts payable	(35,773)	(459)
Accrued liabilities	(2,378)	(11,757)
Accrued interest	226,750	(236,100)
Due to governments	9,831	(3,721)
Deferred revenue	(5,916)	(528)
	<hr/>	<hr/>
Total cash provided by operating activities	\$ 2,650,246	\$ 1,625,817
	<hr/>	<hr/>

The accompanying notes are an integral part of these statements.

El Paso Education Initiative, Inc.
Notes to Financial Statements
August 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of El Paso Education Initiative, Inc. were prepared in conformity with the 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 Education Initiative, Inc. (the Charter Holder) is a non-profit organization exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code incorporated in the state of Texas. The Charter Holder operates three campuses under two open-enrollment charters granted by the Texas State Board of Education. The two charters are Vista del Futuro Charter School, offering kindergarten through 6th grade, and Burnham Wood Charter School District, offering kindergarten through 5th grade at Howard Burnham Elementary School and 6th through 12th grade at The Da Vinci School for Science and the Arts, a Texas STEM Academy recognized by the Texas Education Agency.

The charter schools are part of the public school system of the state of Texas and are entitled to distributions from the state's available school fund. The Charter Holder does not have the authority to impose ad valorem taxes or charge tuition.

The Charter Holder operated an after-school-care program limited to charter students.

Accounting Policies

The accounting system is organized under the Special Supplement Nonprofit Charter School Chart of Accounts, a Module of the Texas Education Agency Financial Accountability System Resource Guide.

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. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted - net assets that are not subject to donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.

Temporarily restricted - net assets subject to donor-imposed stipulations that may or will be met either by action of the corporation, the charter school and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - net assets required to be maintained in perpetuity with only the income to be used for the charter school's activities due to donor-imposed restrictions.

El Paso Education Initiative, Inc.
Notes to Financial Statements
August 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

C. Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended August 31, 2015, from which the summarized information was derived.

D. Cash and Cash Equivalents

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

E. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

F. Inventories

Inventories of food commodities are taken at year end and recorded at market values supplied by the Texas Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as expenditures and revenue when received.

G. Property and Equipment

All assets acquired with a value of \$5,000 or greater are defined by the Charter Holder 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 39 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 at the fair market value at the time of acquisition.

H. Reclassifications

Certain amounts in the prior-year financial statements have been reclassified in order to be comparable with the current year presentation.

El Paso Education Initiative, Inc.
Notes to Financial Statements
August 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Revenues

Revenues from the state's available school fund are based on reported attendance.

Contributions received are recognized as revenue in the period received and are reported as either restricted or unrestricted support.

- Contributions with donor-imposed restrictions are reported as restricted support. Restricted support increases temporarily restricted net assets.
- Contributions without donor-imposed restrictions are reported as unrestricted support. Unrestricted support increases unrestricted net assets.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

J. Fair Value Measurement

The Charter Holder 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. Financial instruments included in the financial statements include cash and cash equivalents, receivables and other assets, accounts payable, accrued liabilities, deferred revenue and bonds payable. Unless otherwise disclosed in the notes to the financial statements, the carrying value of financial instruments is considered to approximate fair value due to the maturity and the characteristics of those instruments. The carrying value of bonds payable approximates fair value as terms approximate those currently available for similar debt instruments.

K. Personal Leave

Faculty and non-faculty employees of the Charter Holder working a minimum of 30 hours per week accrue sick/personal-leave benefits at the rate of five days per year. The Charter Holder does not have a policy requiring the payment of any amounts related to accumulated sick/personal leave when employees separate from service. As such, as of August 31, 2016, there is no liability accrued on the financial statements.

2. CASH AND INVESTMENTS

At August 31, 2016, the carrying amount of the Charter Holder's deposits (cash and interest-bearing savings) were \$8,179,041 and the bank balance was \$8,396,904. Deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At August 31, 2016, the Charter Holder's had cash balances exceeding insurance coverage of \$7,403,394. The Charter Holder maintains its cash with high quality financial institutions which the Charter Holder believes limits these risks.

El Paso Education Initiative, Inc.
Notes to Financial Statements
August 31, 2016

2. CASH AND INVESTMENTS (continued)

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the Charter Holder to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Charter Holder 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. The Act also requires the Charter Holder to have independent auditors perform test procedures related to investment practices as provided by the Act.

Due to the immediate availability of the funds, the Charter Holder’s temporary investments are presented as cash and cash equivalents as of August 31, 2016 and, include the following:

	Carrying Value	Market Value	WAM (in days)	Rating
TexPool	\$ 5,205	\$ 5,205	42 days	AAAm
TexSTAR	10,605	10,605	39 days	AAAm
	<u>\$ 15,810</u>	<u>\$ 15,810</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. These funds are not insured or guaranteed by the FDIC or any other governmental agency.

TexPool is a local government investment pool in the State of Texas. The State Comptroller of Public Accounts oversees TexPool. There is also a TexPool Advisory Board, composed of participants which advise on TexPool’s Investment policy and approve fee increases. TexPool is a pooled investment program administered by First Southwest Asset Management, Inc. and JP Morgan Chase. These funds are not insured or guaranteed by the FDIC or any other governmental agency.

Although TexPool and TexStar are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. GASB Statement Number 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the Charter Holder’s in the TexPool and TexStar is the same as the value of the TexPool and TexStar shares. TexPool and TexStar each issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by calling TexPool at 1-866-TEXPOOL and TexStar at 1-800-839-7827.

El Paso Education Initiative, Inc.
Notes to Financial Statements
August 31, 2016

3. CAPITAL ASSETS

Capital asset activity for the Charter Holder for the year ended August 31, 2016, was as follows:

Assets	Beginning Balance 8/31/15	Additions	Deletion, Reclassification and Adjustment	Ending Balance 8/31/16	Depreciable Lives
Land	\$ 1,194,375	\$ 331,326	\$ 236,652	\$ 1,762,353	
Building and improvements	10,336,792	252,398	-	10,589,190	39 years
Construction in progress	236,652	-	(236,652)	-	
Furniture and equipment	709,829	97,247	-	807,076	5-10 years
Technology	-	26,778	-	26,778	3 years
Vehicles	8,478	-	-	8,478	5 years
Total property and equipment	12,486,126	707,749	-	13,193,875	
Less accumulated depreciation for:					
Building	(1,724,483)	(282,181)	-	(2,006,664)	
Furniture and equipment	(542,486)	(68,406)	-	(610,892)	
Vehicles	(8,478)	-	-	(8,478)	
Total accumulated depreciation	(2,275,447)	(350,587)		(2,626,034)	
Property and equipment, net	\$ 10,210,679	\$ 357,162	\$ -	\$ 10,567,841	

Capital assets acquired with public funds received by the Charter Holder for the operation of the charter school constitute public property pursuant to Charter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets. Depreciation expense for the year ended August 31, 2016 was \$350,586.

Depreciation expense was charged to the following functions:

Instruction	\$ 20,520
School Leadership	1,395
Facilities Maintenance and Operations	321,111
Food Services	1,646
Data Processing Services	5,914
	<u>\$ 350,586</u>

El Paso Education Initiative, Inc.
Notes to Financial Statements
August 31, 2016

4. BOND COST

The cost of bonds issued is being amortized over a 30 year period.

Bond Cost	Accumulated Amortization	Unamortized Bond Cost	Current Year Amortization
\$ 315,861	\$ 104,304	\$ 211,557	\$ 10,529

5. DUE FROM TEXAS EDUCATION AGENCY

As of August 31, 2016 the Charter Holder had earned the following unpaid amounts:

ESEA, Title I, Part A	\$ 70,449
IDEA, Part B - Formula	9,274
National School Breakfast and Lunch Program	14,712
ESEA, Title II, Part A	36,533
Title III, Part A, Sub 2	9,788
Foundation School Program	480,163
	\$ 620,919

6. BONDS PAYABLE

On October 4, 2006, bonds were issued by the Texas Public Finance Authority Charter School Finance Corporation as follows: \$8,360,000 of Education Revenue Bonds, Burnham Wood Charter School Project (Series 2006A), the proceeds of which were loaned to the Charter Holder to be used to finance the acquisition, construction and equipping, rehabilitation and renovations of certain land, buildings, equipment, facilities and improvements located on two campuses in El Paso, TX and to pay certain of the costs of issuing the series 2006 bonds. The issue proceeds were placed in accounts designated for construction and future debt service at Wells Fargo Bank NA (the Trustee). The bonds mature serially each September 1st starting 2008 until 2036 with interest ranging from 5.5% to 6.75%.

The Charter Holder is required to maintain a debt service reserve fund which is currently equal to the maximum annual principal and interest requirements of the bonds. A guaranty agreement dated July 20, 2007, between the Charter Holder and the Texas Public Finance Authority Charter School Finance Corporation provides Reserve Fund guaranty coverage in the amount of \$650,613 as part of the Texas Credit Enhancement Program. Funds held in the Debt Reserve Fund of \$650,613, from the original issue were released for construction and acquisition. The series 2006A Bonds are subject to optional redemption in whole or part on September 1, 2016. The trust agreement contains certain covenants with which the Charter Holder was in compliance during the fiscal period ended August 31, 2016.

El Paso Education Initiative, Inc.
Notes to Financial Statements
August 31, 2016

6. BONDS PAYABLE (continued)

Debt service for the Series 2006A bonds are as follows:

Fiscal Year End	Principal	Interest	Totals
2017	\$ 180,000	\$ 448,550	\$ 628,550
2018	190,000	438,375	628,375
2019	205,000	427,513	632,513
2020	215,000	415,156	630,156
2021	225,000	401,406	626,406
2022-2026	1,360,000	1,769,688	3,129,688
2027-2031	1,845,000	1,272,656	3,117,656
2032-2036	2,505,000	598,281	3,103,281
2037	600,000	18,750	618,750
Total	<u>\$ 7,325,000</u>	<u>\$ 5,790,375</u>	<u>\$ 13,115,375</u>

The Charter Holder incurred interest in the amount of \$453,500 which is included in the “Support services-non-student based” expenses.

7. PENSION PLAN

Plan Description: The Charter Holder contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8 Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplemental information for the defined benefit pension plan. That report may be obtained by writing the TRS Communications Department, 1000 Red River, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publication heading.

The TRS plan differs from a single-employer plan as follows: (1) charter schools are legally separate entities from the state and each other, (2) assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school, (3) the unfunded obligations get passed along to the other charter schools and ISDs, (4) there is no withdrawal penalty for leaving the TRS system.

El Paso Education Initiative, Inc.
Notes to Financial Statements
August 31, 2016

7. PENSION PLAN (continued)

The latest TRS Comprehensive Annual Financial Report available dated August 31, 2016 indicated the following:

Name of the Pension Fund	EIN and Plan Number, if Available	Total Plan Assets	Accumulated Benefit Obligations	Funded Percentage
Teacher Retirement System of Texas	N/A	\$152,925,647,396	\$171,797,150,487	78.00%

There is not a collective-bargaining agreement.

Funding Policy: Contribution requirements are not actuarially determined but are legally established and amended by the Texas State Legislature. The state funding policy is: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.4% of the member's annual compensation and a state contribution rate not less than 6.4% and not more than 10.0% of the aggregate annual compensation of all members of the system and, (2) a state statute prohibits benefit improvements or contributions reductions if, as a result of the particular action, the time required to amortize TRS's 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. State law provides for a member contribution rate of 7.2% for the fiscal year 2016, 6.7% for the fiscal year 2015, and 6.4% for the fiscal year 2014, and for a state contribution rate of 6.8% for the fiscal years 2016 and 2015, and 6.4% for the fiscal year 2014. In certain instances, the reporting district is required to make all or a portion of the state's 6.4% contribution. The Charter Holder's contributions into this plan do not represent more than 5% of the total contributions to the plan and the Charter Holder was not assessed a surcharge.

Contributions made by employees for the fiscal years ended August 31, 2016, 2015, and 2014 were \$391,103, \$342,570, and \$290,011 respectively.

The Charter Holder also offers a 403(b) annuity plan to all eligible employees. No matching employer contributions are required under this plan.

8. HEALTH INSURANCE COVERAGE

During the year ended August 31, 2016, eligible employees of the Charter Holder were covered by TRS Active Care (the Plan) a comprehensive program provided by the Teacher Retirement System of Texas (TRS). The Charter Holder contributed \$200 per month per eligible employee to the Plan. All premiums were submitted to TRS monthly. The state reimbursed the Charter Holder \$75 per month per eligible employee. Coverage that exceeded the Charter Holder contribution was paid by authorized payroll deductions.

9. RETIREE HEALTH PLAN

Plan Description: The Charter Holder contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing, multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under TRS.

El Paso Education Initiative, Inc.
Notes to Financial Statements
August 31, 2016

9. RETIREE HEALTH PLAN (continued)

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.

TRS issues a publicly available financial report that includes financial statements and required supplemental information for TRS-Care. That report may be obtained by visiting the TRS Internet website, www.trs.state.tx.us, under the TRS Publication heading, by writing the TRS Communications Department, 1000 Red River, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778.

Funding Policy: Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and .65% of school payroll, respectively, with the District contributing a percentage of payroll set at .55% for fiscal years 2016, 2015, and 2014. Per Texas Insurance Code, Chapter 1575.204, school contributions may not be less than .25% or greater than .75% of the salary of each active employee of the school.

Contributions made by the Charter Holder, staff members, and the state to TRS are as follows:

For the years ended August 31	District Contributions to TRS-Care	Staff Members' Contributions to TRS-Care	State TRS-Care Contributions Made on Behalf of the District
2016	\$ 29,876	\$ 35,308	\$ 54,320
2015	28,122	33,235	51,130
2014	24,923	29,456	22,657

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2016 consist of the following:

Foundation School Program	\$ 10,889,803
Local Revenues	29,917
State Programs	7,175
PCS-Start-up Grant Cycle 13	16,197
ESEA Title I, Part A - Improving Basic Programs	33,178
National School Breakfast and Lunch Program	180,086
	<u>\$ 11,156,356</u>

El Paso Education Initiative, Inc.
Notes to Financial Statements
August 31, 2016

11. OPERATING LEASES

The Charter Holder leases various property and equipment under various lease agreements. The original terms on these various leases range from 36 to 120 months.

The following is a lease schedule of future minimum rental payments required under all non-cancelable operating leases as of August 31, 2016:

<u>Year-Ended August 31:</u>	
2017	\$ 418,117
2018	431,377
2019	415,470
2020	400,734
2021	<u>374,230</u>
Total	<u>\$ 2,039,928</u>

The future minimum annual rental payments are subject to escalation for real estate taxes and certain maintenance costs.

Total rental expense for all operating leases was approximately \$375,007 for the year ended August 31, 2016.

12. LITIGATION

The Charter Holder is subject to various legal claims that arise from time to time in the ordinary course of business. At this time management believes we have substantial defenses in these matters. We could, in the future, incur judgments that could have a material adverse effect on our results of operations in a particular period.

The following summarizes the nature of the litigation and estimates of the loss or range of loss that may occur:

The Charter Holder is involved in litigation with Amex Properties, LLC (“Amex”). The litigation arises from negotiations for the construction and lease of a commercial building. Amex is a property owner that entered into negotiations with El Paso Education Initiative, Inc. (“Charter Holder”) to construct a building to house one of the Charter Holder’s schools and to lease it to the Charter Holder for a period of 10 years. The Charter Holder delivered a proposed contract to Amex but Amex continued to negotiate contract terms. Subsequently, when the negotiations broke down, Amex claimed it had accepted to previously proposed terms. But Amex’s claim of acceptance was not communicated to the Charter Holder in sufficient time to confirm Amex’s ability to perform the construction required and the Charter Holder withdrew the offer.

Subsequently, Amex sued the Charter Holder for breach of contract, promissory estoppels and attorneys’ fees. The Charter Holder has raised the defense that its Board of Directors had not approved the subject contract. Discovery is currently abated until the court addresses the Charter Holder’s defense of inviolate immunity from these claims for lack of jurisdiction over the non-participating Charter Holder as well as the Charter Holder’s other immunity defenses. Thus, the Charter holder cannot estimate a possible loss or range of loss in connection with this litigation at this time.

El Paso Education Initiative, Inc.
Notes to Financial Statements
August 31, 2016

12. LITIGATION (continued)

The Charter Holder requested advice from a law firm regarding a Texas Education Agency (“TEA”) investigation of the Charter Holder’s compliance with fiscal and program requirements.

This was an action that was brought by the Charter Holder on April 15, 2013 to challenge findings in a Final Report of Investigation issued by the TEA dated March 19, 2012, relating to certain activities of the Charter Holder’s Board and Administration and the reporting of student attendance, as well as the processes used or not used by the TEA both before and after the report was issued. The action is subject to reporting because TEA sought a recovery of its attorney’s fees in its Answer filed in the suit. However, on November 16, 2015 the parties entered into a Memorandum of Settlement of the entire case which provided certain, non-monetary relief to the Charter Holder, with each party to bear their own costs and attorney’s fees. TEA agreed with the Charter Holder’s position that the Charter Holder’s Board did not violate its fiduciary responsibility. Therefore, TEA reversed its prior findings. That settlement was approved by the Charter Holder’s Board and the Attorney General.

An individual was employed by Burnham Wood on an at-will basis as an Administrative Assistant/Support Staff employee during the 2015-2016 school year. The individual’s employment was terminated at the end of the 2015-2016 school year due to excessive absences. The individual filed a Charge of Discrimination with the EEOC on July 1, 2016, claiming that she was the victim of discrimination and harassment on the basis of sex and disability, in violation of Title VII of the Civil Rights Act of 1964 and the Americans with Disabilities Act of 1967, respectively. Specifically, the individual claims that she was terminated due to medical conditions related to a pregnancy (which resulted in a miscarriage) and that Burnham Wood denied her requests for some unidentified reasonable accommodation. Burnham Wood submitted a position statement to the EEOC on August 19, 2016, challenging the individual’s claims and allegations and asserting that all actions taken against her were for legitimate and non-discriminatory reasons. An opinion cannot be expressed with respect to the likelihood of an unfavorable outcome or the amount of range or potential loss if the outcome should be unfavorable.

13. RELATED PARTIES

The Charter Holder paid Burnham Family, LP, an entity 96% constructively owned by Iris Burnham, an employee of El Paso Education Initiative, Inc., \$348,715 in rent for the year ended August 31, 2016 for the use of facilities by Vista del Futuro Charter School. Iris Burnham is Superintendent of the Charter Schools and President of the Board. The rent was paid pursuant to a ten (10) year lease agreement between Burnham Family, LP and El Paso Education Initiative, Inc. This agreement was approved on August 27, 2009, by the Board of Directors of the El Paso Education Initiative, Inc.

14. ECONOMIC DEPENDENCY

During the year ended August 31, 2016, the Charter Holder earned revenue of \$12,329,938 from the Texas Education Agency (TEA). This constitutes approximately 95.10% of total revenue earned. The loss of this charter agreement with TEA could have material impact on the ability of the Charter Holder to continue to provide the current level of services to its students.

El Paso Education Initiative, Inc.
Notes to Financial Statements
August 31, 2016

15. EVALUATION OF SUBSEQUENT EVENTS

On September 1, 2016, the Charter Holder redeemed \$3,980,000 of Education Revenue Bonds, Series 2006A and paid early redemption fees of 2%. The early redemption covers principal payments until fiscal year 2028.

On December 28, 2016, the Charter Holder made a payment of \$15,000 to a local construction contractor in settlement of a lawsuit in connection with amounts withheld from the contractor because of late performance for completion of a construction contract during the year ended August 31, 2015.

The Charter Holder has evaluated subsequent events through January 18, 2017, the date which the financial statements were available to be issued.

**SPECIFIC-PURPOSE
FINANCIAL STATEMENTS**

EL PASO EDUCATION INITIATIVE, INC.Statement of Financial Position
Burnham Wood Charter School District
For the year ended August 31, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,378,065	\$ 5,067,312
Due from governments	453,107	371,696
Due from others	2,285	2,002
Inventory	3,560	3,279
Deferred expenses	1,782	1,980
Total current assets	<u>6,838,799</u>	<u>5,446,269</u>
Property and equipment - net	10,509,952	10,166,931
Bond costs - net of amortization	211,557	222,085
	<u>10,721,509</u>	<u>10,389,016</u>
Total assets	<u>\$ 17,560,308</u>	<u>\$ 15,835,285</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 49,555	\$ 84,185
Accrued liabilities	116,999	126,758
Accrued interest	226,750	-
Due to governments	10,898	-
Deferred revenue	-	5,916
Bonds payable - current portion	180,000	-
Total current liabilities	<u>584,202</u>	<u>216,859</u>
Long-term debt		
Bonds payable	<u>7,145,000</u>	<u>7,325,000</u>
Total liabilities	<u>7,729,202</u>	<u>7,541,859</u>
Net assets		
Unrestricted	415,437	352,963
Temporarily restricted	9,415,669	7,940,463
Total net assets	<u>9,831,106</u>	<u>8,293,426</u>
Total liabilities and net assets	<u>\$ 17,560,308</u>	<u>\$ 15,835,285</u>

The accompanying notes are an integral part of these statements.

EL PASO EDUCATION INITIATIVE, INC.

Statement of Financial Position

Vista Del Futuro Charter School

For the year ended August 31, 2016

(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,714,509	\$ 1,185,041
Due from governments	168,879	119,497
Inventory	1,541	599
Deferred expenses	621	1,684
Total current assets	<u>1,885,550</u>	<u>1,306,821</u>
Property and equipment - net	<u>57,889</u>	<u>43,748</u>
Total assets	<u><u>\$ 1,943,439</u></u>	<u><u>\$ 1,350,569</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,033	\$ 2,176
Accrued liabilities	46,570	37,122
Total current liabilities	<u>47,603</u>	<u>39,298</u>
Total liabilities	<u>47,603</u>	<u>39,298</u>
Net assets		
Unrestricted	155,149	130,863
Temporarily restricted	1,740,687	1,180,408
Total net assets	<u>1,895,836</u>	<u>1,311,271</u>
Total liabilities and net assets	<u><u>\$ 1,943,439</u></u>	<u><u>\$ 1,350,569</u></u>

The accompanying notes are an integral part of these statements.

EL PASO EDUCATION INITIATIVE, INC.

Statement of Activities

Burnham Wood Charter School District

For the year ended August 31, 2016

(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	Totals	
			2016	2015
Revenues				
Local support				
5740 Other Revenues from Local Sources	\$ 101,860	\$ 5,811	\$ 107,671	\$ 73,316
5750 Revenues from Cocurricular, Enterprising Services or Activities	67,296	150,033	217,329	199,511
Total Local Support revenues	169,156	155,844	325,000	272,827
State program revenues				
5810 Foundation School Program Act Revenues	-	8,300,731	8,300,731	7,581,034
5820 State Program Revenues Distributed by Texas Education Agency	-	33,100	33,100	144,468
5830 State Revenues from State of Texas Government Agencies	-	4,206	4,206	-
Total state program revenues	-	8,338,037	8,338,037	7,725,502
Federal program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	-	850,944	850,944	800,835
Net assets released from restrictions:				
Restrictions satisfied by payments	7,869,619	(7,869,619)	-	-
Total revenues	8,038,775	1,475,206	9,513,981	8,799,164
Expenses				
11 Instruction	3,725,678	-	3,725,678	3,823,118
12 Instructional Resources and Media Services	43,363	-	43,363	43,406
13 Curriculum Development and Instructional Staff Development	58,761	-	58,761	52,991
21 Instructional Leadership	191,314	-	191,314	165,738
23 School Leadership	504,887	-	504,887	420,603
31 Guidance, Counseling and Evaluation Services	128,501	-	128,501	142,347
33 Health Services	51,874	-	51,874	20,368
35 Food Services	412,865	-	412,865	397,573
36 Extracurricular Activities	204,222	-	204,222	171,446
41 General Administration	927,549	-	927,549	1,033,208
51 Facilities Maintenance and Operations	965,285	-	965,285	796,427
52 Security and Monitoring Services	73,894	-	73,894	76,554
53 Data Processing Services	220,079	-	220,079	128,439
71 Debt service	468,029	-	468,029	477,654
81 Fund Raising	-	-	-	13,285
Total expenses	7,976,301	-	7,976,301	7,763,157
Change in net assets	62,474	1,475,206	1,537,680	1,036,007
Net assets - beginning of year	352,963	7,940,463	8,293,426	7,257,419
Net assets - end of year	\$ 415,437	\$ 9,415,669	\$ 9,831,106	\$ 8,293,426

The accompanying notes are an integral part of these statements.

EL PASO EDUCATION INITIATIVE, INC.

Statement of Activities

Vista Del Futuro Charter School

For the year ended August 31, 2016

(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	Totals	
			2016	2015
Revenues				
Local support				
5740 Other Revenues from Local Sources	\$ 20,397	\$ -	\$ 20,397	\$ 23,709
5750 Revenues from Cocurricular, Enterprising Services or Activities	19,928	55,761	75,689	88,065
Total Local Support revenues	40,325	55,761	96,086	111,774
State program revenues				
5810 Foundation School Program Act Revenues	-	2,929,636	2,929,636	2,552,764
5820 State Program Revenues Distributed by Texas Education Agency	-	16,883	16,883	17,018
Total state program revenues	-	2,946,519	2,946,519	2,569,782
Federal program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	-	246,537	246,537	187,100
Net assets released from restrictions:				
Restrictions satisfied by payments	2,688,538	(2,688,538)	-	-
Total revenues	2,728,863	560,279	3,289,142	2,868,656
Expenses				
11 Instruction	1,466,506	-	1,466,506	1,319,332
12 Instructional Resources and Media Services	21,164	-	21,164	20,236
13 Curriculum Development and Instructional Staff Development	21,960	-	21,960	14,867
21 Instructional Leadership	71,090	-	71,090	30,138
23 School Leadership	175,367	-	175,367	172,787
31 Guidance, Counseling and Evaluation Services	8,997	-	8,997	17,117
33 Health Services	16,528	-	16,528	5,240
35 Food Services	170,860	-	170,860	130,572
36 Extracurricular Activities	17,278	-	17,278	13,165
41 General Administration	131,297	-	131,297	32,606
51 Facilities Maintenance and Operations	541,868	-	541,868	551,217
52 Security and Monitoring Services	23,536	-	23,536	22,647
53 Data Processing Services	38,126	-	38,126	15,818
Total expenses	2,704,577	-	2,704,577	2,345,742
Change in net assets	24,286	560,279	584,565	522,914
Net assets - beginning of year	130,863	1,180,408	1,311,271	788,357
Net assets - end of year	\$ 155,149	\$ 1,740,687	\$ 1,895,836	\$ 1,311,271

The accompanying notes are an integral part of these statements.

EL PASO EDUCATION INITIATIVE, INC.

Statement of Cash Flows

Burnham Wood Charter School District

For the year ended August 31, 2016

(With Comparative Totals for 2015)

CASH FLOWS FROM OPERATING ACTIVITIES	2016	2015
State program revenues	\$ 8,253,673	\$ 7,516,113
Grant payments	800,281	836,573
Contributions and fund-raising activities	2,642	6,797
Local sources	322,358	265,558
Payments to vendors for goods and services rendered	(2,280,878)	(1,911,496)
Payments to charter school personnel for services rendered	(4,883,670)	(4,912,258)
Interest payments	<u>(226,750)</u>	<u>(699,225)</u>
 Net cash provided by operating activities	 <u>1,987,656</u>	 <u>1,102,062</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisition costs	<u>(676,903)</u>	<u>(852,682)</u>
 Net cash used for investing activities	 <u>(676,903)</u>	 <u>(852,682)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of bonds payable	<u>-</u>	<u>(340,000)</u>
 Net cash used for financing activities	 <u>-</u>	 <u>(340,000)</u>
 Net increase (decrease) in cash and cash equivalents	 1,310,753	 (90,620)
Cash and cash equivalents at beginning of year	<u>5,067,312</u>	<u>5,157,932</u>
Cash and cash equivalents at end of year	<u>\$ 6,378,065</u>	<u>\$ 5,067,312</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 1,537,680	1,036,007
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	344,410	311,376
(Increase) decrease in assets		
Inventory	(281)	(3,279)
Due from others	(283)	(1,280)
Due from governments	(81,411)	(6,747)
Deferred expenses	198	3,659
Increase (decrease) in liabilities		
Accounts payable	(34,630)	14,139
Accrued liabilities	(9,759)	(10,386)
Accrued interest	226,750	(236,100)
Due to governments	10,898	(4,799)
Deferred revenue	<u>(5,916)</u>	<u>(528)</u>
 Total cash provided by operating activities	 <u>\$ 1,987,656</u>	 <u>\$ 1,102,062</u>

The accompanying notes are an integral part of these statements.

EL PASO EDUCATION INITIATIVE, INC.

Statement of Cash Flows

Vista Del Futuro Charter School

For the year ended August 31, 2016

(With Comparative Totals for 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
State program revenues	\$ 2,899,080	\$ 2,540,105
Grant payments	218,218	189,845
Contributions	558	805
Local sources	95,528	110,969
Payments to vendors for goods and services rendered	(1,024,880)	(951,977)
Payments to charter school personnel for services rendered	(1,628,190)	(1,365,992)
	<u>560,314</u>	<u>523,755</u>
Net cash provided by operating activities	<u>560,314</u>	<u>523,755</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisition costs	(30,846)	-
	<u>(30,846)</u>	<u>-</u>
Net cash used for investing activities	<u>(30,846)</u>	<u>-</u>
Net increase in cash and cash equivalents	529,468	523,755
Cash and cash equivalents at beginning of year	1,185,041	661,286
Cash and cash equivalents at end of year	<u>\$ 1,714,509</u>	<u>\$ 1,185,041</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 584,565	\$ 522,914
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	16,705	20,977
(Increase) decrease in assets		
Inventory	(942)	(599)
Due from governments	(49,382)	(2,399)
Deferred expenses	1,063	(1,169)
Increase (decrease) in liabilities		
Accounts payable	(1,143)	(14,598)
Accrued liabilities	9,448	(1,371)
	<u>560,314</u>	<u>523,755</u>
Total cash provided by operating activities	<u>\$ 560,314</u>	<u>\$ 523,755</u>

The accompanying notes are an integral part of these statements.

EL PASO EDUCATION INITIATIVE, INC.

Statement of Activities by Functional Expense

For the year ended August 31, 2016

(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	Totals	
			2016	2015
Revenues				
Local support				
5740 Other Revenues from Local Sources	\$ 285,038	\$ 5,811	\$ 290,849	\$ 97,025
5750 Revenues from Cocurricular, Enterprising Services or Activities	87,224	205,794	293,018	287,576
Total Local Support revenues	<u>372,262</u>	<u>211,605</u>	<u>583,867</u>	<u>384,601</u>
State program revenues				
5810 Foundation School Program Act Revenues	-	11,230,367	11,230,367	10,133,798
5820 State Program Revenues Distributed by Texas Education Agency	-	49,983	49,983	161,486
5830 State Revenues from State of Texas Government Agencies	-	4,206	4,206	-
Total state program revenues	<u>-</u>	<u>11,284,556</u>	<u>11,284,556</u>	<u>10,295,284</u>
Federal program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	-	1,097,481	1,097,481	987,935
Total federal program revenues	<u>-</u>	<u>1,097,481</u>	<u>1,097,481</u>	<u>987,935</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	10,558,157	(10,558,157)	-	-
Total revenues	<u>10,930,419</u>	<u>2,035,485</u>	<u>12,965,904</u>	<u>11,667,820</u>
Expenses				
11 Instruction	5,192,184	-	5,192,184	5,142,450
12 Instructional Resources and Media Services	64,527	-	64,527	63,642
13 Curriculum Development and Instructional Staff Development	80,721	-	80,721	67,858
21 Instructional Leadership	262,404	-	262,404	195,876
23 School Leadership	680,254	-	680,254	593,390
31 Guidance, Counseling and Evaluation Services	137,498	-	137,498	159,464
33 Health Services	68,402	-	68,402	25,608
35 Food Services	583,725	-	583,725	528,145
36 Extracurricular Activities	282,005	-	282,005	184,611
41 General Administration	1,058,846	-	1,058,846	1,065,814
51 Facilities Maintenance and Operations	1,507,153	-	1,507,153	1,347,644
52 Security and Monitoring Services	97,430	-	97,430	99,201
53 Data Processing Services	258,205	-	258,205	144,257
71 Debt service	468,029	-	468,029	477,654
81 Fund Raising	-	-	-	13,285
Total expenses	<u>10,741,383</u>	<u>-</u>	<u>10,741,383</u>	<u>10,108,899</u>
Change in net assets	189,036	2,035,485	2,224,521	1,558,921
Net assets - beginning of year	483,826	9,120,871	9,604,697	8,045,776
Net assets - end of year	<u>\$ 672,862</u>	<u>\$ 11,156,356</u>	<u>\$ 11,829,218</u>	<u>\$ 9,604,697</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

EL PASO EDUCATION INITIATIVE, INC.

Schedule of Expenses

Burnham Wood Charter School District

For the year ended August 31, 2016

(With Comparative Totals for 2015)

Expenses	2016	2015
6100 Payroll Costs	\$ 4,875,994	\$ 4,901,872
6200 Professional and Contracted Services	1,262,952	1,076,938
6300 Supplies and Materials	727,841	716,410
6400 Other Operating Costs	641,485	590,283
6500 Debt	468,029	477,654
Total Expenses	<u>\$ 7,976,301</u>	<u>\$ 7,763,157</u>

EL PASO EDUCATION INITIATIVE, INC.

Schedule of Expenses

Vista Del Futuro Charter School
For the year ended August 31, 2016
(With Comparative Totals for 2015)

Expenses	2016	2015
6100 Payroll Costs	\$ 1,635,571	\$ 1,364,621
6200 Professional and Contracted Services	690,279	646,646
6300 Supplies and Materials	318,580	267,573
6400 Other Operating Costs	60,146	66,903
Total Expenses	<u>\$ 2,704,576</u>	<u>\$ 2,345,743</u>

EL PASO EDUCATION INITIATIVE, INC

Schedule of Capital Assets

Burnham Wood Charter School District

For the year ended August 31, 2016

	Ownership Interest		
	<u>Local</u>	<u>State</u>	<u>Federal</u>
1510 Land	\$ -	\$ 1,762,353	\$ -
1520 Buildings and Improvements	-	10,589,190	-
1531 Vehicles	-	8,478	-
1532 Technology	-	22,798	-
1539 Furniture and Fixtures	<u>40,820</u>	<u>363,506</u>	<u>187,360</u>
	<u>\$ 40,820</u>	<u>\$ 12,746,325</u>	<u>\$ 187,360</u>

EL PASO EDUCATION INITIATIVE, INC.

Schedule of Capital Assets
Vista Del Futuro Charter School
For the year ended August 31, 2016

	Ownership Interest		
	Local	State	Federal
1532 Technology	\$ -	\$ 3,980	\$ -
1539 Furniture and Fixtures	-	47,270	168,120
	<u>\$ -</u>	<u>\$ 51,250</u>	<u>\$ 168,120</u>

EL PASO EDUCATION INITIATIVE, INC.

Budgetary Comparison Schedule

Burnham Wood Charter School

For the year ended August 31, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local support				
5740 Other Revenues from Local Sources	\$ -	\$ 89,840	\$ 107,671	\$ 17,831
5750 Revenues from Cocurricular, Enterprising Services or Activities	159,950	181,851	217,329	35,478
Total local support revenues	159,950	271,691	325,000	53,309
State program revenues				
5810 Foundation School Program Act Revenues	7,714,141	8,266,011	8,300,731	34,720
5820 State Program Revenues Distributed by Texas Education Agency	4,131	164,094	33,100	(130,994)
5830 State Revenues from State of Texas Government Agencies	-	-	4,206	4,206
Total state program revenues	7,718,272	8,430,105	8,338,037	(92,068)
Federal program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	271,550	665,102	850,944	185,842
Total federal program revenues	271,550	665,102	850,944	185,842
Total revenues	8,149,772	9,366,898	9,513,981	147,083
Expenses				
11 Instruction	3,423,658	3,881,409	3,725,678	155,731
12 Instructional Resources and Media Services	3,100	44,463	43,363	1,100
13 Curriculum Development and Instructional Staff Development	18,800	67,419	58,761	8,658
21 Instructional Leadership	176,000	189,252	191,314	(2,062)
23 School Leadership	407,683	529,771	504,887	24,884
31 Guidance, Counseling and Evaluation Services	141,300	174,261	128,501	45,760
33 Health Services	67,821	52,177	51,874	303
35 Food Services	434,000	435,000	412,865	22,135
36 Extracurricular Activities	39,900	221,925	204,222	17,703
41 General Administration	1,357,105	1,130,670	927,549	203,121
51 Facilities Maintenance and Operations	1,045,308	1,047,501	965,285	82,216
52 Security and Monitoring Services	82,000	82,000	73,894	8,106
53 Data Processing Services	226,486	236,486	220,079	16,407
71 Debt Service	490,000	490,000	468,029	21,971
81 Fund Raising	980	200	-	200
Total expenses	7,914,141	8,582,534	7,976,301	606,233
Change in net assets	235,631	784,364	1,537,680	753,316
Net assets - beginning of year	8,293,426	8,293,426	8,293,426	
Net assets - end of year	\$ 8,529,057	\$ 9,077,790	\$ 9,831,106	\$ 753,316

EL PASO EDUCATION INITIATIVE, INC.

Budgetary Comparison Schedule

Vista Del Futuro Charter School

For the year ended August 31, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local support				
5740 Other Revenues from Local Sources	\$ -	\$ 16,850	\$ 20,397	\$ 3,547
5750 Revenues from Cocurricular, Enterprising Services or Activities	59,815	60,215	75,689	15,474
Total local support revenues	59,815	77,065	96,086	19,021
State program revenues				
5810 Foundation School Program Act Revenues	2,526,794	2,826,106	2,929,636	103,530
5820 State Program Revenues Distributed by Texas Education Agency	1,200	21,506	16,883	(4,623)
Total state program revenues	2,527,994	2,847,612	2,946,519	98,907
Federal program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	99,485	258,350	246,537	(11,813)
Total federal program revenues	99,485	258,350	246,537	(11,813)
Total revenues	2,687,294	3,183,027	3,289,142	106,115
Expenses				
11 Instruction	1,365,725	1,512,762	1,466,506	46,256
12 Instructional Resources and Media Services	2,500	21,864	21,164	700
13 Curriculum Development and Instructional Staff Development	5,700	25,971	21,960	4,011
21 Instructional Leadership	50,930	74,810	71,090	3,720
23 School Leadership	150,000	175,842	175,367	475
31 Guidance, Counseling and Evaluation Services	22,000	21,219	8,997	12,222
33 Health Services	8,500	21,000	16,528	4,472
35 Food Services	160,900	170,900	170,860	40
36 Extracurricular Activities	1,200	18,808	17,278	1,530
41 General Administration	40,000	141,500	131,297	10,203
51 Facilities Maintenance and Operations	600,000	600,000	541,868	58,132
52 Security and Monitoring Services	27,000	27,000	23,536	3,464
53 Data Processing Services	33,650	38,650	38,126	524
Total expenses	2,468,105	2,850,326	2,704,577	145,749
Change in net assets	219,189	332,701	584,565	251,864
Net assets - beginning of year	1,311,271	1,311,271	1,311,271	
Net assets - end of year	\$ 1,530,460	\$ 1,643,972	\$ 1,895,836	\$ 251,864

FEDERAL AWARDS SECTION

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 Education Initiative, Inc.

I 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 Education Initiative, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated January 18, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered El Paso Education Initiative, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Paso Education Initiative, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of El Paso Education Initiative, 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

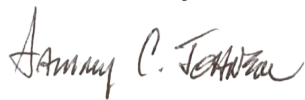
Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Paso Education Initiative, Inc.'s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



El Paso, Texas
January 18, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Board of Directors
El Paso Education Initiative, Inc.

Report on Compliance for Each Major Federal Program

I have audited El Paso Education Initiative, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of El Paso Education Initiative, Inc.'s major federal programs for the year ended August 31, 2016. El Paso Education Initiative Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of El Paso Education Initiative, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about El Paso Education Initiative, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of El Paso Education Initiative, Inc.'s compliance.

Opinion on Each Major Federal Program

In my opinion, El Paso Education Initiative, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

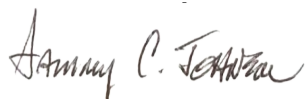
Report on Internal Control over Compliance

Management of El Paso Education Initiative, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered El Paso Education Initiative, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of El Paso Education Initiative, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



El Paso, Texas
January 18, 2017

El Paso Education Initiative, Inc.
Schedule of Findings and Questioned Costs
For the Year ended August 31, 2016

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of El Paso Education Initiative, Inc.
2. There were no material weaknesses identified and there were no significant deficiencies identified that are not considered to be material weaknesses disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of El Paso Education Initiative, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for El Paso Education Initiative, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:
 - ESEA Title I, Part A – Improving Basic Programs Cluster, CFDA 84.010A
 - Child Nutrition Cluster, School Breakfast and Lunch Programs, CFDA 10.553 and 10.555
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. El Paso Education Initiative, Inc. was determined to be a low-risk auditee.

El Paso Education Initiative, Inc.
Schedule of Status of Prior Year Findings
For the Year ended August 31, 2016

Reference Number	Prior Year Finding/Noncompliance	Status of Prior Year's Finding/Noncompliance
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FINANCIAL STATEMENT FINDINGS

There were no financial statement findings in the prior year.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no federal awards findings and questioned costs in the prior year.

EL PASO EDUCATION INITIATIVE, INC.

Schedule of Federal Expenditures
For the year ended August 31, 2016

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
<u>Passed through Texas Education Agency</u>			
ESEA Title I, Part A - Improving Basic Programs*	84.010A	15610101071801	\$ 27,736
ESEA Title I, Part A - Improving Basic Programs*	84.010A	16610101071801	251,321
ESEA Title I, Part A - Improving Basic Programs*	84.010A	15610101071809	3,055
ESEA Title I, Part A - Improving Basic Programs*	84.010A	16610101071809	49,504
Total CFDA Number 84.010A			<u>331,616</u>
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	15694501071801	12,350
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	16694501071801	51,113
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	15694501071809	1,263
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	16694501071809	11,300
Total CFDA Number 84.367A			<u>76,026</u>
IDEA-B Formula**	84.027A	156600010718016600	6,027
IDEA-B Formula**	84.027A	166600010718016600	156,267
IDEA-B Formula**	84.027A	166600010718096600	40,831
Total CFDA Number 84.027A			<u>203,125</u>
Title III, Part A, Sub 2 - LEP	84.365A	16671001071801	1,335
Title III, Part A, Sub 2 - LEP	84.365A	16671001071809	8,453
Total CFDA Number 84.365A			<u>9,788</u>
IDEA-B Preschool**	84.173A	166610010718016610	449
Title XIV State Fiscal Stabilization (SFSF - ESF ARRA Fund)***	84.394A	10557001071801	231
PCS-Start up Grant Cycle 13	84.282A	085900017110022	12,809
Summer School LEP	84.369A	69551402	2,084
Summer School LEP	84.369A	69551502	2,226
Summer School LEP	84.369A	69551502	2,226
Total U.S. Department of Education			<u><u>640,580</u></u>
U.S. Department of Agriculture			
<u>Passed through Texas Department of Agriculture</u>			
National School Lunch and Breakfast Program			
School Breakfast Program****	10.553	71401601	45,232
School Breakfast Program****	10.553	71401601	23,324
Total CFDA Number 10.553			<u>68,556</u>
School Lunch Program****	10.555	71301601	331,857
School Lunch Program****	10.555	71301601	135,603
Total CFDA Number 10.555			<u>467,460</u>
Commodity Supplemental Food Program	10.565	N/A	36,407
Commodity Supplemental Food Program	10.565	N/A	11,486
Total CFDA Number 10.565			<u>47,893</u>
Total U.S. Department of Agriculture			<u><u>583,909</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 1,224,489</u></u>

* Clustered Programs as required by the Compliance Supplement June, 2016

** Clustered Programs as required by the Compliance Supplement June, 2016

*** Clustered Programs as required by the Compliance Supplement June, 2016

**** Clustered Programs as required by the Compliance Supplement June, 2016

See accompanying notes to schedule of expenditures of federal awards.

EL PASO EDUCATION INITIATIVE, INC.
Notes to the Schedule of Expenditures of Federal Awards
August 31, 2016

1. The Schedule of Expenditures of Federal Awards includes the federal grant activity of El Paso Education Initiative, Inc. The Charter Holder uses the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133.
2. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.
3. The period of availability for federal grants for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provision in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance supplement.