

EXCELLENCE IN LEADERSHIP ACADEMY



**Annual Financial Report
For the Fiscal Year ended
August 31, 2021**

Raul Hernandez & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

5402 Holly Rd. Suite 102 Corpus Christi, TX 78411 Office: (361) 980-0428 Fax: (361) 980-1002

EXCELLENCE IN LEADERSHIP ACADEMY
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2021

EXCELLENCE IN LEADERSHIP ACADEMY

TABLE OF CONTENTS
AUGUST 31, 2021

Certificate of Board 1
Independent Auditors' Report 2

Financial Section:

Statement of Financial Position 4
Statement of Activities 5
Statement of Functional Expenses. 6
Statement of Cash Flows 7
Notes to the Financial Statements. 8

Specific-Purpose Financial Section:

Statement of Financial Position 18
Statement of Activities 19
Statement of Cash Flows 20
Schedule of Capital Assets. 21
Schedule of Expenses. 22
Budgetary Comparison Schedule 23
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 *Governmental Auditing Standards*. 24
Schedule of Findings and Questioned
Costs. 26
Summary Schedule of Prior Audit Findings. 27

**Excellence in Leadership Academy
Certificate of Board
Federal ID# 45-3816853**

Excellence in Leadership Academy
Name of Charter School

Hidalgo County
County

108-809
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named association were reviewed and (check one) approved disapproved for the year ended August 31, 2021 at a meeting of the Board of Directors on the 27th day of January, 2022.


Signature of Board Secretary


Signature of Board President

If the Board of Directors disapproved the auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

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Raul Hernandez & Company, P. C.

Certified Public Accountants
5402 Holly Rd, Ste 102
Corpus Christi, Texas 78411
Office (361)980-0428 Fax (361)980-1002

INDEPENDENT AUDITORS' REPORT

Board of Directors
Excellence in Leadership Academy
Mission, Texas

Members of the Board of Directors:

We have audited the accompanying financial statements of Excellence in Leadership Academy (a non-profit organization) which comprise the statement of financial position as of August 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Excellence in Leadership Academy as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements of Excellence in Leadership Academy, taken as a whole. The other supplementary information is likewise presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 taken as a whole.

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2022 on our consideration of Excellence in Leadership Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Raul Hernandez & Company, P.C.

Corpus Christi, TX

January 27, 2022

FINANCIAL SECTION

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**Excellence in Leadership Academy
Statement of Financial Position
August 31, 2021**

Assets

Current assets:

Cash and cash equivalents	\$ 976,712
Total Current Assets	<u>976,712</u>

Property and Equipment, net	<u>175,763</u>
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Total Assets	<u><u>\$ 1,152,475</u></u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ -
Total Current Liabilities	<u>-</u>

Total Liabilities	<u>-</u>
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Net assets:

Without Donor Restrictions	216,126
With Donor Restrictions	<u>936,349</u>
Total net assets	<u>1,152,475</u>

Total Liabilities and Net Assets	<u><u>\$ 1,152,475</u></u>
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See the accompanying notes to the financial statements.

**Excellence in Leadership Academy
Statement of Activities
For the Fiscal Year Ended August 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Local Support			
Interest and Other Income	16,758	-	16,758
Total local support	<u>16,758</u>	<u>-</u>	<u>16,758</u>
State Program Revenues			
Foundation School Program	-	3,098,886	3,098,886
Other State Aid	-	58,884	58,884
Total State Program Revenue	<u>-</u>	<u>3,157,770</u>	<u>3,157,770</u>
Federal program revenues			
Federal Revenues Distributed by the Texas Education Agency	-	495,679	495,679
Federal Revenues Distributed by Government Other than TEA	-	19,309	19,309
Federal Revenues Distributed by SBA	<u>-</u>	<u>295,170</u>	<u>295,170</u>
Total Federal Program Revenue	<u>-</u>	<u>810,158</u>	<u>810,158</u>
Net assets released from restrictions: Restrictions satisfied by payments	<u>3,504,932</u>	<u>(3,504,932)</u>	<u>-</u>
Total Revenue and Other Support	<u>3,521,690</u>	<u>462,996</u>	<u>3,984,686</u>
EXPENSES			
Program Services			
Instructional and Instructional-Related Services	2,260,761	-	2,260,761
Instructional and School Leadership	273,031	-	273,031
Support Services			
Administrative Support Services	717,950	-	717,950
Ancillary Services	21,023	-	21,023
Support Services-Non-Student Based	95,882	-	95,882
Support Services-Student (Pupil)	136,285	-	136,285
Fund Raising	-	-	-
Total Expenses	<u>3,504,932</u>	<u>-</u>	<u>3,504,932</u>
CHANGE IN NET ASSETS	16,758	462,996	479,754
NET ASSETS BEGINNING OF YEAR	<u>199,368</u>	<u>473,353</u>	<u>672,721</u>
NET ASSETS END OF YEAR	<u>\$ 216,126</u>	<u>\$ 936,349</u>	<u>\$ 1,152,475</u>

See the accompanying notes to the financial statements.

**Excellence in Leadership Academy
Statement of Functional Expenses
For the Year Ended August 31, 2021**

Exhibit A-3

Expenses	Program Activities	Support Activities		Totals
	Program Services	General and Administration	Fundraising	
Salaries and Wages	\$ 1,623,276	\$ 303,939	\$ -	\$ 1,927,215
Benefits	161,801	30,244		192,045
Payroll Taxes	31,859	6,581		38,440
Total Payroll Expenses	1,816,936	340,764	-	2,157,700
Rental Expense	\$ -	\$ 255,521	\$ -	\$ 255,521
Contract Services	336,269	102,435	-	438,704
Maintenance and Repairs	-	15,804	-	15,804
Utilities	-	28,741	-	28,741
Depreciation	-	12,321	-	12,321
Supplies	250,040	160,432	-	410,472
Travel	13,828	7,110	-	20,938
Instructional Materials	33,001	-	-	33,001
Insurance and Bonding	28,691	-	-	28,691
Professional Fees and Dues	-	-	-	-
Other	55,027	48,012	-	103,039
Total Non-Payroll Expenses	\$ 716,856	\$ 630,376	\$ -	\$ 1,347,232
Total Expenses	\$ 2,533,792	\$ 971,140	\$ -	\$ 3,504,932

The accompanying notes to financial statements form an integral part of this statement.

**Excellence in Leadership Academy
Statement of Cash Flows
For the Year Ended August 31, 2021**

Cash Flows From Operating Activities	
Change in Net Assets	\$ 479,754
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	12,321
(Increase) Decrease in:	
Due from State	-
Increase (Decrease) in:	
Accounts Payable	(357)
Accrued Wages Payable	-
Payroll Liabilities Payable	-
Accrued Expenses	-
Cash Flows From Operating Activities	<u>491,718</u>
Cash Flows From Investing Activities	
Purchase of fixed assets	<u>(100,000)</u>
	<u>(100,000)</u>
Cash Flows From Financing Activities	
PPP Current Loan Payable	(295,170)
Bond Issuance Cost	-
Loan Payments	-
	<u>(295,170)</u>
Net Increase (Decrease) in Cash	96,548
Cash at Beginning of Year	<u>880,164</u>
Cash at End of Year	<u><u>\$ 976,712</u></u>
Summary of Cash:	
Cash in Bank	976,712
Certificates of Deposit	-
Total Cash	<u><u>\$ 976,712</u></u>

See the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Academy

The Excellence in Leadership Academy (ELA) is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Academy is governed by the Board of Directors. The Board of Directors is selected pursuant to the bylaws of the Academy and has the authority to make decisions, appoint the officers of the Academy and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Academy.

The Academy operates under an open enrollment charter granted by the Texas State Board of Education. The charter was initially issued for a period of five years. The school is part of the public school system of the state and is entitled to distribution from the State's available school fund. However, the School does not have the authority to impose taxes.

Excellence in Leadership Academy currently services Pre-K to 8th grade students. Highlights of their services to their students and community include highly qualified and committed staff, state of the art technology, and family and community involvement. The Academy offers dual language programs, smaller learning communities, and integration of college and career readiness standard.

The charter holder operated only a single charter school and did not conduct any other charter or non-charter activities.

B. Basis of Presentation

The combined general-purpose financial statements include the accounts of Excellence in Leadership Academy. All significant intercompany accounts and transactions have been eliminated in the combined general-purpose financial statements.

The financial statements of the Academy have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Academy to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Academy management and the board of directors.

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

During the current year, the School adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which requires the School to recognize revenue when it transfers control of promised goods or services. Revenue is recognized in an amount that reflects the consideration the School expects to receive in exchange for those goods or services. The ASU also requires School to disclose sufficient quantitative and qualitative information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Management has determined that this ASU did not impact the School's financial statements.

C. Fixed Assets and Depreciation

All purchased fixed assets are valued at cost or estimated cost. Donated assets are reported at the fair market value at time of acquisition. Fixed assets are defined by the Academy as capital assets with an individual cost of more than \$1,000. Depreciation of building improvements and equipment is provided over the estimated useful lives of the assets on a straight-line basis.

D. Revenues

Revenues from the state's available school fund are based on reported attendance. State foundations revenues are public funds held in trust by the charter holder for the benefit of the students of the charter school and as such are reported as temporarily restricted revenues.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Governmental grant contracts that are entered into by the School are recognized as revenue when services are rendered or when the expenses in connection with those services are incurred.

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

E. Donated Goods and Services

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statements as in-kind contributions and expenses of a like amount.

F. Cash and Cash Equivalents

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

G. 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. In preparation of the financial statements in conformity with generally accepted accounting principles, management's estimates were considered for depreciation.

H. Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and Effort
Benefits	Time and Effort
Payroll Taxes	Time and Effort
Rental Expense	Square Footage
Contracted Services	Full Time Equivalent
Maintenance and Repair	Time and Effort
Utilities	Square Footage
Depreciation	Square Footage
Supplies	Time and Effort
Travel	Time and Effort
Instructional Materials	Time and Effort
Insurance and Bonding	Square Footage
Professional Fees and Dues	Full Time Equivalent
Other	Time and Effort

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2021

2. AVAILABILITY AND LIQUIDITY

The following represents the Academy financial assets at August 31, 2021:

Financial assets at year end:		<u>2021</u>
Cash in bank		\$ 976,712
	Total financial assets	976,712
Less amounts not available to be used within one year:		
Net assets with donor restrictions		936,349
Less net assets with purpose restrictions to be met in less than a year		-
Quasi endowment established by the board		<u>-</u>
		<u>936,349</u>
Financial assets available to meet general expenditures over the next twelve months		<u>\$ 40,363</u>

As part of the Academy’s liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due by maintaining a significant portion of its assets in cash.

3. FAIR VALUE MEASUREMENT OF FINANCIAL STATEMENTS

The requirements of Fair Value Measurements and Disclosures of the FASB Accounting Standards Codification (ASC) apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB also establishes a fair value hierarchy that categorizes the inputs used in valuation methodologies into three levels.

Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and the reflect the assumptions that market participants would use when pricing the asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability. A three-tier hierarchy categorizes the inputs used to measure fair value as follows:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2021

3. FAIR VALUE MEASUREMENT OF FINANCIAL STATEMENTS (Continued):

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The Academy does not have any financial instruments that apply to this three-tier hierarchy.

4. CONCENTRATIONS

A. Cash in Bank

The Academy maintains bank accounts with Chase Bank. Federal deposit insurance on the Chase Bank accounts totaled \$250,000 on accounts. The book balance totaled \$976,712 and the bank balance totaled \$990,693 on August 31, 2021. The Academy maintains its cash with high quality financial institutions which the Academy believes limits these risks.

B. Revenues

The principal source of revenue for the Academy is its receipt of state program revenues received from the Texas Education Agency.

5. PENSION DISCLOSURE

The Academy participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2021

5. PENSION DISCLOSURE (continued)

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

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.

Name of Plan: Teacher Retirement System of Texas

Plan Number: N/A

Zone Status: Unknown

	(number in thousands)
1. Total Plan Assets	\$ 184,361,871
2. Accumulated Benefit Obligations	209,719,687
3. The plan is 76.8% funded	

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 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.

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2021

5. PENSION DISCLOSURE (continued)

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound.

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% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

Contribution Rates		
	2021	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
2021 Employer Contributions		\$ 169,028
2021 Member Contributions		\$ 155,870

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 and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2021

5. PENSION DISCLOSURE (continued)

- 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.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees: and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

The charter school did not contribute to any other defined benefit pension plans.

6. FIXED ASSETS

The Excellence in Leadership Academy received donated property in the amount of \$23,318 from Luz para Las Naciones, Inc. These assets were valued at fair value at the time of acquisition.

Fixed Assets at August 31, 2021 were as follows:

Building and Improvements	\$ 33,200
Furniture, Fixtures and Equipment	<u>101,311</u>
Construction in Progress	<u>100,000</u>
Total	234,511
Less: Accumulated Depreciation	<u>(58,748)</u>
Property and Equipment, net	<u>\$ 175,763</u>

7. OWNERSHIP IN PROPERTY AND EQUIPMENT

Capital assets acquired with public funds received by the Academy for the operation of Excellence in Leadership Academy constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets for the Excellence in Leadership Academy.

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2021

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with Donor Restrictions for they year ended August 31, 2021 were as follows:

General Fund	\$ 860,193
Food Service	57,742
Textbook Fund	<u>18,414</u>
Total	<u>\$ 936,349</u>

9. OPERATING LEASES

The Academy entered into a lease agreement with Luz Para Las Naciones, Inc. Mission, Texas for 18,792 square feet of classroom and office space for its school operation. The lease covers the use of the parking lot and the back yard area. The Academy renewed on January, 2019, with the lease payment of \$17,852.40 due by the 25th of each month. This lease was amended on January 27, 2020, with the lease payment of \$18,792.00 This lease agreement is scheduled to expire December 31, 2021.

The total lease payments as of August 31, 2021 were \$225,684.

The annual rents for the next year are as follows:

2022	\$ 75,168
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10. COMMITMENTS AND CONTINGENCIES

The Academy receives federal and state funds which are governed by various rules and regulations by the grantor. Expenses charged to the grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the grants other than as reflected in the financial statements.

11. RECONCILIATION OF REVENUES FROM FEDERAL PROGRAMS

The Academy received revenues from federal programs for the year August 31, 2021 as follows:

Federal Monies Received	\$ 514,988
Per Audited Financial Statements	<u>810,158</u>
Total difference	295,170
PPP Forgiven Loan	<u>(295,170)</u>
Balance	<u>\$ -0-</u>

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2021

12. PAYCHECK PROTECTION PROGRAM LOAN

On May 12, 2021, the Academy's Small Business Administration (SBA) Paycheck Protection Program (PPP) Loan with Chase Bank in the amount of \$295,170 was forgiven. There are no debt obligations due in association with this loan. The loan has now been recognized as other federal revenue.

13. EVALUATION OF SUBSEQUENT EVENTS

The Academy has evaluated subsequent events through January 27, 2022, the date which the financial statements were available to be issued.

The 2020 COVID-19 (Coronavirus) pandemic continues to disrupt businesses in America and the entire World. The School is striving to be highly attuned and is maintaining a heighten state of readiness for the principal risks and increased uncertainties ahead. Given the potential for rapid spreading of the virus, management will be evaluating the current and potential effects on its operations and financial reporting.

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SPECIFIC PURPOSE FINANCIAL SECTION

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**Excellence in Leadership Academy
Statement of Financial Position
August 31, 2021**

Assets

Current assets:

Cash in bank	\$ 976,712
Due from state	-
Total Current Assets	976,712

Fixed Assets:

Building and Improvements	33,200
Furniture and Equipment	101,311
Construction in Progress	100,000
Less: Accumulated Depreciation	(58,748)
Property and Equipment, net	175,763

Total Assets

\$ 1,152,475

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ -
Total Current Liabilities	-

Total Liabilities

-

Net assets:

Without Donor Restrictions	216,126
With Donor Restrictions	936,349
Total net assets	1,152,475

Total Liabilities and Net Assets

\$ 1,152,475

See the accompanying notes to the financial statements.

Excellence in Leadership Academy
Statement of Activities
For the Fiscal Year Ended August 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Local Support			
5740 Tuition and Afterschool	\$ -	\$ -	\$ -
5744 Contributions	-	-	-
5749 Other Revenues from Local Sources	16,727	-	16,727
5750 Food Sales	31	-	31
5755 Campus Activity	-	-	-
Total local support	<u>16,758</u>	<u>-</u>	<u>16,758</u>
State Program Revenues			
5810 Foundation School Program	-	3,098,886	3,098,886
5820 State Program Revenues Distributed by the Texas Education Agency	-	58,884	58,884
5830 Revenues from Texas Government Agencies	-	-	-
Total State Program Revenue	<u>-</u>	<u>3,157,770</u>	<u>3,157,770</u>
Federal program revenues			
5920 Federal Revenues Distributed by the Texas Education Agency	-	495,679	495,679
5930 Federal Revenues Distributed by Government Other than TEA	-	19,309	19,309
5940 Federal Revenues Distributed by SBA	-	295,170	295,170
Total Federal Program Revenue	<u>-</u>	<u>810,158</u>	<u>810,158</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>3,504,932</u>	<u>(3,504,932)</u>	<u>-</u>
Total Revenue and Other Support	<u>3,521,690</u>	<u>462,996</u>	<u>3,984,686</u>
EXPENSES			
11 Instruction	2,235,404	-	2,235,404
12 Instructional Resources and Media Services	728	-	728
13 Curriculum Development and Instructional Staff Development	24,629	-	24,629
21 Instructional Leadership	46,094	-	46,094
23 School Leadership	226,937	-	226,937
31 Guidance, Counseling, and Evaluation	64,982	-	64,982
33 Health Services	34,277	-	34,277
35 Food Services	95,882	-	95,882
36 Cocurricular/Extracurricular Activities	37,026	-	37,026
41 General Administration	206,761	-	206,761
51 Plant Maintenance and Operations	413,308	-	413,308
52 Security and Monitoring Services	21,023	-	21,023
53 Data Processing	97,881	-	97,881
61 Community Services	-	-	-
71 Debt	-	-	-
81 Fund Raising	-	-	-
Total Expenses	<u>3,504,932</u>	<u>-</u>	<u>3,504,932</u>
CHANGE IN NET ASSETS	16,758	462,996	479,754
NET ASSETS BEGINNING OF YEAR	<u>199,368</u>	<u>473,353</u>	<u>672,721</u>
NET ASSETS END OF YEAR	<u>\$ 216,126</u>	<u>\$ 936,349</u>	<u>\$ 1,152,475</u>

See the accompanying notes to the financial statements.

**Excellence in Leadership Academy
Statement of Cash Flows
For the Year Ended August 31, 2021**

Cash Flows From Operating Activities	
Change in Net Assets	\$ 479,754
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	12,321
(Increase) Decrease in:	
Due from State	-
Increase (Decrease) in:	
Accounts Payable	(357)
Accrued Wages Payable	-
Payroll Liabilities Payable	-
Accrued Expenses	-
Cash Flows From Operating Activities	<u>491,718</u>
Cash Flows From Investing Activities	
Purchase of fixed assets	<u>(100,000)</u>
	<u>(100,000)</u>
Cash Flows From Financing Activities	
PPP Current Loan Payable	(295,170)
Bond Issuance Cost	-
Loan Payments	-
	<u>(295,170)</u>
Net Increase (Decrease) in Cash	96,548
Cash at Beginning of Year	<u>880,164</u>
Cash at End of Year	<u><u>\$ 976,712</u></u>
Summary of Cash:	
Cash in Bank	976,712
Certificates of Deposit	-
Total Cash	<u><u>\$ 976,712</u></u>

See the accompanying notes to the financial statements.

**Excellence in Leadership Academy
Schedule of Capital Assets
August 31, 2021**

Exhibit D-1

	Ownership Interest			Total
	Local	State	Federal	
1510 Land and Improvements	\$ -	\$ -	\$ -	-
1520 Buildings and Improvements	-	33,200	-	33,200
1531 Vehicles	-	-	-	-
1539 Furniture, Fixtures and Equipment	23,318	77,993	-	101,311
1581 Construction in Progress	-	100,000	-	100,000
	23,318	211,193	-	234,511
Total Property and Equipment	\$ 23,318	\$ 211,193	\$ -	\$ 234,511

**Excellence in Leadership Academy
Schedule of Expenses
August 31, 2021**

Exhibit C-1

Expenses	
6100 Payroll Costs	\$ 2,317,468
6200 Professional and Contract Services	668,309
6300 Supplies and Materials	415,384
6400 Other Operating Costs	103,771
6500 Interest Expense	-
Total Expenses	<u>\$ 3,504,932</u>

**Excellence in Leadership Academy
Budgetary Comparison Schedule
For the Fiscal Year Ended August 31, 2021**

Exhibit E-1

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE AND OTHER SUPPORT				
Local Support				
5744 Contributions	-	-	-	-
5749 Other Revenues from Local Sources	85,000	71,047	16,727	(54,320)
5750 Food Sales	1,000	189	31	(158)
5755 Campus Activity	-	-	-	-
Total local support	<u>86,000</u>	<u>71,236</u>	<u>16,758</u>	<u>(54,478)</u>
State Program Revenues				
5810 Foundation School Program	2,980,376	3,101,861	3,098,886	(2,975)
5820 State Program Revenues Distributed by the Texas Education Agency	40,529	116,215	58,884	(57,331)
5830 Revenues from Texas Government Agencies	-	-	-	-
Total State Program Revenue	<u>3,020,905</u>	<u>3,218,076</u>	<u>3,157,770</u>	<u>(60,306)</u>
Federal program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	340,487	355,841	495,679	139,838
5930 Federal Revenues Distributed by Government Other than TEA	14,385	14,754	19,309	4,555
5940 Federal Revenues Distributed by SBA	-	295,170	295,170	-
Total Federal Program Revenue	<u>354,872</u>	<u>665,765</u>	<u>810,158</u>	<u>144,393</u>
Total Revenue and Other Support	<u>3,461,777</u>	<u>3,955,077</u>	<u>3,984,686</u>	<u>29,609</u>
EXPENSES				
11 Instruction	1,837,965	2,275,282	2,235,404	39,878
12 Instructional Resources and Media Services	9,606	728	728	-
13 Curriculum Development and Instructional Staff Development	43,408	24,629	24,629	-
21 Instructional Leadership	43,535	46,094	46,094	-
23 School Leadership	169,888	226,937	226,937	-
31 Guidance, Counseling, and Evaluation Services	60,710	64,982	64,982	-
33 Health Services	36,314	34,277	34,277	-
35 Food Services	159,881	96,240	95,882	358
36 Cocurricular/Extracurricular Activities	98,000	37,026	37,026	-
41 General Administration	201,296	206,761	206,761	-
51 Plant Maintenance and Operations	469,137	404,747	413,308	(8,561)
52 Security and Monitoring Services	21,911	21,023	21,023	-
53 Data Processing	85,154	97,820	97,881	(61)
61 Community Services	-	-	-	-
71 Interest on Debt Service	-	-	-	-
81 Fundraising	-	-	-	-
Total Expenses	<u>3,236,805</u>	<u>3,536,546</u>	<u>3,504,932</u>	<u>31,614</u>
CHANGE IN NET ASSETS	224,972	418,531	479,754	61,223
NET ASSETS BEGINNING OF PERIOD	<u>672,721</u>	<u>672,721</u>	<u>672,721</u>	-
NET ASSETS END OF PERIOD	<u>\$ 897,693</u>	<u>\$ 1,091,252</u>	<u>\$ 1,152,475</u>	<u>\$ 61,223</u>

Raul Hernandez & Company, P. C.

Certified Public Accountants
5402 Holly Rd., Ste 102
Corpus Christi, Texas 78411
(361)980-0428 Fax (361)980-1002

**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
Excellence in Leadership Academy

We have audited, 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, the financial statements of Excellence in Leadership Academy (a non-profit organization), which comprise the statement of financial position as of August 31, 2021, and 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 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Excellence in Leadership Academy's internal control over financial reporting (internal control) to determine the 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 Excellence in Leadership Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Excellence in Leadership Academy's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Excellence in Leadership Academy's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

Raul Hernandez & Company, P.C.
Corpus Christi, TX
January 27, 2022

EXCELLENCE IN LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

A. Summary of the Auditors' Results:

1. Financial statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

2. Federal Awards N/A

B. Financial Statement Findings N/A

EXCELLENCE IN LEADERSHIP ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2021

N/A