

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

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

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**EL PASO EDUCATION INITIATIVE, INC.  
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EL PASO EDUCATION INITIATIVE, INC.

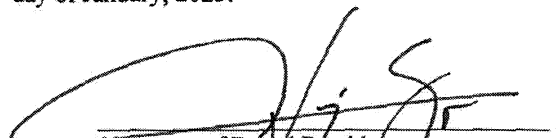
CERTIFICATE OF BOARD

AUGUST 31, 2022

|                                 |         |                   |
|---------------------------------|---------|-------------------|
| Burnham Wood Charter School     | El Paso | 071801            |
| Vista del Futuro Charter School | El Paso | 071809            |
| Name of Charter Schools         | County  | Co.-Dist. Numbers |
| Federal EIN: 74-2855052         |         |                   |

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one)  approved  disapproved for the year ended August 31, 2022, at a meeting of the governing body of the charter holder on the 26<sup>th</sup> day of January, 2023.

  
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 Audit of the Financial Statements**

#### ***Opinion***

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about El Paso Education Initiative,

Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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*, 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 financial statements. The budget variance explanations have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them. 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, 2023, 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, 2023

**General-Purpose  
Financial Statements**



**EL PASO EDUCATION INITIATIVE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2022 AND 2021**

|   | 2022          | 2021          |
|---|---------------|---------------|
| <b>ASSETS</b>                           |               |               |
| <b>Current Assets</b>                   |               |               |
| Cash and cash equivalents               | \$ 4,297,582  | \$ 6,332,304  |
| Restricted investments                  | 11,460,120    | 14,896,681    |
| Due from governments                    | 1,973,355     | 1,575,826     |
| Accounts receivable                     | -             | -             |
| Inventory                               | 6,096         | 792           |
| Deferred expenses                       | -             | 30,208        |
| <b>Total Current Assets</b>             | 17,737,153    | 22,835,811    |
| <b>Property and Equipment</b>           |               |               |
| Land                                    | 4,286,131     | 4,030,212     |
| Buildings and improvements              | 17,822,884    | 14,344,872    |
| Furniture and equipment                 | 1,842,601     | 1,250,926     |
| Right to use lease assets               | 118,844       | -             |
| Less accumulated depreciation           | (5,044,388)   | (4,513,982)   |
| <b>Total Property and Equipment</b>     | 19,026,072    | 15,112,028    |
| <b>Total Assets</b>                     | \$ 36,763,225 | \$ 37,947,839 |
| <br>                                    |               |               |
| <b>LIABILITIES AND NET ASSETS</b>       |               |               |
| <b>Current Liabilities</b>              |               |               |
| Accounts payable                        | \$ 122,560    | \$ 151,075    |
| Interest payable                        | 29,948        | 30,102        |
| Payroll deductions and withholdings     | 270,754       | 230,154       |
| Accrued wages payable                   | 46,579        | 26,268        |
| Due to student groups                   | 13,726        | 4,089         |
| Current portion of long-term debt       | 320,000       | 270,000       |
| Current portion of lease liability      | 31,703        | -             |
| <b>Total Current Liabilities</b>        | 835,270       | 711,688       |
| <b>Long-Term Debt</b>                   |               |               |
| Conduit bonds payable                   | 19,897,043    | 20,244,834    |
| Lease liability                         | 56,491        | -             |
| <b>Total Long Term Liabilities</b>      | 19,953,534    | 20,244,834    |
| <b>Total Liabilities</b>                | \$ 20,788,804 | \$ 20,956,522 |
| <b>Net Assets</b>                       |               |               |
| Without donor restrictions              | 1,142,437     | 1,000,376     |
| With donor restrictions                 | 14,831,984    | 15,990,941    |
| <b>Total Net Assets</b>                 | \$ 15,974,421 | \$ 16,991,317 |
| <b>Total Liabilities and Net Assets</b> | \$ 36,763,225 | \$ 37,947,839 |

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, 2022 AND 2021**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total<br>2022        |
|--|-------------------------------|----------------------------|----------------------|
| <b>Revenues</b>                                      |                               |                            |                      |
| <b>Local Support:</b>                                |                               |                            |                      |
| Contributions  | \$ 150,000                    | \$ -                       | \$ 150,000           |
| Investment Income                                    | 39,677                        | -                          | 39,677               |
| Other Revenues from Local Sources                    | 249,276                       | -                          | 249,276              |
| Food Service Revenue                                 | 11,819                        | -                          | 11,819               |
| <b>Total Local Support</b>                           | <b>450,772</b>                | <b>-</b>                   | <b>450,772</b>       |
| <b>State Program Revenues:</b>                       |                               |                            |                      |
| Foundation School Program Act Revenues               | -                             | 15,405,043                 | 15,405,043           |
| State Program Revenue Distributed by TEA             | -                             | 119,436                    | 119,436              |
| State Revenues from State of TX Govt. Agencies       | -                             | -                          | -                    |
| <b>Total State Program Revenues</b>                  | <b>-</b>                      | <b>15,524,479</b>          | <b>15,524,479</b>    |
| <b>Federal Program Revenues:</b>                     |                               |                            |                      |
| ESEA Title I, Part A Improving Basic Programs        | -                             | 307,034                    | 307,034              |
| IDEA Part B, Formula                                 | -                             | 251,720                    | 251,720              |
| IDEA Part B, Preschool                               | -                             | 1,861                      | 1,861                |
| National School Breakfast and Lunch Program          | -                             | 1,544,782                  | 1,544,782            |
| ESSER II   | -                             | 1,216,010                  | 1,216,010            |
| ESSER III  | -                             | 769,332                    | 769,332              |
| SHARS  | -                             | 94                         | 94                   |
| ESEA Title II, Part A Teacher and Principal Training | -                             | 16,130                     | 16,130               |
| Title III, Part A, English Language Acquisition      | -                             | 75,812                     | 75,812               |
| Title IV Part A, Subpart 1                           | -                             | 33,944                     | 33,944               |
| Stop School Violence                                 | -                             | 38,014                     | 38,014               |
| IDEA Part B, Formula American Rescue Plan            | -                             | 64,041                     | 64,041               |
| IDEA Part B, Preschool American Rescue Plan          | -                             | 4,328                      | 4,328                |
| Career and Technical                                 | -                             | 13,255                     | 13,255               |
| Supply Chain Grant                                   | -                             | 43,496                     | 43,496               |
| Erate  | -                             | 404                        | 404                  |
| <b>Total Federal Program Revenues</b>                | <b>-</b>                      | <b>4,380,257</b>           | <b>4,380,257</b>     |
| <b>Net Assets Released from Restrictions:</b>        |                               |                            |                      |
| Restrictions Satisfied by Payments                   | 21,063,693                    | (21,063,693)               | -                    |
| <b>Total Revenues</b>                                | <b>\$ 21,514,465</b>          | <b>\$ (1,158,957)</b>      | <b>\$ 20,355,508</b> |
| <b>Expenses</b>                                      |                               |                            |                      |
| <b>Program Services:</b>                             |                               |                            |                      |
| Instruction and Instructional-Related Services       | 11,814,611                    | -                          | 11,814,611           |
| Instructional and School Leadership                  | 432,869                       | -                          | 432,869              |
| <b>Support Services</b>                              |                               |                            |                      |
| Student Support Services                             | 2,755,028                     | -                          | 2,755,028            |
| Administrative Support Services                      | 1,924,569                     | -                          | 1,924,569            |
| Support Services-Non-Student Based                   | 4,280,850                     | -                          | 4,280,850            |
| Debt Service   | 164,477                       | -                          | 164,477              |
| <b>Total Expenses</b>                                | <b>\$ 21,372,404</b>          | <b>\$ -</b>                | <b>\$ 21,372,404</b> |
| <b>Change in Net Assets</b>                          | <b>142,061</b>                | <b>(1,158,957)</b>         | <b>(1,016,896)</b>   |
| <b>Net Assets, Beginning of Year</b>                 | <b>1,000,376</b>              | <b>15,990,941</b>          | <b>16,991,317</b>    |
| <b>Net Assets, End of Year</b>                       | <b>\$ 1,142,437</b>           | <b>\$ 14,831,984</b>       | <b>\$ 15,974,421</b> |

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, 2022 AND 2021**

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total<br/>2021</u> |
|--|---------------------------------------|------------------------------------|-----------------------|
| <b>Revenues</b>                                      |                                       |                                    |                       |
| <b>Local Support:</b>                                |                                       |                                    |                       |
| 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                 |
| <b>Total Local Support</b>                           | <u>326,310</u>                        | <u>175,000</u>                     | <u>501,310</u>        |
| <b>State Program Revenues:</b>                       |                                       |                                    |                       |
| 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               |
| <b>Total State Program Revenues</b>                  | <u>-</u>                              | <u>14,614,633</u>                  | <u>14,614,633</u>     |
| <b>Federal Program Revenues:</b>                     |                                       |                                    |                       |
| 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 1                           | -                                     | 66,247                             | 66,247                |
| RLOC   | -                                     | 25,504                             | 25,504                |
| TDEM   | -                                     | 46,914                             | 46,914                |
| Erate  | -                                     | 74,449                             | 74,449                |
| <b>Total Federal Program Revenues</b>                | <u>-</u>                              | <u>2,270,346</u>                   | <u>2,270,346</u>      |
| <b>Net Assets Released from Restrictions:</b>        |                                       |                                    |                       |
| Restrictions Satisfied by Payments                   | <u>16,513,567</u>                     | <u>(16,513,567)</u>                | <u>-</u>              |
| <b>Total Revenues</b>                                | <u>\$ 16,839,877</u>                  | <u>\$ 546,412</u>                  | <u>\$ 17,386,289</u>  |
| <b>Expenses</b>                                      |                                       |                                    |                       |
| <b>Program Services:</b>                             |                                       |                                    |                       |
| Instruction and Instructional-Related Services       | 8,291,819                             | -                                  | 8,291,819             |
| Instructional and School Leadership                  | 836,088                               | -                                  | 836,088               |
| <b>Support Services</b>                              |                                       |                                    |                       |
| 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               |
| <b>Total Expenses</b>                                | <u>\$ 16,687,188</u>                  | <u>\$ -</u>                        | <u>\$ 16,687,188</u>  |
| <b>Change in Net Assets</b>                          | <u>152,689</u>                        | <u>546,412</u>                     | <u>699,101</u>        |
| <b>Net Assets, Beginning of Year</b>                 | <u>847,687</u>                        | <u>15,444,529</u>                  | <u>16,292,216</u>     |
| <b>Net Assets, End of Year</b>                       | <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 FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

|   | Program<br>Services  | Management<br>and<br>General | 2022<br>Total        |
|---|----------------------|------------------------------|----------------------|
| <b>Expenses</b>                                   |                      |                              |                      |
| Salaries and Wages                                | \$ 10,123,062        | \$ 1,035,641                 | \$ 11,158,703        |
| Benefits  | 701,364              | 43,840                       | 745,204              |
| Payroll Taxes                                     | 222,138              | 20,832                       | 242,970              |
| <b>Total Payroll Expenses</b>                     | <b>11,046,564</b>    | <b>1,100,313</b>             | <b>12,146,877</b>    |
| Professional Services                             | 741,365              | 142,534                      | 883,899              |
| Tuition   | 7,300                | -                            | 7,300                |
| Education Service Center Services                 | 63,447               | -                            | 63,447               |
| Repairs and Maintenance                           | 579,101              | -                            | 579,101              |
| Utilities   | 479,551              | 25,240                       | 504,791              |
| Rentals   | 816,563              | 14,760                       | 831,323              |
| Contracted Services                               | 2,785,828            | 176,913                      | 2,962,741            |
| Maintenance Supplies                              | 45,664               | 116,653                      | 162,317              |
| Instructional Materials                           | 32,485               | -                            | 32,485               |
| Testing Materials                                 | 44,657               | -                            | 44,657               |
| Food Service                                      | 680,248              | -                            | 680,248              |
| General Supplies                                  | 860,126              | 74,214                       | 934,340              |
| Travel  | 177,236              | 81,176                       | 258,412              |
| Insurance   | 124,247              | 13,805                       | 138,052              |
| Interest  | -                    | 156,478                      | 156,478              |
| Debt Service Fees                                 | -                    | 8,000                        | 8,000                |
| Miscellaneous                                     | 257,618              | 190,890                      | 448,508              |
| <b>Total Non-Payroll Expenses</b>                 | <b>7,695,436</b>     | <b>1,000,663</b>             | <b>8,696,099</b>     |
| <b>Total Before Depreciation and Amortization</b> | <b>18,742,000</b>    | <b>2,100,976</b>             | <b>20,842,976</b>    |
| Amortization                                      | -                    | -                            | -                    |
| Depreciation                                      | 529,428              | -                            | 529,428              |
| <b>Total Expenses</b>                             | <b>\$ 19,271,428</b> | <b>\$ 2,100,976</b>          | <b>\$ 21,372,404</b> |

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, 2022 AND 2021**

|  | Program<br>Services  | Management<br>and<br>General | 2021<br>Total        |
|--|----------------------|------------------------------|----------------------|
| <b>Expenses</b>                            |                      |                              |                      |
| Salaries and Wages                         | \$ 8,122,233         | \$ 848,551                   | \$ 8,970,784         |
| Benefits                                   | 1,162,254            | 97,391                       | 1,259,645            |
| Payroll Taxes                              | 317,973              | 23,988                       | 341,961              |
| 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                              | 202,847              | 151,889                      | 354,736              |
| 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                               | 411,943              | -                            | 411,943              |
| <b>Total Expenses</b>                      | <b>\$ 14,712,380</b> | <b>\$ 1,974,808</b>          | <b>\$ 16,687,188</b> |

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, 2022 AND 2021**

|  | 2022           | 2021         |
|--|----------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                |              |
| Change in Net Assets   | \$ (1,016,896) | \$ 699,101   |
| Adjustments to Reconcile Change in Net Assets to Cash Provided<br>by Operating Activities: |                |              |
| Depreciation   | 530,406        | 411,944      |
| (Increase) Decrease in Due from Governments  | (397,529)      | (104,061)    |
| (Increase) Decrease in Accounts Receivable   | -              | 679          |
| (Increase) Decrease in Inventory   | (5,304)        | 4,191        |
| (Increase) Decrease in Deferred Expenses   | 30,208         | -            |
| Increase (Decrease) in Accounts Payable  | (28,515)       | 144,174      |
| Increase (Decrease) in Interest Payable  | (154)          | (49,489)     |
| Increase (Decrease) in Payroll Deductions and Withholdings                                 | 40,600         | 111,713      |
| Increase (Decrease) in Accrued Wages Payable   | 20,311         | 4,628        |
| Increase (Decrease) in Due to Student Groups   | 9,637          | 4,089        |
|  | (817,236)      | 1,226,969    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                |              |
| Purchase of Investments  | (1,032,000)    | (16,469,170) |
| Withdrawal of Investments  | 4,468,561      | 1,572,489    |
| Purchase of Land, Buildings, and Equipment   | (4,325,606)    | (1,953,664)  |
| Purchase of Land, Buildings, and Equipment   | (118,844)      | -            |
|  | (1,007,889)    | (16,850,345) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                |              |
| Amortization of Debt Issuance Costs  | 46,087         | 164,297      |
| Capitalizing Debt Issuance Costs   | -              | (1,378,618)  |
| Premium on Bonds   | -              | 2,216,347    |
| Amortization of Premiums on Bonds  | (73,878)       | -            |
| Loan Proceeds  | -              | 20,000,000   |
| Proceeds from Right to Use Assets Lease Liability  | 118,844        | -            |
| Principal Payments on Right to Use Lease Liability   | (30,650)       | -            |
| Principal Payments on Debt   | (270,000)      | (3,640,000)  |
|  | (209,597)      | 17,362,026   |
| Net Increase (Decrease) in Cash and Cash Equivalents                                       | (2,034,722)    | 1,738,650    |
| Cash and Cash Equivalents, Beginning of Year   | 6,332,304      | 4,593,654    |
| Cash and Cash Equivalents, End of Year   | \$ 4,297,582   | \$ 6,332,304 |
| <br>   |                |              |
| Interest Paid During the Period Ended August 31, 2022 and 2021                             | \$ 727,199     | \$ 700,485   |
| Income Taxes Paid During the Period Ended August 31, 2022 and 2021                         | -              | -            |

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, 2022 AND 2021**

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 seven 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 four campuses under two open enrollment charters granted by the Texas State Board of Education. The two charters are Vista del Futuro Charter School offering Prekindergarten through 8<sup>th</sup> grade, and Burnham Wood Charter School offering Prekindergarten through 5<sup>th</sup> grade at Howard Burnham Elementary School, Prekindergarten through 5<sup>th</sup> grade at the Linguistic Academy of El Paso, and 6<sup>th</sup> through 12<sup>th</sup> 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, 2022 AND 2021**

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. *Revenue Recognition and Receivables*

The corporation recognizes revenue from government grants and state aid as revenue when eligible costs are incurred or services are provided. A receivable is recognized to the extent revenue earned exceeds cash advances. Conversely, deferred revenue and refundable advances are recorded when cash advances exceed support and revenue earned. Performance obligations for all the corporation's services are provided and consumed at a point in time, not over time, and therefore, these types of fees allocated to performance obligations are not left unsatisfied or partially unsatisfied at the end of the reporting period.

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

**EL PASO EDUCATION INITIATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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.

**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*

SAS 134-140 were implemented for the year ended August 31, 2022. SAS 134-140 are effective for audits of financial statements for years ending after December 15, 2021. It is intended to provide more transparency into the audit to emphasize and clarify what is and what is not a responsibility of the auditor and the management of the entity under audit. SAS 134 supersedes and replaces guidance in generally accepted auditing standards Section AU-C 700, *Forming an Opinion and Reporting on Financial Statements*. The key provisions of SAS 134 include formatting changes, including presenting the opinion and basis for the opinion section at the beginning of the report, expanding descriptions of management's responsibilities for the financial statements, expanding descriptions of auditor responsibilities for the audit, adding a separate section for when an auditor concludes there is substantial doubt about the entity's ability to continue as a going concern, and adding an option for an auditor to report on key audit matters.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The school adopted the standard effective September 1, 2021 and recognized and measured leases existing at, or entered into after September 1, 2021 (the beginning of the period of adoption) using a modified retrospective approach, with certain practical expedient available. The school elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

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, 2022, the combined carrying amount of the charter schools' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,297,582, and the bank balance was \$4,379,446. The charter schools' cash deposits during the year ended August 31, 2022, were 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, 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.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit during the year ended August 31, 2022:

- a. The market value of securities pledged on behalf of Burnham Wood Charter School at PNC Bank 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 PNC Bank amounted to \$4,471,456 and occurred during the month of September 2021. The highest combined balances of cash, savings, and time deposit accounts for Vista Del Futuro Charter School at JP Morgan Chase Bank amounted to \$2,297,568 and occurred during the month of June 2022.
- c. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000 for Burnham Wood Charter School at PNC Bank, and \$250,000 for Vista del Futuro Charter School at JP Morgan Chase Bank.

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NOTES TO THE FINANCIAL STATEMENTS  
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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](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 2021 Annual Comprehensive Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2021.

| <u>Components of Net Pension Liability</u>                | <u>Amount</u>            |
|---|--------------------------|
| Total Pension Liability                                   | \$227,273,463,630        |
| Less: Plan Fiduciary Net Position                         | <u>(201,807,002,496)</u> |
| Net Pension Liability                                     | <u>\$ 25,466,461,134</u> |
| <br>Net Position as Percentage of Total Pension Liability | <br>88.79%               |

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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NOTES TO THE FINANCIAL STATEMENTS  
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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.

**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 2021 ACFR, Note 11, on pages 85 and 86.

| Contribution Rates                              |           |           |
|---|-----------|-----------|
|   | 2022      | 2021      |
| Member  | 8.00%     | 7.7%      |
| Non-Employer Contributing Entity (State)        | 7.75%     | 7.5%      |
| Employers                                       | 7.75%     | 7.5%      |
| Burnham Wood's Employer Contributions           | \$306,059 | \$167,300 |
| Burnham Wood's Member Contributions             | \$675,936 | \$520,063 |
| Vista del Futuro's Employer Contributions       | \$ 81,833 | \$ 51,917 |
| Vista del Futuro's Member Contributions         | \$159,052 | \$119,340 |
|   |           |           |
| Measurement Year                                | 2021      | 2020      |
| Burnham Wood's NECE On-Behalf Contributions     | \$439,301 | \$330,789 |
| Vista del Futuro's NECE On-Behalf Contributions | \$ 95,098 | \$101,131 |

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.

**EL PASO EDUCATION INITIATIVE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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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 1.6% of the member’s salary beginning in fiscal year 2021, 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, 2020 actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2021 TRS ACFR, Note 11, page 87.

|                                      |   |
|--------------------------------------|---|
| Valuation Date                       | August 31, 2020 rolled forward to August 31, 2021 |
| Actuarial Cost Method                | Individual Entry Age Normal                       |
| Asset Valuation Method               | Fair Value  |
| Single Discount Rate                 | 7.25%   |
| Long-Term Expected Rate              | 7.25%   |
| Municipal Bond Rate                  | 1.95%*  |
| Last Year Ending August 31 in        |   |
| Projection Period (100 years)        | 2120  |
| 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.*

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, 2020. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2020.

**EL PASO EDUCATION INITIATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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 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, 2021 (see page 53 of the TRS ACFR), are summarized below:

| Asset Class*                                  | Target Allocation %** | Long-Term Expected Geometric Real Rate of Return*** | Expected Contribution to Long-Term Portfolio Returns |
|---|-----------------------|---|--|
| <b>Global Equity</b>                          |                       |   |  |
| U.S.  | 18%                   | 3.6%  | 0.94%  |
| Non-U.S. Developed                            | 13%                   | 4.4%  | 0.83%  |
| Emerging Markets                              | 9%                    | 4.6%  | 0.74%  |
| Private Equity                                | 14%                   | 6.3%  | 1.36%  |
| <b>Stable Value</b>                           |                       |   |  |
| Government Bonds                              | 16%                   | -0.2%   | 0.01%  |
| Absolute Return                               | 0%                    | 1.1%  | 0.00%  |
| Stable Value Hedge Funds                      | 5%                    | 2.2%  | 0.12%  |
| <b>Real Return</b>                            |                       |   |  |
| Real Estate                                   | 15%                   | 4.5%  | 1.00%  |
| Energy, Natural Resources, and Infrastructure | 6%                    | 4.7%  | 0.35%  |
| Commodities                                   | 0%                    | 1.7%  | 0.00%  |
| <b>Risk Parity</b>                            |                       |   |  |
| Risk Parity                                   | 8%                    | 2.8%  | 0.28%  |
| <b>Asset Allocation Leverage</b>              |                       |   |  |
| Cash  | 2%                    | -0.7%   | -0.01%   |
| Asset Allocation Leverage                     | -6%                   | -0.5%   | 0.03%  |

**EL PASO EDUCATION INITIATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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|                       |      |  |        |
|-----------------------|------|--|--------|
| Inflation Expectation |      |  | 2.20%  |
| Volatility Drag****   |      |  | -0.95% |
| <b>Total</b>          | 100% |  | 6.90%  |

- \* *Absolute Return includes Credit Sensitive Investments*
- \*\* *Target allocations are based on the FY2021 policy model.*
- \*\*\* *Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021)*
- \*\*\*\* *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 2021 TRS ACFR, Note 11, page 87.

|  | 1% Decrease in<br>Discount Rate<br>(6.25%) | Discount Rate<br>(7.25%) | 1% Increase in<br>Discount Rate<br>(8.25%) |
|--|--|--------------------------|--|
| Burnham Wood Charter School's proportionate share of the net pension liability     | \$2,423,999                                | \$1,109,301              | \$426,821                                  |
| Vista del Futuro Charter School's proportionate share of the net pension liability | \$775,417                                  | \$354,856                | \$136,536                                  |

H. *Pension Liabilities*

At August 31, 2021, Burnham Wood Charter School and Vista del Futuro Charter School disclosed a liability of \$1,109,301 and \$354,856, 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 | \$ 1,109,301        |
| State's proportionate share that is associated with Burnham Wood Charter School       | <u>\$ 2,621,561</u> |
| Total   | <u>\$ 3,730,862</u> |
| <br>  |                     |
| Vista del Futuro's proportionate share of the collective net pension liability        | \$ 354,856          |
| State's proportionate share that is associated with Vista del Futuro Charter School   | <u>\$ 567,503</u>   |
| Total   | <u>\$ 922,359</u>   |



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The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021, 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, 2020 through August 31, 2021.

At August 31, 2021, Burnham Wood Charter School’s proportion of the collective net pension liability was .004355929% which was a decrease from its proportion of .005107528% measured as of August 31, 2020. At August 31, 2021, Vista del Futuro Charter School’s proportion of the collective net pension liability was .0013934263 which was an increase from its proportion of .001290418% measured as of August 31, 2020.

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](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, 2021 are as follows:

| <u>Components of Net OPEB Liability</u>              | <u>Amount</u>            |
|--|--------------------------|
| Total OPEB Liability                                 | \$ 41,113,711,083        |
| Less: Plan Fiduciary Net Position                    | <u>(2,539,242,470)</u>   |
| Net OPEB Liability                                   | <u>\$ 38,574,468,613</u> |
| Net Position as a Percentage of Total OPEB Liability | 6.18%                    |

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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.

| <b>TRS-Care Monthly Premium Rates</b>    |                 |                     |
|--|-----------------|---------------------|
|  | <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.

| <b>Contribution Rates</b> |             |             |
|---------------------------|-------------|-------------|
|                           | <u>2022</u> | <u>2021</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>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Burnham Wood Employer Contributions           | \$ 73,654   | \$ 56,305   |
| Burnham Wood Member Contributions             | \$ 54,904   | \$ 44,428   |
| Vista del Futuro Employer Contributions       | \$ 22,401   | \$ 18,966   |
| Vista del Futuro Member Contributions         | \$ 12,918   | \$ 10,204   |
|   |             |             |
|   | <u>2021</u> | <u>2020</u> |
| Burnham Wood NECE On-Behalf Contributions     | \$ 55,701   | \$ 74,189   |
| Vista del Futuro NECE On-Behalf Contributions | \$ 19,423   | \$ 23,849   |

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 \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

E. *Actuarial Assumptions*

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions: *Actuarial assumptions can be found in the 2021 TRS ACFR, Note 9, page 76.*

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. 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, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

|                      |                     |
|----------------------|---------------------|
| Rates of Mortality   | Rates of Disability |
| Rates of Retirement  | General Inflation   |
| Rates of Termination | Wage Inflation      |

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. 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 mortality projection scale MP-2018.

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Additional Actuarial Methods and Assumptions:

|  |  |
|--|--|
| Valuation Date                         | August 31, 2020 rolled forward to August 31, 2021  |
| Actuarial Cost Method                  | Individual Entry Age Normal  |
| Inflation                              | 2.30%  |
| Single Discount Rate                   | 1.95% as of August 31, 2021  |
| 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   |
| Ad-hoc Post Employment Benefit Changes | None   |

F. *Discount Rate*

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of .38 percent in the discount rate since the previous year. The Discount Rate can be found in the 2021 TRS ACFR on page 77. 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, 2021 using the Fixed Income Market Data/Yield Curve/Data 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 (1.95%) in measuring the Net OPEB Liability.

|  | 1% Decrease in<br>Discount Rate<br>(.95%) | Current Single<br>Discount Rate<br>(1.95%) | 1% Increase in<br>Discount Rate<br>(2.95%) |
|--|---|--|--|
| Burnham Wood Charter School's proportionate share of the Net OPEB Liability:     | \$3,317,538                               | \$2,750,335                                | \$2,303,928                                |
| Vista del Futuro Charter School's proportionate share of the Net OPEB Liability: | \$1,156,829                               | \$ 959,045                                 | \$ 803,382                                 |

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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<br>Healthcare Trend<br>Rate (7.5%) | Current Single<br>Healthcare Trend<br>Rate (8.5%) | 1% Increase in<br>Healthcare Trend<br>Rate (9.5%) |
|--|---|---|---|
| Burnham Wood Charter<br>School's proportionate share of<br>the Net OPEB Liability:     | \$2,227,680                                       | \$2,750,335                                       | \$3,451,608                                       |
| Vista del Futuro Charter<br>School's proportionate share of<br>the NET OPEB Liability: | \$ 776,795  | \$ 959,045  | \$1,203,580                                       |

I. *OPEB Liabilities*

At August 31, 2021, Burnham Wood Charter School disclosed a liability of \$2,750,335 and Vista del Futuro Charter School disclosed a liability of \$959,045 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             | \$ 2,750,335        |
| State's proportionate share that is associated with Burnham Wood Charter School     | <u>3,684,836</u>    |
| Total   | <u>\$ 6,435,171</u> |
| Vista del Futuro's Proportionate share of the collective net OPEB liability         | \$ 959,045          |
| State's proportionate share that is associated with Vista del Futuro Charter School | <u>1,284,906</u>    |
| Total   | <u>\$ 2,243,951</u> |

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021, 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, 2020 through August 31, 2021.

At August 31, 2021, Burnham Wood Charter School's proportion of the collective net OPEB liability was 0.0071299369% compared to 0.0072639375% as of August 31, 2020, and Vista del Futuro's proportion of the collective net OPEB liability was 0.0024862168% compared to 0.0023350485% 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 2021 TRS ACFR on page 77.*

- The discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased 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. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions for the years ending August 31, 2022 and 2021, consisted of the following:

|   | 2022                 | 2021                 |
|---|----------------------|----------------------|
| ESEA Title I, Part A                        | \$ 377               | \$ 932               |
| National School Breakfast and Lunch Program | 922,672              | 465,206              |
| Title III, Part A                           | 703                  | -                    |
| Safety and Security Grant                   | 1,850                | 1,850                |
| Texas Department of Agriculture             | 517                  | 1,627                |
| State Instructional Materials Fund          | 22,917               | 13,037               |
| First Robotics                              | 6,982                | 6,982                |
| SPED Grant                                  | 50,000               | -                    |
| Student Activity                            | 184                  | -                    |
| Advanced Placement Incentives               | 200                  | -                    |
| Foundation School Program                   | <u>13,825,582</u>    | <u>15,501,307</u>    |
| Total Net Assets With Donor Restrictions    | <u>\$ 14,831,984</u> | <u>\$ 15,990,941</u> |

6. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2022 and 2021, the charter holder had no material liability for accrued sick leave or vacation leave.

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7. 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.

8. ECONOMIC DEPENDENCY

During the year ended August 31, 2022 and 2021, the charter schools earned revenue of \$15,524,479 and \$14,614,633 from the Texas Education Agency (TEA). These amounts constitute approximately 76.26% and 84.06% 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, 2022, were as follows:

|                            | Balance<br><u>9/1/2021</u> | Additions           | Deletions   | Balance<br><u>8/31/2022</u> |
|----------------------------|----------------------------|---------------------|-------------|-----------------------------|
| Land                       | \$ 4,030,212               | \$ 255,919          | \$ -        | \$ 4,286,131                |
| Buildings and Improvements | 14,344,872                 | 3,478,012           | -           | 17,822,885                  |
| Furniture and Equipment    | 1,250,926                  | 591,675             | -           | 1,842,601                   |
| Right to Use Lease Assets  | -                          | 118,844             | -           | 118,844                     |
| Accumulated Depreciation   | <u>(4,513,982)</u>         | <u>(530,406)</u>    | <u>-</u>    | <u>(5,044,388)</u>          |
|                            | <u>\$15,112,028</u>        | <u>\$ 3,914,044</u> | <u>\$ -</u> | <u>\$19,026,072</u>         |

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

|                            | Balance<br><u>9/1/2020</u> | Additions           | Deletions   | Balance<br><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>         |

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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, 2022 and 2021, 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. LONG-TERM DEBT

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 old loans 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 1<sup>st</sup> starting 2021 until 2050 with interest ranging from 1.0% to 5.0%.

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 \$1,313,487 and premiums of \$2,105,530 at August 31, 2022 are recorded in Long Term Debt. Amortization expense related to the debt issuance costs totaled \$46,087 and \$123,595 for the years ended August 31, 2022 and 2021. Premiums/discounts amortization was \$73,878 and \$40,702 for the years ended August 31, 2022 and 2021.

Debt service for the Series 2020 bonds at August 31, 2022, is as follows:

| Year Ended August 31, | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u><br><u>Requirements</u> |
|-----------------------|---------------------|---------------------|-------------------------------------|
| 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                           |
| 2027                  | 450,000             | 641,250             | 1,091,250                           |
| Thereafter            | <u>17,425,000</u>   | <u>7,724,200</u>    | <u>25,149,200</u>                   |
| Total                 | <u>\$19,425,000</u> | <u>\$11,132,950</u> | <u>\$30,557,950</u>                 |

The corporation reflects interest expense in the amount of \$175,951 (\$722,296 less construction period interest capitalized of \$546,345) and \$206,681 (\$650,996 less construction period interest capitalized of \$444,315) for the years ended August 31, 2022 and 2021.



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12. INTERCOMPANY ELIMINATIONS

For the year ended August 31, 2022 and 2021, intercompany accounts payable and accounts receivable consisted of \$1,347 and \$1,232, 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).

13. LEASES

There are no future minimum payments under noncancelable operating leases as of August 31, 2022.

Total rent expense for all operating leases was approximately \$831,322 and \$519,835 for the years ended August 31, 2022 and 2021. These consist primarily of bus leases and facilities lease.

Under the adoption of the ASU No. 2016-02, Leases (Topic 842), the school recognized a lease liability of \$118,844 effective September 1, 2021. This represents the present value of the remaining operating lease payments of \$129,800 discounted using the school's incremental borrowing rate of 5%. In conjunction with the lease liability, the school recognized a right-of-use assets of \$118,844 which represents the lease liability of \$118,844 which is reflected as a reduction to the ROU assets at the date of adoption of ASC 842.

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, 2022, 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 restricted investments reflected include \$11,433,324 from the conduit bond proceeds for completion of construction and renovation projects for the following projects in progress:

|  |                      |
|--|----------------------|
| 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 projected at August 31, 2021               | \$ 14,859,394        |
| Less work performed in 2021-22                   | <u>(3,478,012)</u>   |
| Estimated balance to complete                    | <u>\$ 11,381,382</u> |

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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, \$373,795 and \$338,971 in rent for the years ended August 31, 2022 and 2021 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, 2022. 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’ engagement as Superintendent and was paid \$134,978 (S&C Building Contractors) and \$169,262 (\$36,964 personally and \$132,298 to 100% owned S&C Building Contractors) for contract maintenance and consulting services during the years ended August 31, 2022 and 2021.

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 | <u>\$ 1,144,879</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, \$11,460,120 of cash is invested in UMB Investments.

18. FAIR VALUE MEASUREMENTS

Effective July 1, 2008, the corporation adopted Statement of Financial Accounting Standard No. 157, “Fair Value Measurements”, which provides a framework for measuring fair value under generally accepted accounting principles. Statement No. 157 applies to all financial instruments that are being measured and reported on a fair value basis. As defined in Statement No. 157, fair value is the price

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that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the organization uses various methods including market, income, and cost approaches. Based on these approaches, the organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The organization utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

*Level 1* – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

*Level 2* – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

*Level 3* – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The tables below present the balances of assets measured at fair value on a recurring basis:

| August 31, 2022   | Fair Value Measurements at Reporting Date Using |   |   |  |
|-------------------|---|---|---|--|
| Description       | Fair Value                                      | Quoted Prices<br>In Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Equity Securities | \$ 11,460,120                                   | \$ 11,460,120   | \$ -  | \$ -   |
| Total             | \$ 11,460,120                                   | \$ 11,460,120   | \$ -  | \$ -   |

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| August 31, 2021   | Fair Value Measurements at Reporting Date Using |   |   |  |
|-------------------|---|---|---|--|
| Description       | Fair Value                                      | Quoted Prices<br>In Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Equity Securities | \$ 14,896,681                                   | \$ 14,896,681   | \$ -  | \$ -   |
| Total             | \$ 14,896,681                                   | \$ 14,896,681   | \$ -  | \$ -   |

**Specific-Purpose  
Financial Statements**

**BURNHAM WOOD CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
AS OF AUGUST 31, 2022 AND 2021**

|   | 2022                 | 2021                 |
|---|----------------------|----------------------|
| <b>ASSETS</b>                           |                      |                      |
| <b>Current Assets</b>                   |                      |                      |
| Cash and cash equivalents               | \$ 2,471,316         | \$ 4,274,235         |
| Restricted investments                  | 11,460,120           | 14,896,681           |
| Due from governments                    | 1,545,335            | 1,298,197            |
| Accounts receivable-Intercompany        | -                    | 1,232                |
| Inventory                               | 4,972                | 387                  |
| <b>Total Current Assets</b>             | <b>15,481,743</b>    | <b>20,470,732</b>    |
| <b>Property and Equipment</b>           |                      |                      |
| Land                                    | 4,030,212            | 4,030,212            |
| Buildings and improvements              | 17,822,884           | 14,344,872           |
| Furniture and equipment                 | 1,544,843            | 953,168              |
| Right of use lease assets               | 99,324               | -                    |
| Less accumulated depreciation           | (4,777,579)          | (4,270,404)          |
| <b>Total Property and Equipment</b>     | <b>18,719,684</b>    | <b>15,057,848</b>    |
| <b>Total Assets</b>                     | <b>\$ 34,201,427</b> | <b>\$ 35,528,580</b> |
| <br>                                    |                      |                      |
| <b>LIABILITIES AND NET ASSETS</b>       |                      |                      |
| <b>Current Liabilities</b>              |                      |                      |
| Accounts payable                        | \$ 91,125            | \$ 151,075           |
| Accounts payable-Intercompany           | 1,347                | -                    |
| Interest payable                        | 29,948               | 30,102               |
| Payroll deductions and withholdings     | 221,583              | 192,365              |
| Accrued wages payable                   | 32,083               | 20,407               |
| Due to student groups                   | 8,346                | 3,536                |
| Current portion of long-term debt       | 320,000              | 270,000              |
| Current portion of lease liability      | 26,496               | -                    |
| <b>Total Current Liabilities</b>        | <b>730,928</b>       | <b>667,485</b>       |
| <b>Long-Term Debt</b>                   |                      |                      |
| Conduit bonds payable                   | 19,897,043           | 20,244,834           |
| Lease liability                         | 47,212               | -                    |
| <b>Total Long Term Liabilities</b>      | <b>19,944,255</b>    | <b>20,244,834</b>    |
| <b>Total Liabilities</b>                | <b>\$ 20,675,183</b> | <b>\$ 20,912,319</b> |
| <b>Net Assets</b>                       |                      |                      |
| Without donor restrictions              | 1,003,124            | 876,501              |
| With donor restrictions                 | 12,523,120           | 13,739,760           |
| <b>Total Net Assets</b>                 | <b>\$ 13,526,244</b> | <b>\$ 14,616,261</b> |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 34,201,427</b> | <b>\$ 35,528,580</b> |

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

**VISTA DEL FUTURO CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2022 AND 2021**

|   | 2022         | 2021         |
|---|--------------|--------------|
| <b>ASSETS</b>                           |              |              |
| <b>Current Assets</b>                   |              |              |
| Cash and cash equivalents               | \$ 1,826,266 | \$ 2,058,069 |
| Due from governments                    | 428,020      | 277,629      |
| Accounts receivable - Intercompany      | 1,347        | -            |
| Inventory                               | 1,124        | 405          |
| Deferred expenses                       | -            | 30,208       |
| <b>Total Current Assets</b>             | 2,256,757    | 2,366,311    |
| <b>Property and Equipment</b>           |              |              |
| Land                                    | 255,919      | -            |
| Furniture and equipment                 | 297,758      | 297,758      |
| Right to use lease assets               | 19,520       | -            |
| Less accumulated depreciation           | (266,809)    | (243,578)    |
| <b>Total Property and Equipment</b>     | 306,388      | 54,180       |
| <b>Total Assets</b>                     | \$ 2,563,145 | \$ 2,420,491 |
| <br>                                    |              |              |
| <b>LIABILITIES AND NET ASSETS</b>       |              |              |
| <b>Current Liabilities</b>              |              |              |
| Accounts payable - Intercompany         | \$ -         | \$ 1,232     |
| Accounts payable                        | 31,435       | -            |
| Payroll deductions and withholdings     | 49,171       | 37,789       |
| Due to student groups                   | 5,380        | 553          |
| Accrued wages payable                   | 14,496       | 5,861        |
| Current portion of lease liability      | 5,207        | -            |
| <b>Total Current Liabilities</b>        | 105,689      | 45,435       |
| <b>Long-Term Debt</b>                   |              |              |
| Lease liability                         | 9,279        | -            |
| <b>Total Liabilities</b>                | \$ 114,968   | \$ 45,435    |
| <b>Net Assets</b>                       |              |              |
| Without donor restrictions              | 139,313      | 123,875      |
| With donor restrictions                 | 2,308,864    | 2,251,181    |
| <b>Total Net Assets</b>                 | \$ 2,448,177 | \$ 2,375,056 |
| <b>Total Liabilities and Net Assets</b> | \$ 2,563,145 | \$ 2,420,491 |

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

**BURNHAM WOOD CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | 2022<br>Totals |
|--|-------------------------------|----------------------------|----------------|
| <b>Revenues</b>  |                               |                            |                |
| <b>Local Support:</b>                                  |                               |                            |                |
| 5740 Other Revenues from Local Sources                 | \$ 385,493                    | \$ -                       | \$ 385,493     |
| 5750 Cocurricular and Enterprising Activities          | 9,261                         | -                          | 9,261          |
| Total Local Support                                    | 394,754                       | -                          | 394,754        |
| <b>State Program Revenues:</b>                         |                               |                            |                |
| 5810 Foundation School Program Act Revenues            | -                             | 12,412,308                 | 12,412,308     |
| 5820 State Program Revenues Distributed by TEA         | -                             | 65,948                     | 65,948         |
| 5830 State Revenues from State of Texas Govt. Agencies | -                             | -                          | -              |
| Total State Program Revenues                           | -                             | 12,478,256                 | 12,478,256     |
| <b>Federal Program Revenues:</b>                       |                               |                            |                |
| 5920 Federal Revenues Distributed by TEA               | -                             | 3,525,397                  | 3,525,397      |
| 5930 Federal Revenues Distributed by Other TX Agencies | -                             | 46,357                     | 46,357         |
| 5940 Federal Revenues Distributed from Federal Gov.    | -                             | -                          | -              |
| Total Federal Program Revenues                         | -                             | 3,571,754                  | 3,571,754      |
| <b>Net Assets Released from Restrictions:</b>          |                               |                            |                |
| Restrictions Satisfied by Payments                     | 17,266,650                    | (17,266,650)               | -              |
| Total Revenues   | \$ 17,661,404                 | \$ (1,216,640)             | \$ 16,444,764  |
| <b>Expenses</b>  |                               |                            |                |
| 11 Instruction   | \$ 9,619,866                  | \$ -                       | \$ 9,619,866   |
| 12 Instructional Resources & Media Services            | -                             | -                          | -              |
| 13 Curriculum & Instructional Staff Development        | 38,978                        | -                          | 38,978         |
| 21 Instructional Leadership                            | -                             | -                          | -              |
| 23 School Leadership                                   | 304,262                       | -                          | 304,262        |
| 31 Guidance, Counseling, & Evaluation Services         | 116,347                       | -                          | 116,347        |
| 33 Health Services                                     | 125,801                       | -                          | 125,801        |
| 34 Student Transportation                              | 728,500                       | -                          | 728,500        |
| 35 Food Services                                       | 908,106                       | -                          | 908,106        |
| 36 Cocurricular/Extracurricular Activities             | 529,575                       | -                          | 529,575        |
| 41 General Administration                              | 1,493,377                     | -                          | 1,493,377      |
| 51 Plant Maintenance & Operations                      | 3,214,726                     | -                          | 3,214,726      |
| 52 Security & Monitoring Services                      | 171,157                       | -                          | 171,157        |
| 53 Data Processing Services                            | 120,389                       | -                          | 120,389        |
| 61 Community Services                                  | -                             | -                          | -              |
| 71 Debt Service  | 163,697                       | -                          | 163,697        |
| Total Expenses   | \$ 17,534,781                 | \$ -                       | \$ 17,534,781  |
| Change in Net Assets                                   | 126,623                       | (1,216,640)                | (1,090,017)    |
| Net Assets, Beginning of Year                          | 876,501                       | 13,739,760                 | 14,616,261     |
| Net Assets, End of Year                                | \$ 1,003,124                  | \$ 12,523,120              | \$ 13,526,244  |

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



**BURNHAM WOOD CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | 2021<br>Totals |
|--|-------------------------------|----------------------------|----------------|
| <b>Revenues</b>  |                               |                            |                |
| <b>Local Support:</b>                                  |                               |                            |                |
| 5740 Other Revenues from Local Sources                 | \$ 299,084                    | \$ 175,000                 | \$ 474,084     |
| 5750 Cocurricular and Enterprising Activities          | 19,283                        | -                          | 19,283         |
| Total Local Support                                    | 318,367                       | 175,000                    | 493,367        |
| <b>State Program Revenues:</b>                         |                               |                            |                |
| 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                           | -                             | 12,019,275                 | 12,019,275     |
| <b>Federal Program Revenues:</b>                       |                               |                            |                |
| 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                         | -                             | 1,825,950                  | 1,825,950      |
| <b>Net Assets Released from Restrictions:</b>          |                               |                            |                |
| Restrictions Satisfied by Payments                     | 13,301,212                    | (13,301,212)               | -              |
| Total Revenues   | \$ 13,619,579                 | \$ 719,013                 | \$ 14,338,592  |
| <b>Expenses</b>  |                               |                            |                |
| 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   | \$ 13,438,400                 | \$ -                       | \$ 13,438,400  |
| Change in Net Assets                                   | 181,179                       | 719,013                    | 900,192        |
| Net Assets, Beginning of Year                          | 695,322                       | 13,020,747                 | 13,716,069     |
| Net Assets, End of Year                                | \$ 876,501                    | \$ 13,739,760              | \$ 14,616,261  |

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, 2022 AND 2021**

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>2022<br/>Totals</u> |
|--|---------------------------------------|------------------------------------|------------------------|
| <b>Revenues</b>  |                                       |                                    |                        |
| <b>Local Support:</b>                                  |                                       |                                    |                        |
| 5740 Other Revenues from Local Sources                 | \$ 53,460                             | \$ -                               | \$ 53,460              |
| 5750 Cocurricular and Enterprising Activities          | 2,558                                 | -                                  | 2,558                  |
| <b>Total Local Support</b>                             | <u>56,018</u>                         | <u>-</u>                           | <u>56,018</u>          |
| <b>State Program Revenues:</b>                         |                                       |                                    |                        |
| 5810 Foundation School Program Act Revenues            | -                                     | 2,992,735                          | 2,992,735              |
| 5820 State Program Revenues Distributed by TEA         | -                                     | 53,488                             | 53,488                 |
| 5830 State Revenues from Texas Govt. Agencies          | -                                     | -                                  | -                      |
| <b>Total State Program Revenues</b>                    | <u>-</u>                              | <u>3,046,223</u>                   | <u>3,046,223</u>       |
| <b>Federal Program Revenues:</b>                       |                                       |                                    |                        |
| 5920 Federal Revenues Distributed by TEA               | -                                     | 797,610                            | 797,610                |
| 5930 Federal Revenues Distributed by Other TX Agencies | -                                     | 10,893                             | 10,893                 |
| 5940 Federal Revenues Distributed by Fed. Govt.        | -                                     | -                                  | -                      |
| <b>Total Federal Program Revenues</b>                  | <u>-</u>                              | <u>808,503</u>                     | <u>808,503</u>         |
| <b>Net Assets Released from Restrictions:</b>          |                                       |                                    |                        |
| Restrictions Satisfied by Payments                     | <u>3,797,043</u>                      | <u>(3,797,043)</u>                 | <u>-</u>               |
| <b>Total Revenues</b>                                  | <u>\$ 3,853,061</u>                   | <u>\$ 57,683</u>                   | <u>\$ 3,910,744</u>    |
| <b>Expenses</b>  |                                       |                                    |                        |
| 11 Instruction   | 2,116,422                             | -                                  | 2,116,422              |
| 12 Instructional Resources & Media Services            | -                                     | -                                  | -                      |
| 13 Curriculum & Instructional Staff Development        | 39,345                                | -                                  | 39,345                 |
| 21 Instructional Leadership                            | -                                     | -                                  | -                      |
| 23 School Leadership                                   | 128,607                               | -                                  | 128,607                |
| 31 Guidance, Counseling, & Evaluation Services         | 36,107                                | -                                  | 36,107                 |
| 33 Health Services                                     | 36,355                                | -                                  | 36,355                 |
| 34 Student Transportation                              | 24,368                                | -                                  | 24,368                 |
| 35 Food Services                                       | 236,531                               | -                                  | 236,531                |
| 36 Cocurricular/Extracurricular Activities             | 13,338                                | -                                  | 13,338                 |
| 41 General Administration                              | 431,192                               | -                                  | 431,192                |
| 51 Plant Maintenance & Operations                      | 661,630                               | -                                  | 661,630                |
| 52 Security & Monitoring Services                      | 38,767                                | -                                  | 38,767                 |
| 53 Data Processing Services                            | 74,181                                | -                                  | 74,181                 |
| 71 Debt Service  | 780                                   | -                                  | 780                    |
| <b>Total Expenses</b>                                  | <u>\$ 3,837,623</u>                   | <u>\$ -</u>                        | <u>\$ 3,837,623</u>    |
| <b>Change in Net Assets</b>                            | <u>15,438</u>                         | <u>57,683</u>                      | <u>73,121</u>          |
| <b>Net Assets, Beginning of Year</b>                   | <u>123,875</u>                        | <u>2,251,181</u>                   | <u>2,375,056</u>       |
| <b>Net Assets, End of Year</b>                         | <u>\$ 139,313</u>                     | <u>\$ 2,308,864</u>                | <u>\$ 2,448,177</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, 2022 AND 2021**

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>2021<br/>Totals</u> |
|--|---------------------------------------|------------------------------------|------------------------|
| <b>Revenues</b>  |                                       |                                    |                        |
| <b>Local Support:</b>                                  |                                       |                                    |                        |
| 5740 Other Revenues from Local Sources                 | \$ 7,313                              | \$ -                               | \$ 7,313               |
| 5750 Cocurricular and Enterprising Activities          | 630                                   | -                                  | 630                    |
| <b>Total Local Support</b>                             | <u>7,943</u>                          | <u>-</u>                           | <u>7,943</u>           |
| <b>State Program Revenues:</b>                         |                                       |                                    |                        |
| 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                |
| <b>Total State Program Revenues</b>                    | <u>-</u>                              | <u>2,595,358</u>                   | <u>2,595,358</u>       |
| <b>Federal Program Revenues:</b>                       |                                       |                                    |                        |
| 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                 |
| <b>Total Federal Program Revenues</b>                  | <u>-</u>                              | <u>444,396</u>                     | <u>444,396</u>         |
| <b>Net Assets Released from Restrictions:</b>          |                                       |                                    |                        |
| Restrictions Satisfied by Payments                     | <u>3,212,355</u>                      | <u>(3,212,355)</u>                 | <u>-</u>               |
| <b>Total Revenues</b>                                  | <u>\$ 3,220,298</u>                   | <u>\$ (172,601)</u>                | <u>\$ 3,047,697</u>    |
| <b>Expenses</b>  |                                       |                                    |                        |
| 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                 |
| <b>Total Expenses</b>                                  | <u>\$ 3,248,788</u>                   | <u>\$ -</u>                        | <u>\$ 3,248,788</u>    |
| <b>Change in Net Assets</b>                            | <u>(28,490)</u>                       | <u>(172,601)</u>                   | <u>(201,091)</u>       |
| <b>Net Assets, Beginning of Year</b>                   | <u>152,365</u>                        | <u>2,423,782</u>                   | <u>2,576,147</u>       |
| <b>Net Assets, End of Year</b>                         | <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.

**BURNHAM WOOD CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

|  | 2022           | 2021         |
|--|----------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                |              |
| Change in Net Assets   | \$ (1,090,017) | \$ 900,192   |
| Adjustments to Reconcile Change in Net Assets to Cash Provided<br>by Operating Activities: |                |              |
| Depreciation   | 507,175        | 389,255      |
| (Increase) Decrease in Due from Governments  | (247,138)      | (62,536)     |
| (Increase) Decrease in Accounts Receivable-Intercompany                                    | 1,232          | 10,832       |
| (Increase) Decrease in Inventory   | (4,585)        | 4,017        |
| Increase (Decrease) in Accounts Payable  | (59,950)       | 134,909      |
| Increase (Decrease) in Accounts Payable-Intercompany                                       | 1,347          | -            |
| Increase (Decrease) in Interest Payable  | (154)          | (49,489)     |
| Increase (Decrease) in Payroll Deductions  | 29,218         | 129,480      |
| Increase (Decrease) in Accrued Wages Payable   | 11,676         | 3,953        |
| Increase (Decrease) in Due to Student Groups   | 4,810          | 3,536        |
|  | (846,386)      | 1,464,149    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                |              |
| Purchase of Investments  | (1,032,000)    | (16,469,170) |
| Withdrawal of Investments  | 4,468,561      | 1,572,489    |
| Purchase of Land, Buildings, and Equipment   | (4,069,687)    | (1,953,664)  |
| Purchase of Right to Use Lease Assets  | (99,324)       | -            |
|  | (732,450)      | (16,850,345) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                |              |
| Amortization of Debt Issuance Costs  | 46,087         | 164,297      |
| Capitalizing Debt Issuance Costs   | -              | (1,378,618)  |
| Premium on Bonds   | -              | 2,216,347    |
| Amortization of Premiums on Bonds  | (73,878)       | -            |
| Loan Proceeds  | -              | 20,000,000   |
| Proceeds from Right to Use Assets Lease Liability  | 99,324         | -            |
| Principal Payments on Right to Use Lease Liability   | (25,616)       | -            |
| Principal Payments on Debt   | (270,000)      | (3,640,000)  |
|  | (224,083)      | 17,362,026   |
| Net Increase (Decrease) in Cash and Cash Equivalents                                       | (1,802,919)    | 1,975,830    |
| Cash and Cash Equivalents, Beginning of Year   | 4,274,235      | 2,298,405    |
| Cash and Cash Equivalents, End of Year   | \$ 2,471,316   | \$ 4,274,235 |
| <br>   |                |              |
| Interest Paid During the Period Ended August 31, 2022 and 2021                             | \$ 726,419     | \$ 700,485   |
| Income Taxes Paid During the Period Ended August 31, 2022 and 2021                         | -              | -            |

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, 2022 AND 2021**

|  | <u>2022</u>                | <u>2021</u>                |
|--|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                            |                            |
| Change in Net Assets   | \$ 73,121                  | \$ (201,091)               |
| Adjustments to Reconcile Change in Net Assets to Cash Provided     |                            |                            |
| by Operating Activities:   |                            |                            |
| Depreciation   | 23,231                     | 22,689                     |
| (Increase) Decrease in Due from Governments                        | (150,391)                  | (41,525)                   |
| (Increase) Decrease in Accounts Receivable                         | (1,347)                    | 9,265                      |
| (Increase) Decrease in Inventory                                   | (719)                      | 174                        |
| (Increase) Decrease in Deferred Expenses                           | 30,208                     | -                          |
| Increase (Decrease) in Accounts Payable-Intercompany               | (1,232)                    | -                          |
| Increase (Decrease) in Accounts Payable                            | 31,435                     | (10,153)                   |
| Increase (Decrease) in Payroll Deductions and Withholdings         | 11,382                     | (17,767)                   |
| Increase (Decrease) in Due to Student Groups                       | 4,827                      | 553                        |
| Increase (Decrease) in Accrued Wages Payable                       | 8,635                      | 675                        |
|  | <u>29,150</u>              | <u>(237,180)</u>           |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                    |                            |                            |
| Purchase of Land, Buildings, and Equipment                         | (255,919)                  | -                          |
| Purchase of Right to Use Lease Assets                              | (19,520)                   | -                          |
|  | <u>(275,439)</u>           | <u>-</u>                   |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                    |                            |                            |
| Proceeds from Right to Use Lease Assets Liability                  | 19,520                     | -                          |
| Principal Payments Right to Use Lease Liability                    | (5,034)                    | -                          |
|  | <u>14,486</u>              | <u>-</u>                   |
| <br>Net Increase (Decrease) in Cash and Cash Equivalents           | (231,803)                  | (237,180)                  |
| Cash and Cash Equivalents, Beginning of Year                       | <u>2,058,069</u>           | <u>2,295,249</u>           |
| Cash and Cash Equivalents, End of Year                             | \$ <u><u>1,826,266</u></u> | \$ <u><u>2,058,069</u></u> |
| <br>Interest Paid During the Period Ended August 31, 2022 and 2021 | \$ 780                     | \$ -                       |
| Income Taxes Paid During the Period Ended August 31, 2022 and 2021 | -                          | -                          |

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, 2022 AND 2021**

|                 |                                      | <b>Totals</b>        |                      |
|-----------------|--------------------------------------|----------------------|----------------------|
|                 |                                      | <b>2022</b>          | <b>2021</b>          |
| <b>Expenses</b> |                                      |                      |                      |
| 6100            | Payroll Costs                        | \$ 9,750,266         | \$ 8,543,218         |
| 6200            | Professional and Contracted Services | 4,740,034            | 2,621,428            |
| 6300            | Supplies and Materials               | 1,602,535            | 1,027,173            |
| 6400            | Other Operating Costs                | 1,278,248            | 869,103              |
| 6500            | Debt                                 | 163,698              | 377,478              |
|                 | Total Expenses                       | <u>\$ 17,534,781</u> | <u>\$ 13,438,400</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, 2022 AND 2021**

|                 |                                      | <b>Totals</b>       |                     |
|-----------------|--------------------------------------|---------------------|---------------------|
|                 |                                      | <u>2022</u>         | <u>2021</u>         |
| <b>Expenses</b> |                                      |                     |                     |
| 6100            | Payroll Costs                        | \$ 2,396,612        | \$ 2,029,173        |
| 6200            | Professional and Contracted Services | 1,092,567           | 904,478             |
| 6300            | Supplies and Materials               | 251,512             | 229,499             |
| 6400            | Other Operating Costs                | 96,152              | 85,638              |
| 6500            | Debt                                 | 780                 | -                   |
|                 |                                      | <u>780</u>          | <u>-</u>            |
|                 | Total Expenses                       | <u>\$ 3,837,623</u> | <u>\$ 3,248,788</u> |

The accompanying notes are an integral part of these statements.



**BURNHAM WOOD CHARTER SCHOOL  
SCHEDULE OF CAPITAL ASSETS  
AS OF AUGUST 31, 2022**

|                                    | <b>Ownership Interest</b> |                      |                   |
|------------------------------------|---------------------------|----------------------|-------------------|
|                                    | <b>Local</b>              | <b>State</b>         | <b>Federal</b>    |
| 1510 Land                          | \$ -                      | \$ 4,030,212         | \$ -              |
| 1520 Buildings and Improvements    | -                         | 17,822,884           | -                 |
| 1530 Furniture and Equipment       | 29,723                    | 1,264,237            | 250,883           |
| 1550 Less Accumulated Depreciation | -                         | 99,324               | -                 |
| Total Property and Equipment       | <u>\$ 29,723</u>          | <u>\$ 23,216,657</u> | <u>\$ 250,883</u> |

The accompanying notes are an integral part of these statements.

**VISTA DEL FUTURO CHARTER SCHOOL  
SCHEDULE OF CAPITAL ASSETS  
AS OF AUGUST 31, 2022**

|                                | Ownership Interest |            |            |
|--------------------------------|--------------------|------------|------------|
|                                | Local              | State      | Federal    |
| 1510 Land                      | \$ -               | \$ 255,919 | \$ -       |
| 1530 Furniture and Equipment   |                    | 117,104    | 180,654    |
| 1550 Right to Use Lease Assets | -                  | 19,520     |            |
| Total Property and Equipment   | \$ -               | \$ 392,543 | \$ 180,654 |

The accompanying notes are an integral part of these statements.

**BURNHAM WOOD CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2022**

|  | Budgeted Amounts     |                      | Actual<br>Amounts    | Variance<br>from Final<br>Budget |
|--|----------------------|----------------------|----------------------|----------------------------------|
|  | Original             | Final                |                      |                                  |
| <b>Revenues</b>  |                      |                      |                      |                                  |
| <b>Local Support:</b>                                  |                      |                      |                      |                                  |
| 5740 Other Revenues from Local Sources                 | \$ 408,482           | \$ 408,482           | \$ 385,493           | \$ (22,989)                      |
| 5750 Cocurricular and Enterprising Activities          | 9,500                | 9,500                | 9,261                | (239)                            |
| <b>Total Local Support</b>                             | <u>417,982</u>       | <u>417,982</u>       | <u>394,754</u>       | <u>(23,228)</u>                  |
| <b>State Program Revenues:</b>                         |                      |                      |                      |                                  |
| 5810 Foundation School Program Act Revenues            | 13,480,000           | 13,480,000           | 12,412,308           | (1,067,692)                      |
| 5820 State Program Revenues Distributed by TEA         | 3,000                | 3,000                | 65,948               | 62,948                           |
| 5830 State Revenues from State of Texas Govt. Agencies | -                    | -                    | -                    | -                                |
| <b>Total State Program Revenues</b>                    | <u>13,483,000</u>    | <u>13,483,000</u>    | <u>12,478,256</u>    | <u>(1,004,744)</u>               |
| <b>Federal Program Revenues:</b>                       |                      |                      |                      |                                  |
| 5920 Federal Revenues Distributed by TEA               | 5,411,247            | 5,411,247            | 3,525,397            | (1,885,850)                      |
| 5930 Federal Revenues Distributed by Other TX Agencies | -                    | -                    | 46,357               | 46,357                           |
| 5950 Federal Revenues Distributed from Federal Gov.    | -                    | -                    | -                    | -                                |
| <b>Total Federal Program Revenues</b>                  | <u>5,411,247</u>     | <u>5,411,247</u>     | <u>3,571,754</u>     | <u>(1,839,493)</u>               |
| <b>Total Revenues</b>                                  | <u>\$ 19,312,229</u> | <u>\$ 19,312,229</u> | <u>\$ 16,444,764</u> | <u>\$ (2,867,465)</u>            |
| <b>Expenses</b>  |                      |                      |                      |                                  |
| 11 Instruction   | \$ 11,466,700        | \$ 11,466,700        | \$ 9,619,866         | \$ 1,846,834                     |
| 12 Instructional Resources & Media Services            | 5,000                | 5,000                | -                    | 5,000                            |
| 13 Curriculum & Instructional Staff Development        | 163,717              | 163,717              | 38,978               | 124,739                          |
| 21 Instructional Leadership                            | 30,255               | 30,255               | -                    | 30,255                           |
| 23 School Leadership                                   | 360,500              | 360,500              | 304,262              | 56,238                           |
| 31 Guidance, Counseling, & Evaluation Services         | 120,222              | 120,222              | 116,347              | 3,875                            |
| 33 Health Services                                     | 130,000              | 130,000              | 125,801              | 4,199                            |
| 34 Student Transportation                              | 626,266              | 626,266              | 728,500              | (102,234)                        |
| 35 Food Services                                       | 1,224,250            | 1,224,250            | 908,106              | 316,144                          |
| 36 Cocurricular/Extracurricular Activities             | 516,215              | 516,215              | 529,575              | (13,360)                         |
| 41 General Administration                              | 1,410,546            | 1,410,546            | 1,493,377            | (82,831)                         |
| 51 Plant Maintenance & Operations                      | 3,748,509            | 3,748,509            | 3,214,726            | 533,783                          |
| 52 Security & Monitoring Services                      | 140,000              | 140,000              | 171,157              | (31,157)                         |
| 53 Data Processing Services                            | 150,000              | 150,000              | 120,389              | 29,611                           |
| 61 Community Services                                  | -                    | -                    | -                    | -                                |
| 71 Debt Service  | 729,225              | 729,225              | 163,697              | 565,528                          |
| 81 Fundraising   | -                    | -                    | -                    | -                                |
| <b>Total Expenses</b>                                  | <u>\$ 20,821,405</u> | <u>\$ 20,821,405</u> | <u>\$ 17,534,781</u> | <u>\$ 3,286,624</u>              |
| Change in Net Assets                                   | <u>(1,509,176)</u>   | <u>(1,509,176)</u>   | <u>(1,090,017)</u>   | <u>419,159</u>                   |
| Net Assets, Beginning of Year                          | <u>14,616,261</u>    | <u>14,616,261</u>    | <u>14,616,261</u>    | <u>-</u>                         |
| Net Assets, End of Year                                | <u>\$ 13,107,085</u> | <u>\$ 13,107,085</u> | <u>\$ 13,526,244</u> | <u>\$ 419,159</u>                |

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, 2022**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance<br>from Final<br>Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
|  | Original            | Final               |                     |                                  |
| <b>Revenues</b>  |                     |                     |                     |                                  |
| <b>Local Support:</b>                                  |                     |                     |                     |                                  |
| 5740 Other Revenues from Local Sources                 | \$ 56,488           | \$ 56,488           | \$ 53,460           | \$ (3,028)                       |
| 5750 Cocurricular and Enterprising Activities          | -                   | -                   | 2,558               | 2,558                            |
| <b>Total Local Support</b>                             | <b>56,488</b>       | <b>56,488</b>       | <b>56,018</b>       | <b>(470)</b>                     |
| <b>State Program Revenues:</b>                         |                     |                     |                     |                                  |
| 5810 Foundation School Program Act Revenues            | 3,000,000           | 3,000,000           | 2,992,735           | (7,265)                          |
| 5820 State Program Revenues Distributed by TEA         | 1,680               | 1,680               | 53,488              | 51,808                           |
| 5830 State Revenues from Texas Govt. Agencies          | -                   | -                   | -                   | -                                |
| <b>Total State Program Revenues</b>                    | <b>3,001,680</b>    | <b>3,001,680</b>    | <b>3,046,223</b>    | <b>44,543</b>                    |
| <b>Federal Program Revenues:</b>                       |                     |                     |                     |                                  |
| 5920 Federal Revenues Distributed by TEA               | 1,391,186           | 1,391,186           | 797,610             | (593,576)                        |
| 5930 Federal Revenues Distributed by Other TX Agencies | -                   | -                   | 10,893              | 10,893                           |
| 5940 Federal Revenues Distributed by Fed. Govt.        | -                   | -                   | -                   | -                                |
| <b>Total Federal Program Revenues</b>                  | <b>1,391,186</b>    | <b>1,391,186</b>    | <b>808,503</b>      | <b>(582,683)</b>                 |
| <b>Total Revenues</b>                                  | <b>\$ 4,449,354</b> | <b>\$ 4,449,354</b> | <b>\$ 3,910,744</b> | <b>\$ (538,610)</b>              |
| <b>Expenses</b>  |                     |                     |                     |                                  |
| 11 Instruction   | \$ 2,678,665        | \$ 2,678,665        | \$ 2,116,422        | \$ 562,243                       |
| 12 Instructional Resources & Media Services            | 1,000               | 1,000               | -                   | 1,000                            |
| 13 Curriculum & Instructional Staff Development        | 51,509              | 51,509              | 39,345              | 12,164                           |
| 21 Instructional Leadership                            | 7,500               | 7,500               | -                   | 7,500                            |
| 23 School Leadership                                   | 151,500             | 151,500             | 128,607             | 22,893                           |
| 31 Guidance, Counseling, & Evaluation Services         | 42,500              | 42,500              | 36,107              | 6,393                            |
| 33 Health Services                                     | 40,000              | 40,000              | 36,355              | 3,645                            |
| 34 Student Transportation                              | 30,000              | 30,000              | 24,368              | 5,632                            |
| 35 Food Services                                       | 270,000             | 270,000             | 236,531             | 33,469                           |
| 36 Cocurricular/Extracurricular Activities             | 16,000              | 16,000              | 13,338              | 2,662                            |
| 41 General Administration                              | 382,500             | 382,500             | 431,192             | (48,692)                         |
| 51 Plant Maintenance & Operations                      | 617,500             | 617,500             | 661,630             | (44,130)                         |
| 52 Security and Monitoring Services                    | 37,000              | 37,000              | 38,767              | (1,767)                          |
| 53 Data Processing Services                            | 72,000              | 72,000              | 74,181              | (2,181)                          |
| 71 Debt Service  | -                   | -                   | 780                 | (780)                            |
| <b>Total Expenses</b>                                  | <b>\$ 4,397,674</b> | <b>\$ 4,397,674</b> | <b>\$ 3,837,623</b> | <b>\$ 560,051</b>                |
| <b>Change in Net Assets</b>                            | <b>51,680</b>       | <b>51,680</b>       | <b>73,121</b>       | <b>21,441</b>                    |
| <b>Net Assets, Beginning of Year</b>                   | <b>2,375,056</b>    | <b>2,375,056</b>    | <b>2,375,056</b>    | <b>-</b>                         |
| <b>Net Assets, End of Year</b>                         | <b>\$ 2,426,736</b> | <b>\$ 2,426,736</b> | <b>\$ 2,448,177</b> | <b>\$ 21,441</b>                 |

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, 2022**

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. | \$1,004,922 |
| AP4 | List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.      | \$599,476   |

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. | \$264,665 |
| AP8 | List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.   | \$139,174 |

**VISTA DEL FUTURO CHARTER SCHOOL  
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION  
PROGRAM EXPENDITURES  
FOR THE YEAR ENDED AUGUST 31, 2022**

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. | \$287,363 |
| AP4 | List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.      | \$167,255 |

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. | \$ 57,660 |
| AP8 | List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.   | \$ 32,161 |

**BURNHAM WOOD CHARTER SCHOOL  
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST  
FOR THE YEAR ENDED AUGUST 31, 2022**

| Description                       | Property Address                      | Total Assessed Value | Local | Ownership Interest |         |   |
|-----------------------------------|---------------------------------------|----------------------|-------|--------------------|---------|---|
|                                   |                                       |                      |       | State              | Federal |   |
| 8 Upper Valley Tr 2 (5.773 Acres) | 5141 Upper Valley Rd.<br>El Paso, TX  | \$ 1,343,537         | \$ -  | \$ 1,343,537       | \$ -    | - |
| 26 West Hills #6                  | 7310 Bishop Flores Dr.<br>El Paso, TX | \$ 3,507,613         | -     | \$ 3,507,613       | -       | - |
| 1 Harvest Addition Lot 1          | 785 Southwestern Dr.<br>El Paso, TX   | \$ 9,505,224         | -     | \$ 9,505,224       | -       | - |
| Block 1 IH-10 Crusade Lot 1       | 5490 N. Desert Blvd.<br>El Paso, TX   | \$ 579,180           | -     | \$ 579,180         | -       | - |
|                                   |                                       |                      | \$ -  | \$ 14,935,554      | \$ -    | - |

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, 2022**

| Description                   | Property Address  | Total Assessed Value | Ownership Interest |           |         |  |
|-------------------------------|-------------------|----------------------|--------------------|-----------|---------|--|
|                               |                   |                      | Local              | State     | Federal |  |
| Bob Hope Lot - T & P Block    | 1671 Bob Hope Dr. | \$33,794             | \$ -               | \$ 33,794 | \$ -    |  |
| 79 Township 3, Section 8      | El Paso, TX 79936 |                      |                    |           |         |  |
| Track 17-C-11, El Paso County |                   |                      |                    |           |         |  |
|                               |                   |                      | \$ -               | \$ 33,794 | \$ -    |  |

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, 2022**

| Related Party Name    | Relation Name  | Relationship | Type of Transaction | Terms           | Source of Funds  | Payment Frequency | Total Paid        | Balance Due |
|-----------------------|----------------|--------------|---------------------|-----------------|------------------|-------------------|-------------------|-------------|
| S&C Building Contract | Joe Gonzales   | Owned by Son | Construction/Maint. | Contract Maint. | State Foundation | Monthly           | -                 | -           |
|                       | Superintendent |              |                     |                 |                  |                   | 134,978           | -           |
|                       |                |              |                     |                 |                  |                   | <u>\$ 134,978</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, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2023.

### **Report on 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 were not identified. We identified certain deficiencies in

internal control, described in the accompanying schedule of findings and questioned costs as items 2022-1 to 2022-2 that we consider to be material weaknesses.

### **Report on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on El Paso Education Initiative's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. El Paso Education Initiative, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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,



Freeman, Shapard, & Story

Windthorst, TX

January 21, 2023

# 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**

#### ***Opinion on Each Major Federal Program***

We have audited El Paso Education Initiative, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of El Paso Education Initiative, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of El Paso Education Initiative, Inc.'s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to El Paso Education Initiative, Inc.'s federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on El Paso Education Initiative, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about El Paso Education Initiative, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding El Paso Education Initiative, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of El Paso Education Initiative, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 El Paso Education Initiative, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***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**

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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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,



Freeman, Shapard, & Story  
Windthorst, TX  
January 21, 2023

**EL PASO EDUCATION INITIATIVE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2022**

I. Summary of Auditors' Results

*Financial Statements*

|  |   |
|--|---|
| Type of auditor's report issued  | Unmodified  |
| Internal control over financial reporting:   |   |
| Material weaknesses identified?  | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Noncompliance material to financial statements noted?                                  | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

*Federal Awards*

|  |   |
|--|---|
| Internal control over major programs:  |   |
| Material weaknesses identified?  | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Significant deficiencies identified that are not considered to be material weaknesses?   | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Identification of major programs:  |   |
| Elementary and Secondary School Emergency Relief (ESSER)<br>IDEA-Part B Cluster  |   |
| Dollar threshold used to distinguish between Type A and Type B Programs  | \$750,000   |
| Auditee qualified as low-risk auditee?   | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |



## II. Financial Statement Findings

### Finding 2022-1

#### *Criteria*

The monthly bank reconciliation should promptly reconcile to cash balances on the general ledger.

#### *Condition*

We noted that the bank reconciliations for Burnham Wood Charter School and Vista del Futuro Charter School did not reconcile to the general ledger starting in June of 2022 through year's end. Material unexplained differences were noted in both schools.

#### *Cause*

It appears a proper cutoff date is not being performed in the system during the monthly bank reconciliation process. There are large adjustments for electronic fund transfers and outstanding checks for the subsequent month. However, even though these subsequent month transactions netted below materiality on the financial statements, they couldn't be fully substantiated on the bank reconciliation.

#### *Effect*

Burnham Wood Charter School's and Vista del Futuro Charter School's cash balances as reflected in the general ledgers may not accurately reflect proper month-end close balances due to not being reconciled..

#### *Recommendation*

El Paso Education Initiative, Inc. should obtain additional training on Ascender accounting for their bank reconciliation process and monthly close process. Then moving forward, personnel need to correct any postings of subsequent month transactions to minimize any unexplained reconciling items.

#### *Management Response*

The bank reconciliations and monthly close processes were properly maintained until June 2022, at which time the finance manager discontinued employment at the schools. New finance personnel were hired and are undergoing training on software operations and related processes.

Finding 2022-2*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, 2022 and for the year's end.

*Cause*

Numerous construction project expenditures were incorrectly coded or posted twice. Payments were originally made from the operating fund and then, again, reimbursed from the project investment fund requiring several adjustments to reconcile at year's end. Additionally, construction costs were incorrectly coded to supplies and had to be reclassified to the fixed assets account on building projects. Accounts payable did not get reversed for the prior year, and the current year's payables required additional adjustments. TRS on-behalf entries were reversed as they are not required by charter schools. Debt issuance costs and premiums had to be amortized and adjusted. Lunch Program Commodities had to be recorded. Numerous expense accounts reflected credit balances and required adjustments. Expenditures for technology items below the \$5,000 capitalization threshold had to be reclassified to supply expense from the fixed asset code. Lastly, donations were incorrectly coded to 5742 or 5749 instead of 5744.

*Effect*

El Paso Education Initiative, Inc. was unable to rely on Burnham Wood Charter School's and Vista Del Futuro Charter School's accounting records and reports during the year relating to construction activity and financial reports. Multiple year-end adjustments were made to correct the school's records and reports to accurately reflect the financial status.

*Recommendation*

El Paso Education Initiative, Inc. should contact their auditor or service center to request help for the finance department when making adjusting journal entries for complicated events such as: construction costs, additional training for complex accounting transactions, and TEA required accounting.

*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. New accounting personnel will be trained and will review transactions regularly to assure accurate accounting.

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, 2022**

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 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*

J.P. Morgan Chase Bank will be notified to either increase pledged securities to cover the highest daily cash balance, or Vista del Futuro will move their banking to a different bank.

*Status*

Corrected

*Management's Explanation for not implementing the Recommendation*

N/A

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. 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. Five 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*

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 still exceeded the final amended budget in four functional categories for the year as per Exhibit E-1.1. Only two 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. One 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.

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.

*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.

*Status*

Current year accounting records continued to require extensive adjustments to correct at year end.

*Management's Explanation for not implementing the Recommendation*

Finance director left employment in May and new accounting personnel were hired that didn't have ample time or training to make all necessary adjustments by year end.

EL PASO EDUCATION INITIATIVE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2022

| (1)   | (2)                                  | (3)  | (4)                     |
|---|--------------------------------------|--|-------------------------|
| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM or CLUSTER TITLE | Federal<br>Assistance<br>Listing No. | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
| <b>US DEPARTMENT OF JUSTICE</b>                                       |                                      |  |                         |
| <u>Direct Programs</u>  |                                      |  |                         |
| Stop School Violence  | 16.839                               | 194210027110001                              | \$ 16,820               |
| Stop School Violence  | 16.839                               | 194310027110002                              | 21,194                  |
| Total Assistance Listing Number 16.839                                |                                      |  | 38,014                  |
| Total Direct Programs   |                                      |  | 38,014                  |
| <b>TOTAL US DEPARTMENT OF JUSTICE</b>                                 |                                      |  | 38,014                  |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                   |                                      |  |                         |
| <u>Passed Through Texas Education Agency</u>                          |                                      |  |                         |
| ESEA, Title I, Part A - Improving Basic Programs                      | 84.010 A                             | 22610101071801                               | 236,575                 |
| ESEA, Title I, Part A - Improving Basic Programs                      | 84.010 A                             | 22610101071809                               | 70,459                  |
| Total Assistance Listing Number 84.010                                |                                      |  | 307,034                 |
| *IDEA - Part B, Formula   | 84.027                               | 226600010718016600                           | 177,238                 |
| *IDEA - Part B, Formula   | 84.027                               | 226600010718096600                           | 74,482                  |
| *IDEA, Part B, Formula - American Rescue Act (ARP)                    | 84.027 X                             | 225350010718015350                           | 52,979                  |
| *IDEA, Part B, Formula - American Rescue Act (ARP)                    | 84.027 X                             | 225360010718095360                           | 11,062                  |
| Total Assistance Listing Number 84.027                                |                                      |  | 315,761                 |
| Total Special Education Cluster (IDEA)                                |                                      |  | 315,761                 |
| *IDEA - Part B, Preschool   | 84.173                               | 226610010718016610                           | 1,180                   |
| *IDEA - Part B, Preschool   | 84.173                               | 226610010718096610                           | 681                     |
| *IDEA, Part B, Preschool- American Rescue Act (ARP)                   | 84.173 X                             | 225360010718015360                           | 3,396                   |
| *IDEA, Part B, Preschool- American Rescue Act (ARP)                   | 84.173 X                             | 225360010718095360                           | 932                     |
| Total Assistance Listing Number 84.173                                |                                      |  | 6,189                   |
| Total Educational Technology State Grants Cluster                     |                                      |  | 6,189                   |
| SSA - Career and Technical - Basic Grant                              | 84.048                               | 071801                                       | 13,255                  |
| Title III, Part A - English Language Acquisition                      | 84.365 A                             | 22671003071801                               | 7,340                   |
| Title III, Part A - English Language Acquisition                      | 84.365 A                             | 21671001071809                               | 1,347                   |
| SSA - Title III, A - English Lang. Acquisition                        | 84.365 A                             | 22671001071801                               | 67,125                  |
| Total Assistance Listing Number 84.365                                |                                      |  | 75,812                  |
| ESEA, Title II, Part A, Teacher Principal Training                    | 84.367 A                             | 22694501071801                               | 11,845                  |
| ESEA, Title II, Part A, Teacher Principal Training                    | 84.367 A                             | 22694501071809                               | 4,285                   |
| Total Assistance Listing Number 84.367                                |                                      |  | 16,130                  |
| *Elementary Secondary School Emergency Relief II                      | 84.425 D                             | 21521001071801                               | 1,037,567               |
| *Elementary Secondary School Emergency Relief II                      | 84.425 D                             | 21521001071809                               | 178,442                 |
| *ESSER III - ARP School Emergency Relief                              | 84.425 D                             | 21528001011801                               | 688,894                 |
| *ESSER III - ARP School Emergency Relief                              | 84.425 D                             | 21528001071809                               | 80,438                  |
| Total Assistance Listing Number 84.425                                |                                      |  | 1,985,341               |
| Title IV, Part A  | 84.424 A                             | 22680101071801                               | 23,944                  |
| Title IV, Part A  | 84.424 A                             | 22680101071809                               | 10,000                  |
| Total Assistance Listing Number 84.424                                |                                      |  | 33,944                  |
| Total Passed Through Texas Education Agency                           |                                      |  | 2,753,466               |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

EL PASO EDUCATION INITIATIVE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2022

| (1)   | (2)                                  | (3)  | (4)                     |
|---|--------------------------------------|--|-------------------------|
| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM or CLUSTER TITLE | Federal<br>Assistance<br>Listing No. | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                             |                                      |  | 2,753,466               |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                 |                                      |  |                         |
| <u>Passed Through the Texas Department of Agriculture</u>             |                                      |  |                         |
| *School Breakfast Program   | 10.553                               | 71402201                                     | 295,606                 |
| *School Breakfast Program   | 10.553                               | 71402101                                     | 65,656                  |
| Total Assistance Listing Number 10.553                                |                                      |  | 361,262                 |
| *National School Lunch Program - Cash Assistance                      | 10.555                               | 71302201                                     | 868,201                 |
| *National School Lunch Program - Cash Assistance                      | 10.555                               | 71302101                                     | 256,265                 |
| *National School Lunch Prog. - Non-Cash Assistance                    | 10.555                               | 6TX300400                                    | 32,697                  |
| *National School Lunch Prog. - Non-Cash Assistance                    | 10.555                               | 6TX300400                                    | 10,799                  |
| Total Assistance Listing Number 10.555                                |                                      |  | 1,167,962               |
| Total Child Nutrition Cluster   |                                      |  | 1,529,224               |
| *Commodity Supplemental - Non-Cash Assistance                         | 10.565                               | 071801                                       | 42,598                  |
| *Commodity Supplemental - Non-Cash Assistance                         | 10.565                               | 071809                                       | 16,455                  |
| Total Assistance Listing Number 10.565                                |                                      |  | 59,053                  |
| Total Food Distribution Cluster                                       |                                      |  | 59,053                  |
| Total Passed Through the Texas Department of Agriculture              |                                      |  | 1,588,277               |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                           |                                      |  | 1,588,277               |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                           |                                      |  | \$ 4,379,757            |
| *Clustered Programs   |                                      |  |                         |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards



**EL PASO EDUCATION INITIATIVE, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

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 not elected 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 | \$ 4,379,757        |
| SHARS/ E-rate excluded from SEFA  | <u>500</u>          |
| Total federal revenue Exhibit A-2   | <u>\$ 4,380,257</u> |