

EL PASO EDUCATION INITIATIVE, INC.
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED
AUGUST 31, 2021

**EL PASO EDUCATION INITIATIVE, INC.
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2021**

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EL PASO EDUCATION INITIATIVE, INC.

CERTIFICATE OF BOARD

AUGUST 31, 2021

Burnham Wood Charter School

Vista del Futuro Charter School

Name of Charter Schools

Federal EIN: 74-2855052

El Paso

El Paso

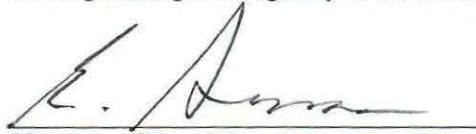
County

071801

071809

Co.-Dist. Numbers

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2021, at a meeting of the governing body of the charter holder on the 26th day of January, 2022.



Signature of Board Secretary



Signature of Board President

If the governing body of the charter holder does not approve the independent auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

FREEMON, SHAPARD & STORY

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
El Paso Education Initiative, Inc.
785 Southwestern Dr.
El Paso, TX 79912

Members of the Board of Directors:

Report on the Financial Statements

We 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, 2021 and 2020, and the related statements of activities, functional expenses, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 we plan and perform the audits 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 auditors' 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of El Paso Education Initiative, Inc. as of August 31, 2021 and 2020, 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

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying specific-purpose financial statements and the supplementary information including the Schedules of Expenses, Schedules of Capital Assets, Budgetary Comparison Schedules, State Compensatory Education and Bilingual Education Program Expenditures, Schedule of Real Property Ownership Interest, and Schedule of Related Party Transactions are presented for purposes of additional analysis as required by the Texas Education Agency and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2022, on our consideration of El Paso Education Initiative 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 Education Initiative 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 Education Initiative Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,



Freemon, Shapard, & Story

Windthorst, TX

January 21, 2022

**General-Purpose
Financial Statements**

EL PASO EDUCATION INITIATIVE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,332,304	\$ 4,593,654
Due from governments	1,575,826	1,471,765
Accounts receivable	-	679
Inventory	792	4,983
Deferred expenses	30,208	30,208
Total Current Assets	<u>7,939,130</u>	<u>6,101,289</u>
Property and Equipment		
Land	4,030,212	4,030,212
Buildings and improvements	14,344,872	12,426,181
Furniture and equipment	1,250,926	1,215,953
Less accumulated depreciation	(4,513,982)	(4,102,038)
Total Property and Equipment	<u>15,112,028</u>	<u>13,570,308</u>
Other Assets		
Investments	14,896,681	-
Other assets	-	-
Total Other Assets	<u>14,896,681</u>	<u>-</u>
Total Assets	<u>\$ 37,947,839</u>	<u>\$ 19,671,597</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 151,075	\$ 6,901
Interest payable	30,102	79,591
Payroll deductions and withholdings	230,154	118,441
Accrued wages payable	26,268	21,640
Due to student groups	4,089	-
Current portion of long-term debt	270,000	240,460
Total Current Liabilities	<u>711,688</u>	<u>467,033</u>
Long-Term Debt	<u>20,244,834</u>	<u>2,912,348</u>
Total Liabilities	<u>\$ 20,956,522</u>	<u>\$ 3,379,381</u>
Net Assets		
Without donor restrictions	1,000,376	847,687
With donor restrictions	15,990,941	15,444,529
Total Net Assets	<u>\$ 16,991,317</u>	<u>\$ 16,292,216</u>
Total Liabilities and Net Assets	<u>\$ 37,947,839</u>	<u>\$ 19,671,597</u>

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

EL PASO EDUCATION INITIATIVE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>
Revenues			
Local Support:			
Contributions	\$ -	\$ 175,000	\$ 175,000
Investment Income	3,729	-	3,729
Other Revenues from Local Sources	302,668	-	302,668
Food Service Revenue	4,827	-	4,827
Athletic Revenue	9,267	-	9,267
Cocurricular and Enterprising Activities	5,819	-	5,819
Total Local Support	<u>326,310</u>	<u>175,000</u>	<u>501,310</u>
State Program Revenues:			
Foundation School Program Act Revenues	-	14,034,647	14,034,647
State Program Revenue Distributed by TEA	-	14,753	14,753
State Revenues from State of TX Govt. Agencies	-	565,233	565,233
Total State Program Revenues	<u>-</u>	<u>14,614,633</u>	<u>14,614,633</u>
Federal Program Revenues:			
ESEA Title I, Part A Improving Basic Programs	-	466,444	466,444
IDEA Part B, Formula	-	138,991	138,991
IDEA Part B, Preschool	-	4,136	4,136
National School Breakfast and Lunch Program	-	932,061	932,061
ESSER	-	440,509	440,509
SHARS	-	276	276
ESEA Title II, Part A Teacher and Principal Training	-	10,119	10,119
Title III, Part A, English Language Acquisition	-	64,696	64,696
Title IV Part A, Subpart I	-	66,247	66,247
RLOC	-	25,504	25,504
TDEM	-	46,914	46,914
Erate	-	74,449	74,449
Total Federal Program Revenues	<u>-</u>	<u>2,270,346</u>	<u>2,270,346</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>16,513,567</u>	<u>(16,513,567)</u>	<u>-</u>
Total Revenues	<u>\$ 16,839,877</u>	<u>\$ 546,412</u>	<u>\$ 17,386,289</u>
Expenses			
Program Services:			
Instruction and Instructional-Related Services	8,291,819	-	8,291,819
Instructional and School Leadership	836,088	-	836,088
Support Services			
Student Support Services	1,613,105	-	1,613,105
Administrative Support Services	1,618,109	-	1,618,109
Support Services-Non-Student Based	3,950,589	-	3,950,589
Debt Service	377,478	-	377,478
Total Expenses	<u>\$ 16,687,188</u>	<u>\$ -</u>	<u>\$ 16,687,188</u>
Change in Net Assets	<u>152,689</u>	<u>546,412</u>	<u>699,101</u>
Net Assets, Beginning of Year	<u>847,687</u>	<u>15,444,529</u>	<u>16,292,216</u>
Net Assets, End of Year	<u>\$ 1,000,376</u>	<u>\$ 15,990,941</u>	<u>\$ 16,991,317</u>

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

EL PASO EDUCATION INITIATIVE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Revenues			
Local Support:			
Rent Income	\$ 10,833	\$ -	\$ 10,833
Investment Income	5,363	-	5,363
Other Revenues from Local Sources	320,786	-	320,786
Food Service Revenue	123,739	-	123,739
Athletic Revenue	15,396	-	15,396
Cocurricular and Enterprising Activities	38,639	-	38,639
Total Local Support	<u>514,756</u>	<u>-</u>	<u>514,756</u>
State Program Revenues:			
Foundation School Program Act Revenues	-	12,989,225	12,989,225
State Program Revenue Distributed by TEA	-	320,812	320,812
State Revenues from State of TX Govt. Agencies	-	35,000	35,000
Total State Program Revenues	<u>-</u>	<u>13,345,037</u>	<u>13,345,037</u>
Federal Program Revenues:			
ESEA Title I, Part A Improving Basic Programs	-	385,284	385,284
IDEA Part B, Formula	-	169,107	169,107
National School Breakfast and Lunch Program	-	457,558	457,558
Career and Technical Education Basic Grant	-	8,504	8,504
ESEA Title II, Part A Teacher and Principal Training	-	75,596	75,596
Title III, Part A, English Language Acquisition	-	27,566	27,566
Title IV Part A, Subpart 1	-	22,495	22,495
Erate	-	37,209	37,209
Total Federal Program Revenues	<u>-</u>	<u>1,183,319</u>	<u>1,183,319</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>13,852,641</u>	<u>(13,852,641)</u>	<u>-</u>
Total Revenues	<u>\$ 14,367,397</u>	<u>\$ 675,715</u>	<u>\$ 15,043,112</u>
Expenses			
Program Services:			
Instruction and Instructional-Related Services	7,419,732	-	7,419,732
Instructional and School Leadership	444,988	-	444,988
Support Services			
Student Support Services	1,151,972	-	1,151,972
Administrative Support Services	1,406,131	-	1,406,131
Support Services-Non-Student Based	3,754,519	-	3,754,519
Debt Service	147,151	-	147,151
Total Expenses	<u>\$ 14,324,493</u>	<u>\$ -</u>	<u>\$ 14,324,493</u>
Change in Net Assets	<u>42,904</u>	<u>675,715</u>	<u>718,619</u>
Net Assets, Beginning of Year	<u>804,783</u>	<u>14,768,814</u>	<u>15,573,597</u>
Net Assets, End of Year	<u>\$ 847,687</u>	<u>\$ 15,444,529</u>	<u>\$ 16,292,216</u>

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

EL PASO EDUCATION INITIATIVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	Program Services	Management and General	2021 Total
Expenses			
Salaries and Wages	\$ 8,122,233	\$ 848,551	\$ 8,970,784
Benefits	1,162,254	97,391	1,259,645
Payroll Taxes	<u>317,973</u>	<u>23,988</u>	<u>341,961</u>
Total Payroll Expenses	9,602,460	969,930	10,572,390
Professional Services	183,855	229,478	413,333
Tuition	4,800	-	4,800
Education Service Center Services	80,787	-	80,787
Repairs and Maintenance	635,075	-	635,075
Utilities	451,708	23,774	475,482
Rentals	511,181	8,654	519,835
Contracted Services	1,310,508	86,086	1,396,594
Maintenance Supplies	16,546	62,247	78,793
Instructional Materials	8,236	-	8,236
Testing Materials	23,856	-	23,856
Food Service	304,908	-	304,908
General Supplies	797,694	43,185	840,879
Travel	59,510	10,257	69,767
Insurance	106,466	11,830	118,296
Interest	-	206,681	206,681
Debt Service Fees	-	6,500	6,500
Miscellaneous	<u>202,847</u>	<u>151,889</u>	<u>354,736</u>
Total Non-Payroll Expenses	4,697,977	840,581	5,538,558
Total Before Depreciation and Amortization	14,300,437	1,810,511	16,110,948
Amortization	-	164,297	164,297
Depreciation	<u>411,943</u>	<u>-</u>	<u>411,943</u>
Total Expenses	<u>\$ 14,712,380</u>	<u>\$ 1,974,808</u>	<u>\$ 16,687,188</u>

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

EL PASO EDUCATION INITIATIVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	Program Services	Management and General	2020 Total
Expenses			
Salaries and Wages	\$ 7,209,940	\$ 631,899	\$ 7,841,839
Benefits	534,162	21,306	555,468
Payroll Taxes	<u>222,922</u>	<u>9,763</u>	<u>232,685</u>
Total Payroll Expenses	7,967,024	662,968	8,629,992
 Professional Services	 263,395	 270,859	 534,254
Tuition	10,500	-	10,500
Education Service Center Services	69,416	-	69,416
Repairs and Maintenance	355,271	-	355,271
Utilities	367,923	19,364	387,287
Rentals	523,897	5,204	529,101
Contracted Services	1,278,002	81,057	1,359,059
Maintenance Supplies	7,732	54,802	62,534
Instructional Materials	156,969	-	156,969
Testing Materials	29,721	-	29,721
Food Service	319,405	-	319,405
General Supplies	850,452	172,942	1,023,394
Travel	34,461	11,273	45,734
Insurance	106,187	11,799	117,986
Interest	-	135,372	135,372
Miscellaneous	<u>60,977</u>	<u>82,979</u>	<u>143,956</u>
Total Non-Payroll Expenses	4,434,308	845,651	5,279,959
 Total Before Depreciation and Amortization	 12,401,332	 1,508,619	 13,909,951
Amortization	-	11,779	11,779
Depreciation	<u>402,763</u>	<u>-</u>	<u>402,763</u>
Total Expenses	<u>\$ 12,804,095</u>	<u>\$ 1,520,398</u>	<u>\$ 14,324,493</u>

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

EL PASO EDUCATION INITIATIVE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 699,101	\$ 718,619
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	411,944	402,763
(Increase) Decrease in Due from Governments	(104,061)	8,454
(Increase) Decrease in Accounts Receivable	679	(679)
(Increase) Decrease in Inventory	4,191	(1,955)
Increase (Decrease) in Accounts Payable	144,174	(15,576)
Increase (Decrease) in Interest Payable	(49,489)	23,810
Increase (Decrease) in Payroll Deductions and Withholdings	111,713	27,369
Increase (Decrease) in Accrued Wages Payable	4,628	(4,698)
Increase (Decrease) in Due to Student Groups	4,089	-
Net Cash Provided (Used) by Operating Activities	<u>1,226,969</u>	<u>1,158,107</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(14,896,681)	-
Purchase of Land, Buildings, and Equipment	<u>(1,953,664)</u>	<u>(1,901,418)</u>
Net Cash Provided (Used) by Investing Activities	<u>(16,850,345)</u>	<u>(1,901,418)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of Debt Issuance Costs	164,297	11,778
Capitalizing Debt Issuance Costs	(1,378,618)	(14,000)
Premium on Bonds	2,216,347	
Loan Proceeds	20,000,000	1,550,000
Principal Payments on Debt	<u>(3,640,000)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>17,362,026</u>	<u>1,547,778</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,738,650	804,467
Cash and Cash Equivalents, Beginning of Year	<u>4,593,654</u>	<u>3,789,187</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>6,332,304</u></u>	\$ <u><u>4,593,654</u></u>
 Interest Paid During the Period Ended August 31, 2021 and 2020	 \$ 700,485	 \$ 111,563
Income Taxes Paid During the Period Ended August 31, 2021 and 2020	-	-

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

Notes to the Financial Statements

EL PASO EDUCATION INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of El Paso Education Initiative, Inc. (the corporation) 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. *Reporting Entity*

The corporation is a not-for-profit organization incorporated in the State of Texas in 1998 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporation is governed by a Board of Directors comprised of six members. The Board of Directors is 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 corporation. Since the corporation received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

B. *Corporate Operations*

El Paso Education Initiative, Inc. 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 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.

C. *Basis of Accounting and Presentation*

The accompanying general-purpose 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 operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.

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.

EL PASO EDUCATION INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

D. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. *Contributions*

The corporation accounts for contributions as support without donor restrictions and with donor restrictions, depending on the existence of any donor restrictions. 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. No amounts have been reflected in the financial statements for donated materials or services since no objective basis is available to measure the value thereof; however, a substantial number of volunteers donate their time to the school program services and in fund-raising activities.

F. *Cash and Cash Equivalents*

For financial statement purposes, the corporation considers all highly liquid investment instruments with an original maturity of twelve months or less to be cash equivalents.

G. *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.

H. *Capital Assets*

Capital assets, which include land, buildings and improvements, furniture, equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the corporation as assets with an estimated useful life of more than one year and a cost of \$5,000 or more. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to thirty-nine 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. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

I. *Functional Allocation of Expenses*

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

EL PASO EDUCATION INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

J. *Personal Leave*

All employees of the charter schools working a minimum of 30 hours per week accrue personal and sick leave benefits at the rate of five days per year. There is no material liability for unpaid accumulated sick leave since the schools do not have a policy to pay any amount when the employees separate from service with the schools, and unused balance of state days is transferable to other schools. In addition, business office administration get two weeks paid vacation, but they are not paid for this time if they do not use it. After five years, key business office administration get fifteen days of paid vacation. The superintendent and principals only get the five days of state paid personal and sick leave.

K. *New Accounting Pronouncements/Accounting Changes*

During the year ended August 31, 2021, El Paso Education Initiative, Inc. adopted the FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2016-08 amends ASC958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU were intended to assist entities in (1) evaluating whether (reciprocal) transactions subject to other guidance (i.e., ASC 606) and (2) determining whether a contribution is conditional. The organization has determined that there is no impact to the financial statements as a result of the adoption of this ASU.

As of July 1, 2019, the organization adopted the FASB Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) using the modified retrospective approach. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605, Revenue Recognition, and most industry specific guidance. The core principles under ASU 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU 2014-09 requires enhanced disclosures of revenue arrangements.

Under the modified retrospective approach, the guidance is applied to the most current period presented, recognizing a cumulative effect of the adoption change as an adjustment to beginning net assets without donor restrictions. The organization has determined that there is no change to the timing of revenue recognition under ASU 2014-09.

In accordance with Accounting Standards Codification (ASC) 606-10-50-13, the organization is required to include disclosure of the remaining performance obligations. Due to the nature of the organization's contracts, these reporting requirements are not applicable. The majority of the organization's contracts meet the exemption as defined in ACS 606-10-50-14 because the performance obligations are part of a contract that has an original expected duration of one year or less. Performance obligations are satisfied as rendered. Payments are due upon receipts of related billing.

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2. CASH DEPOSITS

The charter schools' (Burnham Wood Charter School's and Vista del Futuro Charter School's) funds were deposited and invested with depository banks. The depository banks should deposit for safekeeping and trust with the charter schools' agent banks approved pledged securities in an amount sufficient to protect charter school funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2021, the combined carrying amount of the charter schools' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,332,304, and the bank balance was \$6,423,134. The charter schools' cash deposits during the year ended August 31, 2021, were not entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name.

At August 31, 2020, the combined carrying amount of the charter schools' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,593,654, and the bank balance was \$4,765,270. The charter schools' cash deposits during the year ended August 31, 2020, were not entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit during the year ended August 31, 2021:

- a. The market value of securities pledged on behalf of Burnham Wood Charter School at BBVA as of the date of the highest combined balance on deposit was \$5,000,000. The market value of securities pledged on behalf of Vista Del Futuro Charter School at JP Morgan Chase Bank as of the date of highest combined balance on deposit was \$2,118,613.
- b. The highest combined balance of cash, savings, and time deposit accounts for Burnham Wood Charter School at BBVA amounted to \$5,002,913 and occurred during the month of June 2021. The highest combined balance of cash, savings, and time deposit accounts for Burnham Wood Charter School at Western Heritage Bank amounted to \$246,491 and occurred during the month of April 2021. This account was closed on May 5, 2021. The highest combined balance of cash, savings, and time deposit accounts for Burnham Wood Charter School at Wells Fargo Bank amounted to \$475,698 and occurred during the month of October 2020. These accounts were closed in December 2020. The highest combined balances of cash, savings, and time deposit accounts for Vista Del Futuro Charter School at JP Morgan Chase Bank amounted to \$2,480,817 and occurred during the month of October 2020.
- c. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000, \$250,000, and \$250,000, respectively, for Burnham Wood Charter School at BBVA, Western Heritage Bank, and Wells Fargo Bank, and \$250,000 for Vista del Futuro Charter School at JP Morgan Chase Bank.

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3. DEFINED BENEFIT PENSION PLAN

A. *Plan Description*

The charter schools participate in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Sec. 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. 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.

B. *Pension Plan Fiduciary Net Position*

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/about/publications.aspx>, by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698, or by calling (512) 542-6592.

The information provided in the Notes to the Financial Statements in the 2020 Annual Comprehensive Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2020.

<u>Components of Net Pension Liability</u>	<u>Amount</u>
Total Pension Liability	\$218,974,205,084
Less: Plan Fiduciary Net Position	<u>(165,416,245,243)</u>
Net Pension Liability	<u>\$ 53,557,959,841</u>
Net Position as Percentage of Total Pension Liability	75.54%

C. *Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62

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depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

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 the manner are determined by the System's actuary.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the Legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018, received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

D. Contributions

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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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 increased employee and employer contribution rates for fiscal years 2020 thru 2025. Contribution rates can be found in the TRS 2020 ACFR, Note 11, on page 82.

Contribution Rates		
	2021	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Burnham Wood's Employer Contributions	\$167,300	\$170,219
Burnham Wood's Member Contributions	\$520,063	\$439,825
Vista del Futuro's Employer Contributions	\$ 51,917	\$ 41,748
Vista del Futuro's Member Contributions	\$119,340	\$123,408
Measurement Year	2020	2019
Burnham Wood's NECE On-Behalf Contributions	\$330,789	\$249,621
Vista del Futuro's NECE On-Behalf Contributions	\$101,131	\$ 98,506

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Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

E. *Actuarial Assumptions*

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2020 TRS ACFR, Note 11, page 82 and 83.

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate	2.33%*
Last Year Ending August 31 in	
Projection Period (100 years)	2119
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Ad hoc Post Employment Benefit	None
Changes	

**Source: Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2020.*

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The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions, please see the actuarial valuation report dated November 14, 2019.

F. *Discount Rate*

The single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.5% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 (see page 53 of the TRS ACFR), are summarized below:

Asset Class	Target Allocation %*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	3.9%	0.99%
Non-U.S. Developed	13%	5.1%	0.92%
Emerging Markets	9%	5.6%	0.83%
Private Equity	14%	6.7%	1.41%
Stable Value			
Government Bonds	16%	-0.7%	-0.05%
Stable Value Hedge	5%	1.9%	0.11%
Real Return			
Real Estate	15%	4.6%	1.01%
Energy, Natural Resources, and Infrastructure	6%	6.0%	0.42%
Risk Parity			
Risk Parity	8%	3.0%	0.30%
Leverage			

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Cash	2%	-1.5%	-0.03%
Asset Allocation Leverage	-6%	-1.3%	0.08%
Inflation Expectation			2.00%
Volatility Drag***			-0.67%
Total	100%		7.33%

* Target allocations are based on the FY2020 policy model.

** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020)

*** The volatility drag results from the conversion between arithmetic and geometric mean returns.

G. *Discount Rate Sensitivity Analysis*

The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate 1% less than (6.25%) or 1% greater than (8.25%) the current rate. The discount rate can be found in the 2020 TRS ACFR, Note 11, page 84.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Burnham Wood Charter School's proportionate share of the net pension liability	\$4,218,073	\$2,735,488	\$1,530,920
Vista del Futuro Charter School's proportionate share of the net pension liability	\$1,065,697	\$691,122	\$386,787

H. *Pension Liabilities*

At August 31, 2020, Burnham Wood Charter School and Vista del Futuro Charter School disclosed a liability of \$2,735,488 and \$691,122, respectively, for their proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Burnham Wood Charter School and Vista del Futuro Charter School. The amount recognized by Burnham Wood Charter School and Vista del Futuro Charter School as their proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Burnham Wood Charter School and Vista del Futuro Charter School were as follows:

Burnham Wood Charter School's proportionate share of collective net pension liability	\$ 2,735,488
State's proportionate share that is associated with Burnham Wood Charter School	<u>\$ 4,293,823</u>
Total	<u>\$ 7,029,311</u>
Vista del Futuro's proportionate share of the collective net pension liability	\$ 691,122
State's proportionate share that is associated with Vista del Futuro Charter School	<u>\$ 1,312,735</u>
Total	<u>\$ 2,003,857</u>

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The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020, Burnham Wood Charter School's proportion of the collective net pension liability was .005107528% which was an increase from its proportion of .0040603745% measured as of August 31, 2019. At August 31, 2020, Vista del Futuro Charter School's proportion of the collective net pension liability was .001290418 which was an increase from its proportion of .0012165295% measured as of August 31, 2019.

I. *Changes Since the Prior Actuarial Valuation*

There were no changes in assumptions since the prior measurement date.

4. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

A. *Plan Description*

The charter schools participate in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature. The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

B. *OPEB Plan Fiduciary Net Position*

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/Pages/about/publications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the Net OPEB liability of the TRS-Care plan as of August 31, 2020 are as follows:

<u>Components of Net OPEB Liability</u>	<u>Amount</u>
Total OPEB Liability	\$ 40,010,833,815
Less: Plan Fiduciary Net Position	<u>(1,996,317,932)</u>
Net OPEB Liability	<u>\$ 38,014,515,883</u>
Net Position as a Percentage of Total OPEB Liability	4.99%

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C. *Benefits Provided*

TRS-Care provides health insurance coverage to 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates		
	<u>Medicare</u>	<u>Non-Medicare</u>
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

D. *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 schools based upon public school payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, Sections 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 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	<u>2021</u>	<u>2020</u>
Active Employee	0.65%	0.65%
State	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding	1.25%	1.25%

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	<u>2021</u>	<u>2020</u>
Burnham Wood Employer Contributions	\$ 56,305	\$ 55,124
Burnham Wood Member Contributions	\$ 44,428	\$ 37,264
Vista del Futuro Employer Contributions	\$ 18,966	\$ 19,764
Vista del Futuro Member Contributions	\$ 10,204	\$ 10,560
	<u>2020</u>	<u>2019</u>
Burnham Wood NECE On-Behalf Contributions	\$ 74,189	\$ 64,992
Vista del Futuro NECE On-Behalf Contributions	\$ 23,849	\$ 25,282

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay to TRS-Care a monthly surcharge of \$535 per retiree. TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-21 biennium.

E. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions: *Actuarial assumptions can be found in the 2020 TRS ACFR, Note 9, page 75.*

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability	

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvements rates from the most recently published scale (U-MP).

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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% - 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad-hoc Post Employment Benefit Changes	None

F. *Discount Rate*

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30 percent in the discount rate since the previous year. The Discount Rate can be found in the 2020 TRS ACFR on page 76. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

G. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
Burnham Wood Charter School's proportionate share of the Net OPEB Liability:	\$3,313,614	\$2,761,351	\$2,325,142
Vista del Futuro Charter School's proportionate share of the Net OPEB Liability:	\$1,065,187	\$ 887,657	\$ 747,435

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H. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is one-percentage point lower or one-percentage point higher than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
Burnham Wood Charter School's proportionate share of the Net OPEB Liability:	\$2,255,670	\$2,761,351	\$3,434,846
Vista del Futuro Charter School's proportionate share of the NET OPEB Liability:	\$ 725,102	\$ 887,657	\$1,104,158

I. *OPEB Liabilities*

At August 31, 2020, Burnham Wood Charter School disclosed a liability of \$2,761,351 and Vista del Futuro Charter School disclosed a liability of \$887,657 for their proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the schools. The amount recognized by the schools as their proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Burnham Wood Charter School and Vista del Futuro Charter School were as follows:

Burnham Wood's Proportionate share of the collective net OPEB liability	\$ 2,761,351
State's proportionate share that is associated with Burnham Wood Charter School	<u>3,710,593</u>
Total	<u>\$ 6,471,944</u>
Vista del Futuro's Proportionate share of the collective net OPEB liability	\$ 887,657
State's proportionate share that is associated with Vista del Futuro Charter School	<u>1,192,799</u>
Total	<u>\$ 2,080,456</u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2021, Burnham Wood Charter School's proportion of the collective net OPEB liability was 0.0072639375% compared to 0.0068919828% as of August 31, 2020, and Vista del Futuro's proportion of the collective net OPEB liability was 0.0023350485% compared to 0.0026810453% as of August 31, 2020.

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J. *Changes Since the Prior Actuarial Valuation*

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period: *These can be found in the TRS ACFR on page 76.*

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

K. *Additional Plans*

Certain employees of the charter holder are also provided with Social Security and Medicare coverage. Under provisions of federal law, covered employees contribute 6.2% (Social Security) and 1.45% (Medicare) of their annual covered salary, and the charter holder contributes 6.2% (Social Security) and 1.45% (Medicare) of the covered payroll.

5. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2021 and 2020, the charter holder had no material liability for accrued sick leave or vacation leave.

6. COMMITMENTS AND CONTINGENCIES

The charter schools receive funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agencies. The programs administered by the charter schools 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 agencies. In the opinion of the charter schools, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

EL PASO EDUCATION INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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7. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions for the years ending August 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
ESEA Title I, Part A	\$ 932	\$ 1,487
National School Breakfast and Lunch Program	465,206	158,782
Public Charter Schools Start Up Grant	-	2,038
Safety and Security Grant	1,850	5,114
Texas Department of Agriculture	1,627	2,736
State Instructional Materials Fund	13,037	13,834
First Robotics	6,982	6,982
Foundation School Program	<u>15,501,307</u>	<u>15,253,556</u>
Total Net Assets With Donor Restrictions	<u>\$ 15,990,941</u>	<u>\$ 15,444,529</u>

8. ECONOMIC DEPENDENCY

During the year ended August 31, 2021 and 2020, the charter schools earned revenue of \$14,614,633 and \$13,345,037 from the Texas Education Agency (TEA). These amounts constitute approximately 84.06% and 88.71% of total revenue earned. Any unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the charter school to continue to provide the current level of services to its students.

9. CAPITAL ASSETS

Capital assets at August 31, 2021, were as follows:

	<u>Balance</u> <u>9/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2021</u>
Land	\$ 4,030,212	\$ -	\$ -	\$ 4,030,212
Buildings and Improvements	12,426,181	1,918,691	-	14,344,872
Furniture and Equipment	1,215,953	34,973	-	1,250,926
Accumulated Depreciation	<u>(4,102,038)</u>	<u>(411,944)</u>	<u>-</u>	<u>(4,513,982)</u>
	<u>\$13,570,308</u>	<u>\$ 1,541,720</u>	<u>\$ -</u>	<u>\$15,112,028</u>

EL PASO EDUCATION INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

Capital assets at August 31, 2020, were as follows:

	<u>Balance</u> <u>9/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2020</u>
Land	\$ 2,782,825	\$ 1,247,387	\$ -	\$ 4,030,212
Buildings and Improvements	11,950,932	475,249	-	12,426,181
Furniture and Equipment	1,037,171	178,782	-	1,215,953
Accumulated Depreciation	<u>(3,699,275)</u>	<u>(402,763)</u>	<u>-</u>	<u>(4,102,038)</u>
	<u>\$12,071,653</u>	<u>\$ 1,498,655</u>	<u>\$ -</u>	<u>\$13,570,308</u>

Capital assets acquired with public funds received by the corporation for the operation of Burnham Wood Charter School and Vista del Futuro Charter School constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets for each individual charter school.

10. HEALTH CARE COVERAGE

During the years ended August 31, 2021 and 2020, full-time employees of the charter schools were covered by a health insurance plan (the Plan). The charter schools contributed \$275 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

11. INTERCOMPANY ELIMINATIONS

For the year ended August 31, 2021 and 2020, intercompany accounts payable and accounts receivable consisted of \$1,232 and \$20,650, respectively. These accounts payable and accounts receivable are included in the special-purpose Statements of Financial Position (Exhibits B-1.1 and B-1.2), but are eliminated on the consolidated general-purpose Statement of Financial Position (Exhibit A-1).

12. LONG-TERM DEBT

On October 4, 2006, conduit bonds were issued by the Texas Public Finance Authority Charter 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 corporation 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 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 6.25%. The corporation made advance bond payments of \$2,195,000 in the year ended August 31, 2018, covering principal payments from 2034 through 2036. This 2018 advance refunding saved \$2,388,385 in future interest expense as per original amortization. The remaining balance of \$1,785,000 was paid off out of new conduit bond issuance in October 2020 saving \$1,224,531 in future interest expense.

EL PASO EDUCATION INITIATIVE, INC.
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FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

The corporation 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 corporation 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 corporation was in compliance during the fiscal period ended August 31, 2021 and 2020. These bonds were paid off with the issuance of 2020 bonds discussed below.

In addition, the corporation received a loan from FHR Cares, Inc. on June 12, 2020 for \$1,550,000 at 7% interest. Loan is due in full by June 1, 2022. This loan was paid off with the issuance of the 2020 bonds discussed below.

On November 2, 2020, conduit bonds were issued by the Arlington Higher Education Finance Corporation as follows: \$19,450,000 of Education Revenue Bonds (Series 2020A) and \$550,000 of Taxable Education Revenue Bonds (Series 2020B), the proceeds of which were loaned to the corporation 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, to advance refund two loans discussed above and to pay certain costs of issuing the series 2020 bonds. The issue proceeds were placed in accounts designated for construction and future debt service at UMB Bank (the Trustee). The bonds mature serially each August 1st starting 2021 until 2050 with interest ranging from 1.0% to 5.0%.

The debt issuance costs for the 2006 bonds and debt were \$329,861 and \$315,861, respectively. These costs were capitalized and were being amortized over the term of the debt. They were written off with the payoff of this debt.

The debt issuance costs for the 2020 bonds were \$1,378,618 and premiums were \$2,216,347. These costs and premiums were capitalized and are being amortized over the term of the debt. The unamortized amounts of issuance costs of \$1,359,574 and premiums of \$2,179,408 at August 31, 2021 are recorded in Long Term Debt. Amortization expense related to the debt issuance costs totaled \$123,595 and \$11,779 for the years ended August 31, 2021 and 2020. Premiums/discounts amortization was \$40,702 for the year ended August 31, 2021.

Debt service for the Series 2020 bonds at August 31, 2021, is as follows:

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	\$ 270,000	\$ 722,450	\$ 992,450
2023	320,000	718,750	1,038,750
2024	390,000	702,750	1,092,750
2025	410,000	683,250	1,093,250
2026	430,000	662,750	1,092,750
Thereafter	<u>17,875,000</u>	<u>8,365,450</u>	<u>26,240,450</u>
Total	<u>\$19,695,000</u>	<u>\$11,855,400</u>	<u>\$31,550,400</u>

EL PASO EDUCATION INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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The corporation reflects interest expense in the amount of \$206,681 (\$650,996 less construction period interest capitalized of \$444,315) and \$135,372 for the years ended August 31, 2021 and 2020.

13. LEASES

A copier lease agreement was entered into with Toshiba for \$1,695 a month for 63 months beginning November 14, 2016. A copier lease agreement was entered into with Toshiba for \$176 a month for 63 months beginning September 14, 2017. A copier lease agreement was entered into with Toshiba for \$154 a month for 63 months beginning September 18, 2017. A copier lease agreement was entered into with Toshiba for \$245 a month for 63 months beginning September 14, 2017. A copier lease agreement was entered into with Toshiba for \$80 a month for 63 months beginning October 6, 2017. A copier lease agreement was entered into with Toshiba for \$149 a month for 63 months beginning December 12, 2017.

A lease agreement was entered into with Burnham Family, LP for facilities used by Vista del Futuro Charter School on August 27, 2009 for 10 years for \$30,208 a month. The lease agreement was amended May 4, 2017, to include an option to purchase fee simple title to the facilities based upon a current fair market values and renewal option to extend for 25 years effective upon expiration of the initial term. Currently, Burnham Family, LP is charging \$30,816 a month to Vista del Futuro.

Future minimum payments under noncancelable operating leases as of August 31, 2021, are as follows:

2022	\$ 16,255
2023	<u>1,341</u>
	<u>\$ 17,596</u>

Total rent expense for all operating leases was approximately \$519,835 and \$525,108 for the years ended August 31, 2021 and 2020.

14. INCOME TAX

On December 30, 2008, FASB issued FASB Staff Position (FSP) FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises. There was no apparent unrelated business income for the year ended August 31, 2021, and as a result, there was no income tax liability.

15. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the corporation through financial statement issuance and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements other than the planned construction and renovation projects and the uncertainty of the coronavirus discussed below.

The investments reflected included \$14,871,400 from the conduit bond proceeds for future construction and renovation projects for the following:

EL PASO EDUCATION INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

Da Vinci school renovations and improvements	\$ 6,925,608
Linguistics Academy renovations and improvements	4,362,786
Technology, Safety, portables and improvements	<u>3,571,000</u>
Total	<u>\$ 14,859,394</u>

As a result of the continued COVID-19 pandemic, economic uncertainties have arisen which could have a negative effect on operations. There continues to be considerable uncertainty around the duration of this pandemic. Therefore, the potential impact is currently unknown.

16. RELATED PARTY TRANSACTIONS

The corporation paid Burnham Family, LP, an entity 96% constructively owned by Iris Burnham, former Board President and former Superintendent of El Paso Education Initiative, \$338,971 and \$396,644 in rent for the years ended August 31, 2021 and 2020 for the use of facilities by Vista del Futuro Charter School. The rent was paid pursuant to a lease agreement between Burnham Family, LP and El Paso Education Initiative, Inc. The ten year lease agreement was approved on August 27, 2009, by the Board and Directors of El Paso Education Initiative, Inc. The lease agreement was amended effective May 4, 2017, to include an option to purchase fee simple title to the facilities based upon a current fair market value and renewal option to extend for 25 years effective upon expiration of the “initial term”. The option to renew provided reason for the charter holder to request the appraisal district to grant a tax abatement for public property. The abatement was granted.

In August 2020, the School Board formerly exercised its lease/purchase option under the lease agreement. The lease purchase had not yet been completed as of August 31, 2021. The Charter Holder subsequently filed suit to require the lessor/grantor to engage in and complete the purchase process.

Dr. Gonzales’ (the Superintendent’s) son works as a facilities consultant for the schools. He had been engaged in this role by the former Superintendent and then by the School Board prior to Dr. Gonzales’s engagement as Superintendent and was paid \$169,262 (\$36,964 personally and \$132,298 to 100% owned S&C Building Contractors) and \$117,436 for contract maintenance and consulting services during the years ended August 31, 2021 and 2020.

17. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 999,678
Fixed assets	<u>698</u>
	<u>\$ 1,000,376</u>

Except for the financial assets listed above, Burnham Wood Charter School’s and Vista del Futuro Charter School’s cash, due from governments, accounts receivable, inventory, deferred expenses, and fixed assets’ use are restricted by the Texas Education Agency, federal agencies, and donors for charter school operations. As part of the corporation’s liquidity management plan, \$14,896,681 of cash is invested in UMB Investments.

Specific-Purpose Financial Statements

BURNHAM WOOD CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,274,235	\$ 2,298,405
Due from governments	1,298,197	1,235,661
Accounts receivable-Intercompany	1,232	11,385
Accounts receivable-Other	-	679
Inventory	387	4,404
Total Current Assets	<u>5,574,051</u>	<u>3,550,534</u>
Property and Equipment		
Land	4,030,212	4,030,212
Buildings and improvements	14,344,872	12,426,181
Furniture and equipment	953,168	918,195
Less accumulated depreciation	<u>(4,270,404)</u>	<u>(3,881,149)</u>
Total Property and Equipment	<u>15,057,848</u>	<u>13,493,439</u>
Other Assets		
Investments	14,896,681	-
Other assets	<u>-</u>	<u>-</u>
	<u>14,896,681</u>	<u>-</u>
Total Assets	<u>\$ 35,528,580</u>	<u>\$ 17,043,973</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 151,075	\$ 16,166
Interest payable	30,102	79,591
Payroll deductions and withholdings	192,365	62,885
Accrued wages payable	20,407	16,454
Due to student groups	3,536	-
Current portion of long-term debt	<u>270,000</u>	<u>240,460</u>
Total Current Liabilities	<u>667,485</u>	<u>415,556</u>
Long-Term Debt	<u>20,244,834</u>	<u>2,912,348</u>
Total Liabilities	<u>\$ 20,912,319</u>	<u>\$ 3,327,904</u>
Net Assets		
Without donor restrictions	876,501	695,322
With donor restrictions	<u>13,739,760</u>	<u>13,020,747</u>
Total Net Assets	<u>\$ 14,616,261</u>	<u>\$ 13,716,069</u>
Total Liabilities and Net Assets	<u>\$ 35,528,580</u>	<u>\$ 17,043,973</u>

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

VISTA DEL FUTURO CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,058,069	\$ 2,295,249
Due from governments	277,629	236,104
Accounts receivable - Intercompany	-	9,265
Inventory	405	579
Deferred expenses	30,208	30,208
Total Current Assets	<u>2,366,311</u>	<u>2,571,405</u>
Property and Equipment		
Furniture and equipment	297,758	297,758
Less accumulated depreciation	(243,578)	(220,889)
Total Property and Equipment	<u>54,180</u>	<u>76,869</u>
Total Assets	<u>\$ 2,420,491</u>	<u>\$ 2,648,274</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable - Intercompany	\$ 1,232	\$ 11,385
Payroll deductions and withholdings	37,789	55,556
Due to student groups	553	-
Accrued wages payable	5,861	5,186
Total Current Liabilities	<u>45,435</u>	<u>72,127</u>
Total Liabilities	<u>\$ 45,435</u>	<u>\$ 72,127</u>
Net Assets		
Without donor restrictions	123,875	152,365
With donor restrictions	<u>2,251,181</u>	<u>2,423,782</u>
Total Net Assets	<u>\$ 2,375,056</u>	<u>\$ 2,576,147</u>
Total Liabilities and Net Assets	<u>\$ 2,420,491</u>	<u>\$ 2,648,274</u>

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

**BURNHAM WOOD CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 299,084	\$ 175,000	\$ 474,084
5750 Cocurricular and Enterprising Activities	19,283	-	19,283
Total Local Support	<u>318,367</u>	<u>175,000</u>	<u>493,367</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	11,540,203	11,540,203
5820 State Program Revenues Distributed by TEA	-	13,893	13,893
5830 State Revenues from State of Texas Govt. Agencies	-	465,179	465,179
Total State Program Revenues	<u>-</u>	<u>12,019,275</u>	<u>12,019,275</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	1,686,990	1,686,990
5930 Federal Revenues Distributed by Other TX Agencies	-	82,771	82,771
5940 Federal Revenues Distributed from Federal Gov.	-	56,189	56,189
Total Federal Program Revenues	<u>-</u>	<u>1,825,950</u>	<u>1,825,950</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>13,301,212</u>	<u>(13,301,212)</u>	<u>-</u>
Total Revenues	<u>\$ 13,619,579</u>	<u>\$ 719,013</u>	<u>\$ 14,338,592</u>
Expenses			
11 Instruction	\$ 6,742,253	\$ -	\$ 6,742,253
12 Instructional Resources & Media Services	563	-	563
13 Curriculum & Instructional Staff Development	81,246	-	81,246
21 Instructional Leadership	83,936	-	83,936
23 School Leadership	524,253	-	524,253
31 Guidance, Counseling, & Evaluation Services	97,536	-	97,536
33 Health Services	205,646	-	205,646
34 Student Transportation	261,095	-	261,095
35 Food Services	474,939	-	474,939
36 Cocurricular/Extracurricular Activities	252,264	-	252,264
41 General Administration	1,214,560	-	1,214,560
51 Plant Maintenance & Operations	2,913,792	-	2,913,792
52 Security & Monitoring Services	20,768	-	20,768
53 Data Processing Services	188,071	-	188,071
61 Community Services	-	-	-
71 Debt Service	377,478	-	377,478
Total Expenses	<u>\$ 13,438,400</u>	<u>\$ -</u>	<u>\$ 13,438,400</u>
Change in Net Assets	181,179	719,013	900,192
Net Assets, Beginning of Year	<u>695,322</u>	<u>13,020,747</u>	<u>13,716,069</u>
Net Assets, End of Year	<u>\$ 876,501</u>	<u>\$ 13,739,760</u>	<u>\$ 14,616,261</u>

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

**BURNHAM WOOD CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

	Without Donor Restrictions	With Donor Restrictions	2020 Totals
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 295,226	\$ -	\$ 295,226
5750 Cocurricular and Enterprising Activities	141,377	-	141,377
Total Local Support	436,603	-	436,603
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	10,186,465	10,186,465
5820 State Program Revenues Distributed by TEA	-	238,135	238,135
5830 State Revenues from State of Texas Govt. Agencies	-	35,000	35,000
Total State Program Revenues	-	10,459,600	10,459,600
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	890,127	890,127
5930 Federal Revenues Distributed by Other TX Agencies	-	8,504	8,504
Total Federal Program Revenues	-	898,631	898,631
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	10,899,874	(10,899,874)	-
Total Revenues	\$ 11,336,477	\$ 458,357	\$ 11,794,834
Expenses			
11 Instruction	\$ 5,739,682	\$ -	\$ 5,739,682
12 Instructional Resources & Media Services	784	-	784
13 Curriculum & Instructional Staff Development	18,061	-	18,061
21 Instructional Leadership	105,260	-	105,260
23 School Leadership	214,695	-	214,695
31 Guidance, Counseling, & Evaluation Services	49,896	-	49,896
33 Health Services	156,842	-	156,842
34 Student Transportation	88,279	-	88,279
35 Food Services	464,767	-	464,767
36 Cocurricular/Extracurricular Activities	184,358	-	184,358
41 General Administration	1,092,805	-	1,092,805
51 Plant Maintenance & Operations	2,764,236	-	2,764,236
52 Security & Monitoring Services	42,822	-	42,822
53 Data Processing Services	177,423	-	177,423
61 Community Services	-	-	-
71 Debt Service	147,151	-	147,151
Total Expenses	\$ 11,247,061	\$ -	\$ 11,247,061
Change in Net Assets	89,416	458,357	547,773
Net Assets, Beginning of Year	605,906	12,562,390	13,168,296
Net Assets, End of Year	\$ 695,322	\$ 13,020,747	\$ 13,716,069

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

**VISTA DEL FUTURO CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Totals</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 7,313	\$ -	\$ 7,313
5750 Cocurricular and Enterprising Activities	630	-	630
Total Local Support	<u>7,943</u>	<u>-</u>	<u>7,943</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	2,494,444	2,494,444
5820 State Program Revenues Distributed by TEA	-	860	860
5830 State Revenues from Texas Govt. Agencies	-	100,054	100,054
Total State Program Revenues	<u>-</u>	<u>2,595,358</u>	<u>2,595,358</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	400,632	400,632
5930 Federal Revenues Distributed by Other TX Agencies	-	25,504	25,504
5940 Federal Revenues Distributed by Fed. Govt.	-	18,260	18,260
Total Federal Program Revenues	<u>-</u>	<u>444,396</u>	<u>444,396</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>3,212,355</u>	<u>(3,212,355)</u>	<u>-</u>
Total Revenues	<u>\$ 3,220,298</u>	<u>\$ (172,601)</u>	<u>\$ 3,047,697</u>
Expenses			
11 Instruction	1,436,914	-	1,436,914
12 Instructional Resources & Media Services	-	-	-
13 Curriculum & Instructional Staff Development	30,843	-	30,843
21 Instructional Leadership	23,117	-	23,117
23 School Leadership	204,782	-	204,782
31 Guidance, Counseling, & Evaluation Services	65,194	-	65,194
33 Health Services	55,981	-	55,981
34 Student Transportation	31,378	-	31,378
35 Food Services	159,019	-	159,019
36 Cocurricular/Extracurricular Activities	10,053	-	10,053
41 General Administration	403,549	-	403,549
51 Plant Maintenance & Operations	759,910	-	759,910
52 Security & Monitoring Services	4,908	-	4,908
53 Data Processing Services	63,140	-	63,140
Total Expenses	<u>\$ 3,248,788</u>	<u>\$ -</u>	<u>\$ 3,248,788</u>
Change in Net Assets	<u>(28,490)</u>	<u>(172,601)</u>	<u>(201,091)</u>
Net Assets, Beginning of Year	<u>152,365</u>	<u>2,423,782</u>	<u>2,576,147</u>
Net Assets, End of Year	<u>\$ 123,875</u>	<u>\$ 2,251,181</u>	<u>\$ 2,375,056</u>

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

**VISTA DEL FUTURO CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

	Without Donor Restrictions	With Donor Restrictions	2020 Totals
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 41,756	\$ -	\$ 41,756
5750 Cocurricular and Enterprising Activities	36,397	-	36,397
Total Local Support	<u>78,153</u>	<u>-</u>	<u>78,153</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	2,802,760	2,802,760
5820 State Program Revenues Distributed by TEA	-	82,677	82,677
Total State Program Revenues	<u>-</u>	<u>2,885,437</u>	<u>2,885,437</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	247,479	247,479
5940 Federal Revenues Distributed by Fed. Govt.	-	37,209	37,209
Total Federal Program Revenues	<u>-</u>	<u>284,688</u>	<u>284,688</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>2,952,767</u>	<u>(2,952,767)</u>	<u>-</u>
Total Revenues	<u>\$ 3,030,920</u>	<u>\$ 217,358</u>	<u>\$ 3,248,278</u>
Expenses			
11 Instruction	1,660,531	-	1,660,531
12 Instructional Resources & Media Services	-	-	-
13 Curriculum & Instructional Staff Development	674	-	674
21 Instructional Leadership	38,278	-	38,278
23 School Leadership	86,755	-	86,755
31 Guidance, Counseling, & Evaluation Services	12,506	-	12,506
33 Health Services	8,508	-	8,508
34 Student Transportation	8,027	-	8,027
35 Food Services	164,604	-	164,604
36 Cocurricular/Extracurricular Activities	14,185	-	14,185
41 General Administration	313,326	-	313,326
51 Plant Maintenance & Operations	701,762	-	701,762
52 Security & Monitoring Services	9,908	-	9,908
53 Data Processing Services	58,368	-	58,368
Total Expenses	<u>\$ 3,077,432</u>	<u>\$ -</u>	<u>\$ 3,077,432</u>
Change in Net Assets	<u>(46,512)</u>	<u>217,358</u>	<u>170,846</u>
Net Assets, Beginning of Year	<u>198,877</u>	<u>2,206,424</u>	<u>2,405,301</u>
Net Assets, End of Year	<u>\$ 152,365</u>	<u>\$ 2,423,782</u>	<u>\$ 2,576,147</u>

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

**BURNHAM WOOD CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 900,192	\$ 547,773
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	389,255	385,911
(Increase) Decrease in Due from Governments	(62,536)	(78,463)
(Increase) Decrease in Accounts Receivable	10,832	(6,011)
(Increase) Decrease in Inventory	4,017	(1,825)
Increase (Decrease) in Accounts Payable	134,909	(6,311)
Increase (Decrease) in Interest Payable	(49,489)	23,810
Increase (Decrease) in Payroll Deductions	129,480	(5,650)
Increase (Decrease) in Accrued Wages Payable	3,953	(1,985)
Increase (Decrease) in Due to Student Groups	3,536	-
Net Cash Provided (Used) by Operating Activities	<u>1,464,149</u>	<u>857,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(14,896,681)	-
Purchase of Land, Buildings, and Equipment	<u>(1,953,664)</u>	<u>(1,840,337)</u>
Net Cash Provided (Used) by Investing Activities	<u>(16,850,345)</u>	<u>(1,840,337)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of Debt Issuance Costs	164,297	11,778
Capitalizing Debt Issuance Costs	(1,378,618)	(14,000)
Premium on Bonds	2,216,347	
Loan Proceeds	20,000,000	1,550,000
Principal Payments on Debt	<u>(3,640,000)</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>17,362,026</u>	<u>1,547,778</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,975,830	564,690
Cash and Cash Equivalents, Beginning of Year	<u>2,298,405</u>	<u>1,733,715</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,274,235</u>	<u>\$ 2,298,405</u>
 Interest Paid During the Period Ended August 31, 2021 and 2020	 \$ 700,485	 \$ 111,563
Income Taxes Paid During the Period Ended August 31, 2021 and 2020	-	-

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

**VISTA DEL FUTURO CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (201,091)	\$ 170,846
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	22,689	16,852
(Increase) Decrease in Due from Governments	(41,525)	86,917
(Increase) Decrease in Accounts Receivable	9,265	(9,265)
(Increase) Decrease in Inventory	174	(130)
(Increase) Decrease in Deferred Expenses	-	-
Increase (Decrease) in Accounts Payable	(10,153)	5,332
Increase (Decrease) in Payroll Deductions and Withholdings	(17,767)	33,019
Increase (Decrease) in Due to Student Groups	553	-
Increase (Decrease) in Accrued Wages Payable	675	(2,713)
Net Cash Provided (Used) by Operating Activities	<u>(237,180)</u>	<u>300,858</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings, and Equipment	<u>-</u>	<u>(61,081)</u>
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(61,081)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(237,180)	239,777
Cash and Cash Equivalents, Beginning of Year	<u>2,295,249</u>	<u>2,055,472</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,058,069</u>	<u>\$ 2,295,249</u>
 Interest Paid During the Period Ended August 31, 2021 and 2020	\$ -	\$ -
Income Taxes Paid During the Period Ended August 31, 2021 and 2020	-	-

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

**Required
Supplementary
Information Required
by the Texas Education
Agency**

**BURNHAM WOOD CHARTER SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

		Totals	
		2021	2020
Expenses			
6100	Payroll Costs	\$ 8,543,218	\$ 6,706,167
6200	Professional and Contracted Services	2,621,428	2,414,342
6300	Supplies and Materials	1,027,173	1,348,247
6400	Other Operating Costs	869,103	631,154
6500	Debt	377,478	147,151
	Total Expenses	<u>\$ 13,438,400</u>	<u>\$ 11,247,061</u>

The accompanying notes are an integral part of these statements.

**VISTA DEL FUTURO CHARTER SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020**

		Totals	
		2021	2020
Expenses			
6100	Payroll Costs	\$ 2,029,173	\$ 1,923,825
6200	Professional and Contracted Services	904,478	830,547
6300	Supplies and Materials	229,499	243,776
6400	Other Operating Costs	85,638	79,284
6500	Debt	-	-
	Total Expenses	\$ 3,248,788	\$ 3,077,432

The accompanying notes are an integral part of these statements.

**BURNHAM WOOD CHARTER SCHOOL
SCHEDULE OF CAPITAL ASSETS
AS OF AUGUST 31, 2021**

	Ownership Interest		
	Local	State	Federal
1510 Land	\$ -	\$ 4,030,212	\$ -
1520 Buildings and Improvements	-	14,344,872	-
1530 Furniture and Equipment	29,723	672,562	250,883
1570 Less Accumulated Depreciation	(29,025)	(4,037,275)	(204,104)
Total Property and Equipment	<u>\$ 698</u>	<u>\$ 15,010,371</u>	<u>\$ 46,779</u>

The accompanying notes are an integral part of these statements.

**VISTA DEL FUTURO CHARTER SCHOOL
SCHEDULE OF CAPITAL ASSETS
AS OF AUGUST 31, 2021**

	Ownership Interest		
	Local	State	Federal
1530 Furniture and Equipment	\$ -	\$ 117,104	\$ 180,654
1570 Less Accumulated Depreciation	-	(63,932)	(179,646)
Total Property and Equipment	<u>\$ -</u>	<u>\$ 53,172</u>	<u>\$ 1,008</u>

The accompanying notes are an integral part of these statements.

**BURNHAM WOOD CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 77,354	\$ 3,121,917	\$ 474,084	\$ (2,647,833)
5750 Cocurricular and Enterprising Activities	10,000	135,705	19,283	(116,422)
Total Local Support	87,354	3,257,622	493,367	(2,764,255)
State Program Revenues:				
5810 Foundation School Program Act Revenues	9,193,673	11,693,673	11,540,203	(153,470)
5820 State Program Revenues Distributed by TEA	-	2,800	13,893	11,093
5830 State Revenues from State of Texas Govt. Agencies	-	-	465,179	465,179
Total State Program Revenues	9,193,673	11,696,473	12,019,275	322,802
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	580,405	867,435	1,686,990	819,555
5930 Federal Revenues Distributed by Other TX Agencies	-	-	82,771	82,771
5940 Federal Revenues Distributed from Federal Gov.	-	-	56,189	56,189
Total Federal Program Revenues	580,405	867,435	1,825,950	958,515
Total Revenues	\$ 9,861,432	\$ 15,821,530	\$ 14,338,592	\$ (1,482,938)
Expenses				
11 Instruction	\$ 4,457,546	\$ 5,246,746	\$ 6,742,253	\$ (1,495,507)
12 Instructional Resources & Media Services	7,000	7,000	563	6,437
13 Curriculum & Instructional Staff Development	111,749	139,129	81,246	57,883
21 Instructional Leadership	74,422	93,622	83,936	9,686
23 School Leadership	488,230	488,230	524,253	(36,023)
31 Guidance, Counseling, & Evaluation Services	59,370	59,370	97,536	(38,166)
33 Health Services	161,766	161,766	205,646	(43,880)
34 Student Transportation	81,219	120,000	261,095	(141,095)
35 Food Services	-	427,595	474,939	(47,344)
36 Cocurricular/Extracurricular Activities	201,173	192,232	252,264	(60,032)
41 General Administration	809,046	919,796	1,214,560	(294,764)
51 Plant Maintenance & Operations	1,277,462	1,619,238	2,913,792	(1,294,554)
52 Security & Monitoring Services	45,220	45,220	20,768	24,452
53 Data Processing Services	153,632	153,632	188,071	(34,439)
61 Community Services	-	-	-	-
71 Debt Service	356,796	649,999	377,478	272,521
81 Fundraising	9,042	9,042	-	9,042
Total Expenses	\$ 8,293,673	\$ 10,332,617	\$ 13,438,400	\$ (3,105,783)
Change in Net Assets	1,567,759	5,488,913	900,192	(4,588,721)
Net Assets, Beginning of Year	13,716,069	13,716,069	13,716,069	-
Net Assets, End of Year	\$ 15,283,828	\$ 19,204,982	\$ 14,616,261	\$ (4,588,721)

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

**VISTA DEL FUTURO CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 85,335	\$ 85,335	\$ 7,313	\$ (78,022)
5750 Cocurricular and Enterprising Activities	56,500	56,500	630	(55,870)
Total Local Support	141,835	141,835	7,943	(133,892)
State Program Revenues:				
5810 Foundation School Program Act Revenues	2,631,202	2,631,202	2,494,444	(136,758)
5820 State Program Revenues Distributed by TEA	1,680	1,680	860	(820)
5830 State Revenues from Texas Govt. Agencies	-	-	100,054	100,054
Total State Program Revenues	2,632,882	2,632,882	2,595,358	(37,524)
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	265,456	253,144	400,632	147,488
5930 Federal Revenues Distributed by Other TX Agencies	-	-	25,504	25,504
5940 Federal Revenues Distributed by Fed. Govt.	-	-	18,260	18,260
Total Federal Program Revenues	265,456	253,144	444,396	191,252
Total Revenues	\$ 3,040,173	\$ 3,027,861	\$ 3,047,697	\$ 19,836
Expenses				
11 Instruction	\$ 1,382,771	\$ 1,410,752	\$ 1,436,914	\$ (26,162)
12 Instructional Resources & Media Services	1,195	1,195	-	1,195
13 Curriculum & Instructional Staff Development	27,552	34,622	30,843	3,779
21 Instructional Leadership	37,997	36,190	23,117	13,073
23 School Leadership	222,582	222,582	204,782	17,800
31 Guidance, Counseling, & Evaluation Services	79,167	79,167	65,194	13,973
33 Health Services	13,500	33,000	55,981	(22,981)
34 Student Transportation	542	17,000	31,378	(14,378)
35 Food Services	170,741	172,973	159,019	13,954
36 Cocurricular/Extracurricular Activities	8,020	15,319	10,053	5,266
41 General Administration	287,082	268,672	403,549	(134,877)
51 Plant Maintenance & Operations	474,743	478,831	759,910	(281,079)
52 Security and Monitoring Services	9,651	9,651	4,908	4,743
53 Data Processing Services	46,758	46,758	63,140	(16,382)
Total Expenses	\$ 2,762,301	\$ 2,826,712	\$ 3,248,788	\$ (422,076)
Change in Net Assets	277,872	201,149	(201,091)	(402,240)
Net Assets, Beginning of Year	2,576,147	2,576,147	2,576,147	-
Net Assets, End of Year	\$ 2,854,019	\$ 2,777,296	\$ 2,375,056	\$ (402,240)

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

**BURNHAM WOOD CHARTER SCHOOL
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION
PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2021**

Section A. Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the schools' fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the schools' fiscal year.	\$891,682
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$490,307

Section B. Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$253,051
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	\$138,571

**VISTA DEL FUTURO CHARTER SCHOOL
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION
PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2021**

Section A. Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the schools' fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the schools' fiscal year.	\$287,398
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	\$158,069

Section B. Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 47,216
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	\$ 25,969

**BURNHAM WOOD CHARTER SCHOOL
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
FOR THE YEAR ENDED AUGUST 31, 2021**

Description	Property Address	Total Assessed Value	Local	Ownership Interest	
				State	Federal
8 Upper Valley Tr 2 (5.773 Acres)	5141 Upper Valley Rd. El Paso, TX	\$ 1,343,537	\$ -	\$ 1,343,537	\$ -
26 West Hills #6	7310 Bishop Flores Dr. El Paso, TX	\$ 2,936,515	-	\$ 2,936,515	-
1 Harvest Addition Lot 1	785 Southwestern Dr. El Paso, TX	\$ 8,155,167	-	\$ 8,155,167	-
Block 1 IH-10 Crusade Lot 1	5490 N. Desert Blvd. El Paso, TX	\$ 579,180	-	\$ 579,180	-
				-	
			<u>\$ -</u>	<u>\$ 13,014,399</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**VISTA DEL FUTURO CHARTER SCHOOL
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
FOR THE YEAR ENDED AUGUST 31, 2021**

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
None			\$ -	\$ -	\$ -
			-	-	-
			-	-	-
			-	-	-
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

EL PASO EDUCATION INITIATIVE, INC.
SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED AUGUST 31, 2021

Related Party Name	Relation Name	Relationship	Type of Transaction	Terms	Source of Funds	Payment Frequency	Total Paid	Balance Due
Steven Gonzales	Joe Gonzales Superintendent	Son	Maintenance	Contract Maint.	State Foundation	Monthly	\$ 36,964	\$ -
							-	-
							-	-
S&C Building Contract	Joe Gonzales Superintendent	Owned by Son	Construction	Contract Maint.	State Foundation	Monthly	132,298	-
							<u>\$ 169,262</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**Reports On
Internal Controls, Compliance
And
Federal Awards**

FREEMON, SHAPARD & STORY

Certified Public Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
El Paso Education Initiative, Inc.
785 Southwestern Dr.
El Paso, TX 79912

Members of the Board of Directors:

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 Education Initiative, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, 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 21, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Paso Education Initiative, 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 Education Initiative, Inc.'s internal control. Accordingly, we 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during

our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-1 to 2021-3.

El Paso Education Initiative, Inc.'s Response to Findings

El Paso Education Initiative, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. El Paso Education Initiative, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Freemon, Shapard, & Story
Windthorst, TX
January 21, 2022

FREEMON, SHAPARD & STORY

Certified Public Accountants

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
El Paso Education Initiative, Inc.
785 Southwestern Dr.
El Paso, TX 79912

Members of the Board of Directors:

Report on Compliance for Each Major Federal Program

We 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, 2021. El Paso Education Initiative, Inc.'s major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of El Paso Education Initiative, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our 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, 2021.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

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 our audit of compliance, we 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, we do not express an opinion on the effectiveness of El Paso Education, 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 a 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Freeman, Shapard & Story".

Freemon, Shapard, & Story
Windthorst, TX
January 21, 2022

**EL PASO EDUCATION INITIATIVE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021**

I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	___ Yes <u> X </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes ___ No
Noncompliance material to financial statements noted?	___ Yes <u> X </u> No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	___ Yes <u> X </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes <u> X </u> No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance?	___ Yes <u> X </u> No
Identification of major programs:	
School Breakfast Program (CFDA 10.553)	
National School Lunch Program (CFDA 10.555)	
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes ___ No

II. Financial Statement Findings

Finding 2021-1

Criteria

Depository banks are required to pledge securities to adequately cover cash deposits of public schools in excess of the FDIC insurance coverage.

Condition

Vista del Futuro Charter School's highest daily balance of cash at J.P. Morgan Chase Bank for the year ended August 31, 2021, occurred on October 28, 2020. The cash balance was \$2,480,817 on October 28, 2020. Pledged securities were \$2,118,613, and FDIC coverage was \$250,000 which left \$112,203 unsecured.

Cause

J.P. Morgan Chase Bank did not have enough securities pledged to cover Vista del Futuro's highest cash balance.

Effect

Vista del Futuro Charter School's cash balances are in danger of being lost if depository bank were to fail.

Recommendation

El Paso Education Initiative, Inc. should monitor cash balances and make sure pledged securities and FDIC coverage are adequate to cover the school's cash balances.

Management Response

Chase Bank will be notified to either increase pledged securities to cover highest daily balance or Vista Del Futuro will move banking to a different bank.

Finding 2021-2

Criteria

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

Condition

Burnham Wood Charter School's expenditures exceeded the final amended budget in ten functional categories for the year as per Exhibit E-1.1. Nine of these exceeded ten percent of the final budget amount.

Vista del Futuro Charter School's expenditures exceeded the final amended budget in six functional categories for the year as per Exhibit E-1.2. Five of the functional categories exceeded ten percent of the final budget amount.

Cause

Burnham Wood Charter School and Vista del Futuro Charter School did not amend the budget prior to incurring expenditures that exceeded the budget.

Effect

Expenditures were made without board approval.

Recommendation

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

Management Response

In the future, Burnham Wood Charter School and Vista del Futuro Charter School will monitor the budget more closely including making budget amendments approved by the Board when necessary in advance of spending funds.

Finding 2021-3

Criteria

The district must have an accounting system that meets the minimum requirements of the State Board of Education. Accounting records must be maintained to properly reflect activity throughout year as per TEA Financial Accountability System Resource Guide.

Condition

Burnham Wood Charter School and Vista Del Futuro's books both required extensive year end adjusting journal entries to properly reflect balances at August 31, 2021 and for the year then ended.

Cause

A new bond issue was issued in the current year. Finance personnel did not have the requisite experience to prepare the necessary journal entries to record the bond closing, issuance costs, premiums and related investment accounts established. Additionally, the schools both had multiple federal grants in the current year that weren't all properly recorded and coded to the correct fiscal year code to match up with expenditure reports.

Effect

Organization was unable to rely on Burnham Wood and Vista Del Futuro Charter School's accounting records and reports during the year relative to bond related activity until multiple year-end adjustments were made.

Recommendation

Contact your auditor or service center to request help for finance department in make adjusting journal entries for complicated events such as new bond issuances or obtain additional training for complex accounting transactions. Reconcile accounting records by respective grant and fiscal year of grant to expenditure reports as submitted periodically throughout the year.

Management Response

In the future, Burnham Wood Charter School and Vista del Futuro Charter School will make certain all necessary adjustments are made before the end of the year and will ask for assistance if needed. Federal grants will be reconciled to accounting records throughout the year as submitted and multiple grants spanning multiple years will be posted using respective fiscal year codes.

III. Findings and Questioned Costs for State and Federal Awards

None identified.

**EL PASO EDUCATION INITIATIVE, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2021**

Finding 2020-1

Criteria

Depository banks are required to pledge securities to adequately cover cash deposits of public schools in excess of the FDIC insurance coverage.

Condition

Vista del Futuro Charter School's highest daily balance of cash at J.P. Morgan Chase Bank for the year ended August 31, 2020, occurred on July 24, 2020. The cash balance was \$2,533,615 on July 24, 2020. Pledged securities were \$2,157,006, and FDIC coverage was \$250,000 which left \$126,609 unsecured at JP Morgan Chase Bank.

Effect

Vista del Futuro Charter School's cash balances are in danger of being lost if the depository bank were to fail.

Recommendation

El Paso Education Initiative, Inc. should monitor cash balances and make sure pledged securities and FDIC coverage are adequate to cover the school's cash balances.

Management Response

On July 24, 2020, Vista del Futuro had a large deposit of \$230,594. J.P. Morgan Chase Bank did not have enough pledged securities to cover the large increase in cash.

Status

Pledged securities were still inadequately secured at J.P. Morgan Chase Bank on the highest daily cash balance for the year ended August 31, 2021.

Management's Explanation for not implementing the Recommendation

We have been unable to acquire a pledged security report from J.P. Morgan Chase Bank at this time.

Finding 2020-2

Criteria

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

Condition

Burnham Wood Charter School's expenditures exceeded the final amended budget in seven functional categories for the year. Six of these exceeded ten percent of the final budget amount. Vista del Futuro Charter School's expenditures exceeded the final amended budget in seven functional categories for the year. Four of the functional categories exceeded ten percent of the final budget amount.

Effect

Expenditures were made without board approval.

Recommendation

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

Management Response

The budget was not amended due to a change in the finance director position during the year which created delays in reconciling the books until after year-end. In the future, Burnham Wood Charter School and Vista del Futuro Charter School will monitor the budget more closely including making budget amendments approved by the Board when necessary in advance of spending funds.

Status

Burnham Wood Charter School's expenditures exceeded the final amended budget in ten functional categories for the year as per Exhibit E-1.1. Nine of these exceeded ten percent of the final budget amount. Vista del Futuro Charter School's expenditures exceeded the final amended budget in five functional categories for the year as per Exhibit E-1.2. Four of the functional categories exceeded ten percent of the final budget amount.

Management's Explanation for not implementing the Recommendation

Numerous journal entries were made after year-end; therefore, many functional categories changed significantly.

EL PASO EDUCATION INITIATIVE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF THE TREASURY			
<u>Texas Division of Emergency Management</u>			
COVID - 19 Coronavirus Relief Fund	21.019	2020-CF-21019	\$ 46,914
COVID - 19 Coronavirus Relief Fund	21.019	52202003	25,504
Total Assistance Listing Number 21.019			72,418
Total Texas Division of Emergency Management			72,418
TOTAL DEPARTMENT OF THE TREASURY			72,418
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101071801	86,564
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101071801	302,314
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101071809	11,091
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101071809	78,136
Total Assistance Listing Number 84.010A			478,105
*IDEA - Part B, Formula	84.027A	206600010718016600	1,097
*IDEA - Part B, Formula	84.027A	216600010718016600	120,258
*IDEA - Part B, Formula	84.027A	206600010718096600	18,261
*IDEA - Part B, Formula	84.027A	216600010718096600	5,172
Total Assistance Listing Number 84.027A			144,788
*IDEA - Part B, Preschool	84.173A	206610010718016610	1,250
*IDEA - Part B, Preschool	84.173A	216610010718016610	947
*IDEA - Part B, Preschool	84.173A	206610010718096610	1,292
*IDEA - Part B, Preschool	84.173A	216610010718096610	647
Total Assistance Listing Number 84.173A			4,136
Total Special Education Cluster (IDEA)			148,924
Title III, Part A - English Language Acquisition	84.365A	20671001071801	18,746
Title III, Part A - English Language Acquisition	84.365A	21671001071801	35,076
Title III, Part A - English Language Acquisition	84.365A	21671001071809	10,874
Total Assistance Listing Number 84.365A			64,696
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501071801	2,500
ESEA, Title II, Part A, Teacher Principal Training	84.367A	21694501071801	5,816
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501071809	260
ESEA, Title II, Part A, Teacher Principal Training	84.367A	21694501071809	1,823
Total Assistance Listing Number 84.367A			10,399
Elementary & Secondary School Emergency Relief Fd	84.425D	20521001071801	215,592
Elementary & Secondary School Emergency Relief Fd	84.425D	20521001071809	58,556
Elemen & Secondary School Emerg Relief Prior Purch	84.425D	52102035	117,317
Total Assistance Listing Number 84.425			391,465
Title IV Part A	84.424A	21680101071801	19,205
Title IV, Part A	84.424A	20680101071801	7,813

EL PASO EDUCATION INITIATIVE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Title IV, Part A	84.424A	20680101071809	18,143
Title IV, Part A	84.424A	21680101071809	10,000
Total Assistance Listing Number 84.424A			55,161
Total Passed Through State Department of Education			1,148,750
TOTAL U.S. DEPARTMENT OF EDUCATION			1,148,750
U.S. DEPARTMENT OF JUSTICE			
<u>Passed Through State Department of Education</u>			
Stop School Violence	16.839	194310027110001	8,180
Stop School Violence	16.839	194310027110002	3,806
Total Assistance Listing Number 16.839			11,986
Total Passed Through State Department of Education			11,986
TOTAL U.S. DEPARTMENT OF JUSTICE			11,986
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71402101	217,056
*School Breakfast Program	10.553	71402101	42,157
Total Assistance Listing Number 10.553			259,213
*National School Lunch Program - Cash Assistance	10.555	71302101	491,041
*National School Lunch Program - Cash Assistance	10.555	71302101	98,050
Total Assistance Listing Number 10.555			589,091
Total Child Nutrition Cluster			848,304
*Commodity Supplemental - Non-Cash Assistance	10.565	071801	36,217
*Commodity Supplemental - Non-Cash Assistance	10.565	071809	11,959
Total Assistance Listing Number 10.565			48,176
*COVID-19 Emergency Food Assistance	10.569	071801	35,582
*COVID-19 Emergency Food Assistance	10.569	071809	30,405
Total Assistance Listing Number 10.569			65,987
Total Passed Through the State Department of Agriculture			962,467
TOTAL U.S. DEPARTMENT OF AGRICULTURE			962,467
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,195,621

*Clustered Programs

EL PASO EDUCATION INITIATIVE, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Presentation*

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal expenses include allowable expenses funded by federal grants. Allowable costs are subject to the cost principles of the Uniform Guidance and include costs that are recognized as expenses in the corporation's financial statements in conformity with generally accepted accounting principles. The corporation has elected not to use the 10% de minimus rate for indirect costs.

Because the schedule presents only a selected portion of the operations of the corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the corporation.

For all federal programs, the corporation used the net asset classes and codes specified by the Texas Education Agency in the *Module 3: Charter Schools –Financial Accounting and Reporting Nonprofit Charter School Chart of Accounts*. Net asset with donor restriction codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in net asset with restriction codes.

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.

2. RECONCILIATION OF FEDERAL REVENUES

Total federal expenditures per Schedule of Expenditures of Federal Awards	\$ 2,195,621
SHARS excluded from SEFA	276
E-rate excluded from SEFA	<u>74,449</u>
Total federal revenue Exhibit A-2	<u>\$ 2,270,346</u>