

EXCELLENCE IN LEADERSHIP ACADEMY



**Annual Financial Report
For the Fiscal Year ended
August 31, 2022**

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, 2022

EXCELLENCE IN LEADERSHIP ACADEMY

TABLE OF CONTENTS

AUGUST 31, 2022

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

Schedule of State Compliance Questions. 24

Compliance and Internal Control:

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*. 25

Independent Auditors' report on Compliance
For Each Major Federal Program and on Internal
Control over Compliance Required by the
Uniform Guidance. 27

Schedule of Findings and Questioned
Costs. 30

Summary Schedule of Prior Audit Findings. 32

Corrective Action Plan. 33

Schedule of Expenditures of Federal Awards. 34

Notes to the Schedule of Expenditures
Of Federal Awards 35

**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, 2022 at a meeting of the Board of Directors on the 25th day of January, 2023.

Maria D. Amara
Signature of Board Secretary

Elizabeth B. Lopez
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)

THIS PAGE LEFT BLANK INTENTIONALLY

Raul Hernandez & Company, P. C.

Certified Public Accountants
5402 Holly Rd, Suite 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:

Opinion

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, 2022 and the related statement of activities, functional expenses, and cash flows for the year 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 Excellence in Leadership Academy as of August 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Excellence in Leadership Academy 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 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Excellence in Leadership Academy'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 Excellence in Leadership Academy'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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial schedules noted as supplementary information in the table of contents are presented for purposes of additional analysis and are not required parts of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting procedures 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023 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, Texas

January 25, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

**Excellence in Leadership Academy
Statement of Financial Position
August 31, 2022**

Assets

Current assets:

| | |
|---------------------------|------------|
| Cash and cash equivalents | \$ 479,722 |
| Due from state | 654,541 |
| Total Current Assets | 1,134,263 |

| | |
|-----------------------------|---------|
| Property and Equipment, net | 286,396 |
|-----------------------------|---------|

| | |
|---------------------|---------------------|
| Total Assets | \$ 1,420,659 |
|---------------------|---------------------|

Liabilities and Net Assets

Current liabilities:

| | |
|---------------------------|-----------|
| Accounts payable | \$ 56,388 |
| Accrued wages payable | 20,312 |
| Total Current Liabilities | 76,700 |

| | |
|-------------------|--------|
| Total Liabilities | 76,700 |
|-------------------|--------|

Net assets:

| | |
|----------------------------|-----------|
| Without Donor Restrictions | 407,610 |
| With Donor Restrictions | 936,349 |
| Total net assets | 1,343,959 |

| | |
|---|---------------------|
| Total Liabilities and Net Assets | \$ 1,420,659 |
|---|---------------------|

See the accompanying notes to the financial statements.

**Excellence in Leadership Academy
Statement of Activities
For the Fiscal Year Ended August 31, 2022**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| REVENUE AND OTHER SUPPORT | | | |
| Local Support | | | |
| Interest and Other Income | 15,519 | - | 15,519 |
| Total local support | <u>15,519</u> | <u>-</u> | <u>15,519</u> |
| State Program Revenues | | | |
| Foundation School Program | - | 3,326,410 | 3,326,410 |
| Other State Aid | - | 79,838 | 79,838 |
| Total State Program Revenue | <u>-</u> | <u>3,406,248</u> | <u>3,406,248</u> |
| Federal program revenues | | | |
| Federal Revenues Distributed by the Texas Education Agency | - | 1,206,592 | 1,206,592 |
| Federal Revenues Distributed by Government Other than TEA | - | 11,571 | 11,571 |
| Federal Revenues Distributed by SBA | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Federal Program Revenue | <u>-</u> | <u>1,218,163</u> | <u>1,218,163</u> |
| Net assets released from restrictions: | | | |
| Restrictions satisfied by payments | <u>4,624,411</u> | <u>(4,624,411)</u> | <u>-</u> |
| Total Revenue and Other Support | <u>4,639,930</u> | <u>-</u> | <u>4,639,930</u> |
| EXPENSES | | | |
| Program Services | | | |
| Instructional and Instructional-Related Services | 2,799,489 | - | 2,799,489 |
| Instructional and School Leadership | 285,722 | - | 285,722 |
| Support Services | | | |
| Administrative Support Services | 945,751 | - | 945,751 |
| Ancillary Services | 22,109 | - | 22,109 |
| Support Services-Non-Student Based | 182,404 | - | 182,404 |
| Support Services-Student (Pupil) | 212,971 | - | 212,971 |
| Fund Raising | - | - | - |
| Total Expenses | <u>4,448,446</u> | <u>-</u> | <u>4,448,446</u> |
| CHANGE IN NET ASSETS | 191,484 | - | 191,484 |
| NET ASSETS BEGINNING OF YEAR | <u>216,126</u> | <u>936,349</u> | <u>1,152,475</u> |
| NET ASSETS END OF YEAR | <u>\$ 407,610</u> | <u>\$ 936,349</u> | <u>\$ 1,343,959</u> |

See the accompanying notes to the financial statements.

**Excellence in Leadership Academy
Statement of Functional Expenses
For the Year Ended August 31, 2022**

Exhibit A-3

| Expenses | <u>Program Activities</u> | <u>Support Activities</u> | | <u>Totals</u> |
|----------------------------|-----------------------------|---------------------------------------|--------------------|----------------------------|
| | <u>Program Services</u> | <u>General and Administration</u> | <u>Fundraising</u> | |
| Salaries and Wages | \$ 2,157,836 | \$ 389,389 | \$ - | \$ 2,547,225 |
| Benefits | 216,314 | 33,457 | | 249,771 |
| Payroll Taxes | 29,837 | 4,963 | | 34,800 |
| Total Payroll Expenses | <u>2,403,988</u> | <u>427,809</u> | <u>-</u> | <u>2,831,797</u> |
| Rental Expense | \$ - | \$ 241,959 | \$ - | \$ 241,959 |
| Contract Services | 191,533 | 162,045 | - | 353,578 |
| Maintenance and Repairs | - | 80,469 | - | 80,469 |
| Utilities | - | 82,910 | - | 82,910 |
| Depreciation | - | 21,510 | - | 21,510 |
| Supplies | 355,915 | 286,009 | - | 641,924 |
| Travel | 2,200 | 344 | - | 2,544 |
| Instructional Materials | 21,771 | - | - | 21,771 |
| Insurance and Bonding | 23,222 | - | - | 23,222 |
| Professional Fees and Dues | 4,872 | 53,198 | - | 58,070 |
| Other | 81,708 | 6,984 | - | 88,692 |
| Total Non-Payroll Expenses | <u>\$ 681,221</u> | <u>\$ 935,429</u> | <u>\$ -</u> | <u>\$ 1,616,650</u> |
| Total Expenses | <u><u>\$ 3,085,208</u></u> | <u><u>\$ 1,363,238</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 4,448,446</u></u> |

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, 2022**

| | |
|--|--------------------------|
| Cash Flows From Operating Activities | |
| Change in Net Assets | \$ 191,484 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| Depreciation | 21,250 |
| (Increase) Decrease in: | |
| Due from State | (654,541) |
| Increase (Decrease) in: | |
| Accounts Payable | 56,388 |
| Accrued Wages Payable | 20,312 |
| Payroll Liabilities Payable | - |
| Accrued Expenses | - |
| Cash Flows From Operating Activities | <u>(365,107)</u> |
| Cash Flows From Investing Activities | |
| Purchase of fixed assets | <u>(131,883)</u> |
| | <u>(131,883)</u> |
| Cash Flows From Financing Activities | |
| PPP Current Loan Payable | - |
| Bond Issuance Cost | - |
| Loan Payments | <u>-</u> |
| | <u>-</u> |
| Net Increase (Decrease) in Cash | (496,990) |
| Cash at Beginning of Year | <u>976,712</u> |
| Cash at End of Year | <u><u>\$ 479,722</u></u> |
| Summary of Cash: | |
| Cash in Bank | 479,722 |
| Certificates of Deposit | - |
| Total Cash | <u><u>\$ 479,722</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, 2022

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, 2022

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, 2022

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, 2022

2. AVAILABILITY AND LIQUIDITY

The following represents the Academy financial assets at August 31, 2022:

| | | |
|--|------------------------|-------------------|
| Financial assets at year end: | | <u>2022</u> |
| Cash in bank | | \$ 479,722 |
| Due from State | | <u>654,541</u> |
| | Total financial assets | 1,134,263 |
| 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>\$ 197,914</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, 2022

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 \$479,722 and the bank balance totaled \$511,222 on August 31, 2022. 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. GRANTS AND CONTRACTS RECEIVABLE AND PAYABLE

The Academy's principal source of funding for the programs is derived from Federal and State grants and Texas Education Agency Foundation funds. Revenues received directly from Federal and State grantors totaled \$1,218,163 for the fiscal year ended August 31, 2022. Amounts received as Texas Education Foundation funds totaled \$3,406,248. Grants and contracts receivable are deemed to be fully collectible by management and totaled \$654,541.

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2022

6. 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.

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 | \$ 223,172,755 |
| 2. Accumulated Benefit Obligations | 227,273,464 |
| 3. The plan is 88.79% funded | |

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2022

6. PENSION DISCLOSURE (continued)

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.

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.

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2022

6. PENSION DISCLOSURE (continued)

| Contribution Rates | | |
|--|-------------|-------------|
| | 2022 | 2021 |
| Member | 8.0% | 7.7% |
| Non-Employer Contributing Entity (State) | 7.75% | 7.5% |
| Employers | 7.75% | 7.5% |
| 2022 Employer Contributions | | \$ 174,263 |
| 2022 Member Contributions | | \$ 161,168 |

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:

- 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.

EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended August 31, 2022

7. 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, 2022 were as follows:

| | |
|-----------------------------------|-------------------|
| Building and Improvements | \$ 265,083 |
| Furniture, Fixtures and Equipment | <u>101,311</u> |
| Total | 366,394 |
| Less: Accumulated Depreciation | <u>(79,998)</u> |
| Property and Equipment, net | <u>\$ 286,396</u> |

8. 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.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with Donor Restrictions for they year ended August 31, 2022 were as follows:

| | |
|---------------|-------------------|
| General Fund | \$ 819,660 |
| Food Service | 98,275 |
| Textbook Fund | <u>18,414</u> |
| Total | <u>\$ 936,349</u> |

10. 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, 2022. The total lease payments as of August 31, 2022 were \$225,684.

11. 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.

12. EVALUATION OF SUBSEQUENT EVENTS

The Academy has evaluated subsequent events through January 25, 2023, the date which the financial statements were available to be issued.

SPECIFIC PURPOSE FINANCIAL SECTION

**Excellence in Leadership Academy
Statement of Financial Position
August 31, 2022**

Assets

Current assets:

| | |
|----------------------|------------|
| Cash in bank | \$ 479,722 |
| Due from state | 654,541 |
| Total Current Assets | 1,134,263 |

Fixed Assets:

| | |
|--------------------------------|----------|
| Building and Improvements | 265,083 |
| Furniture and Equipment | 101,311 |
| Construction in Progress | - |
| Less: Accumulated Depreciation | (79,998) |
| Property and Equipment, net | 286,396 |

Total Assets

\$ 1,420,659

Liabilities and Net Assets

Current liabilities:

| | |
|---------------------------|-----------|
| Accounts payable | \$ 56,388 |
| Accrued wages payable | 20,312 |
| Total Current Liabilities | 76,700 |

Total Liabilities

76,700

Net assets:

| | |
|----------------------------|-----------|
| Without Donor Restrictions | 407,610 |
| With Donor Restrictions | 936,349 |
| Total net assets | 1,343,959 |

Total Liabilities and Net Assets

\$ 1,420,659

**Excellence in Leadership Academy
Statement of Activities
For the Fiscal Year Ended August 31, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|----------------------------|--------------|
| REVENUE AND OTHER SUPPORT | | | |
| Local Support | | | |
| 5740 Tuition and Afterschool | \$ - | \$ - | \$ - |
| 5744 Contributions | - | - | - |
| 5749 Other Revenues from Local Sources | 15,519 | - | 15,519 |
| 5750 Food Sales | - | - | - |
| 5755 Campus Activity | - | - | - |
| Total local support | 15,519 | - | 15,519 |
| State Program Revenues | | | |
| 5810 Foundation School Program | - | 3,326,410 | 3,326,410 |
| 5820 State Program Revenues Distributed by the Texas Education Agency | - | 79,838 | 79,838 |
| 5830 Revenues from Texas Government Agencies | - | - | - |
| Total State Program Revenue | - | 3,406,248 | 3,406,248 |
| Federal program revenues | | | |
| 5920 Federal Revenues Distributed by the Texas Education Agency | - | 1,206,592 | 1,206,592 |
| 5930 Federal Revenues Distributed by Government Other than TEA | - | 11,571 | 11,571 |
| 5940 Federal Revenues Distributed by SBA | - | - | - |
| Total Federal Program Revenue | - | 1,218,163 | 1,218,163 |
| Net assets released from restrictions: | | | |
| Restrictions satisfied by payments | 4,624,411 | (4,624,411) | - |
| Total Revenue and Other Support | 4,639,930 | - | 4,639,930 |
| EXPENSES | | | |
| 11 Instruction | 2,773,233 | - | 2,773,233 |
| 12 Instructional Resources and Media Services | 960 | - | 960 |
| 13 Curriculum Development and Instructional Staff Development | 25,296 | - | 25,296 |
| 21 Instructional Leadership | 97,610 | - | 97,610 |
| 23 School Leadership | 188,112 | - | 188,112 |
| 31 Guidance, Counseling, and Evaluation | 71,384 | - | 71,384 |
| 32 Social Work Services | 73,867 | - | 73,867 |
| 33 Health Services | 37,344 | - | 37,344 |
| 35 Food Services | 182,404 | - | 182,404 |
| 36 Cocurricular/Extracurricular Activities | 30,376 | - | 30,376 |
| 41 General Administration | 227,799 | - | 227,799 |
| 51 Plant Maintenance and Operations | 568,381 | - | 568,381 |
| 52 Security and Monitoring Services | 22,109 | - | 22,109 |
| 53 Data Processing | 149,571 | - | 149,571 |
| 61 Community Services | - | - | - |
| 71 Debt | - | - | - |
| 81 Fund Raising | - | - | - |
| Total Expenses | 4,448,446 | - | 4,448,446 |
| CHANGE IN NET ASSETS | 191,484 | - | 191,484 |
| NET ASSETS BEGINNING OF YEAR | 216,126 | 936,349 | 1,152,475 |
| NET ASSETS END OF YEAR | \$ 407,610 | \$ 936,349 | \$ 1,343,959 |

**Excellence in Leadership Academy
Statement of Cash Flows
For the Year Ended August 31, 2022**

| | |
|--|--------------------------|
| Cash Flows From Operating Activities | |
| Change in Net Assets | \$ 191,484 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| Depreciation | 21,250 |
| (Increase) Decrease in: | |
| Due from State | (654,541) |
| Increase (Decrease) in: | |
| Accounts Payable | 56,388 |
| Accrued Wages Payable | 20,312 |
| Payroll Liabilities Payable | - |
| Accrued Expenses | - |
| Cash Flows From Operating Activities | <u>(365,107)</u> |
| Cash Flows From Investing Activities | |
| Purchase of fixed assets | <u>(131,883)</u> |
| | <u>(131,883)</u> |
| Cash Flows From Financing Activities | |
| PPP Current Loan Payable | - |
| Bond Issuance Cost | - |
| Loan Payments | - |
| | <u>-</u> |
| | <u>-</u> |
| Net Increase (Decrease) in Cash | (496,990) |
| Cash at Beginning of Year | <u>976,712</u> |
| Cash at End of Year | <u><u>\$ 479,722</u></u> |
| Summary of Cash: | |
| Cash in Bank | 479,722 |
| Certificates of Deposit | - |
| Total Cash | <u><u>\$ 479,722</u></u> |

**Excellence in Leadership Academy
Schedule of Capital Assets
August 31, 2022**

Exhibit C-1

| | Ownership Interest | | | Total |
|--|----------------------|-----------------------|-----------------|-----------------------|
| | Local | State | Federal | |
| 1510 Land and Improvements | \$ - | \$ - | \$ - | - |
| 1520 Buildings and Improvements | - | 265,083 | - | 265,083 |
| 1531 Vehicles | - | - | - | - |
| 1539 Furniture, Fixtures and Equipment | 23,318 | 77,993 | - | 101,311 |
| 1581 Construction in Progress | - | - | - | - |
| Total Property and Equipment | <u>\$ 23,318</u> | <u>\$ 343,076</u> | <u>\$ -</u> | <u>\$ 366,394</u> |

**Excellence in Leadership Academy
Schedule of Expenses
August 31, 2022**

Exhibit D-1

Expenses

| | |
|---|---------------------|
| 6100 Payroll Costs | \$ 2,908,381 |
| 6200 Professional and Contract Services | 959,429 |
| 6300 Supplies and Materials | 434,879 |
| 6400 Other Operating Costs | 145,757 |
| 6500 Interest Expense | - |
| Total Expenses | <u>\$ 4,448,446</u> |

**Excellence in Leadership Academy
Budgetary Comparison Schedule
For the Fiscal Year Ended August 31, 2022**

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 | 5,000 | 15,519 | 15,519 | - |
| 5750 Food Sales | 100 | - | - | - |
| 5755 Campus Activity | - | - | - | - |
| Total local support | <u>5,100</u> | <u>15,519</u> | <u>15,519</u> | <u>-</u> |
| State Program Revenues | | | | |
| 5810 Foundation School Program | 3,036,203 | 3,310,284 | 3,326,410 | 16,126 |
| 5820 State Program Revenues Distributed by the Texas Education Agency | 25,000 | 176,480 | 79,838 | (96,642) |
| 5830 Revenues from Texas Government Agencies | - | - | - | - |
| Total State Program Revenue | <u>3,061,203</u> | <u>3,486,764</u> | <u>3,406,248</u> | <u>(80,516)</u> |
| Federal program revenues | | | | |
| 5920 Federal Revenues Distributed by the Texas Education Agency | 413,041 | 2,505,953 | 1,206,592 | (1,299,361) |
| 5930 Federal Revenues Distributed by Government Other than TEA | - | 20,278 | 11,571 | (8,707) |
| 5940 Federal Revenues Distributed by SBA | - | - | - | - |
| Total Federal Program Revenue | <u>413,041</u> | <u>2,526,231</u> | <u>1,218,163</u> | <u>(1,308,068)</u> |
| Total Revenue and Other Support | <u>3,479,344</u> | <u>6,028,514</u> | <u>4,639,930</u> | <u>(1,388,584)</u> |
| EXPENSES | | | | |
| 11 Instruction | 2,040,654 | 3,728,700 | 2,773,233 | 955,467 |
| 12 Instructional Resources and Media Services | 9,606 | 960 | 960 | - |
| 13 Curriculum Development and Instructional Staff Development | 8,000 | 25,296 | 25,296 | - |
| 21 Instructional Leadership | 50,000 | 404,734 | 97,610 | 307,124 |
| 23 School Leadership | 208,999 | 188,112 | 188,112 | - |
| 31 Guidance, Counseling, and Evaluation Services | 60,610 | 71,384 | 71,384 | - |
| 32 Social Work Services | - | 165,170 | 73,867 | 91,303 |
| 33 Health Services | 37,664 | 37,344 | 37,344 | - |
| 35 Food Services | 159,881 | 182,404 | 182,404 | - |
| 36 Cocurricular/Extracurricular Activities | 18,000 | 30,376 | 30,376 | - |
| 41 General Administration | 205,332 | 227,799 | 227,799 | - |
| 51 Plant Maintenance and Operations | 473,137 | 610,529 | 568,381 | 42,148 |
| 52 Security and Monitoring Services | 21,911 | 22,109 | 22,109 | - |
| 53 Data Processing | 112,722 | 149,571 | 149,571 | - |
| 61 Community Services | - | - | - | - |
| 71 Interest on Debt Service | - | - | - | - |
| 81 Fundraising | - | - | - | - |
| Total Expenses | <u>3,406,516</u> | <u>5,844,488</u> | <u>4,448,446</u> | <u>1,396,042</u> |
| CHANGE IN NET ASSETS | 72,828 | 184,026 | 191,484 | 7,458 |
| NET ASSETS BEGINNING OF PERIOD | <u>1,152,475</u> | <u>1,152,475</u> | <u>1,152,475</u> | <u>-</u> |
| NET ASSETS END OF PERIOD | <u>\$ 1,225,303</u> | <u>\$ 1,336,501</u> | <u>\$ 1,343,959</u> | <u>\$ 7,458</u> |

**Excellence in Leadership Academy
 Schedule of State Compliance Questions
 For the year ended August 31, 2022**

Exhibit J-4

| Data Code | Description | Column Response |
|-----------|--|-----------------|
| | Section A - Compensatory Education Program | |
| AP1 | Did your Charter expend any state compensatory education program state allotment funds during the charter fiscal year? | Yes |
| AP2 | Does the Charter have written policies and procedures for its state compensatory education program? | Yes |
| AP3 | List the total state allotment funds received for state compensatory education program during the charter fiscal year? | 405,326 |
| AP4 | List the actual direct program expenditures for state compensatory education program during the charter fiscal year? | 312,474 |
| | | |
| | Section B - Bilingual Education Program | |
| AP1 | Did your Charter expend any bilingual education program state allotment funds during the charter fiscal year? | Yes |
| AP2 | Does the Charter have written policies and procedures for its bilingual education program? | Yes |
| AP3 | List the total state allotment funds received for bilingual education program during the charter fiscal year? | 136,785 |
| AP4 | List the actual direct program expenditures for bilingual education program during the charter fiscal year? | 369,179 |

COMPLIANCE
AND
INTERNAL CONTROL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

Raul Hernandez & Company, P.C.

Certified Public Accountants

5402 Holly Rd., Suite 102

Corpus Christi, Texas 78411

Office (361)980-0428 Fax (361)980-1002

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

To the Board of Directors
Excellence in Leadership Academy
Mission, Texas

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 the Excellence in Leadership Academy (a nonprofit organization), which comprise of the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report on them dated January 25, 2023.

Internal Control Over Financial Reporting

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

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 combination of control 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 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 the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-001.

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, this communication is not suitable for any other purpose.

Raul Hernandez & Company, P.C.

Corpus Christi, TX

January 25, 2023

Raul Hernandez & Company, P.C.

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

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

Board of Directors
Excellence in Leadership Academy
Mission, Texas

Report of Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Excellence in Leadership Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Excellence in Leadership Academy's major federal programs for the year ended August 31, 2022. Excellence in Leadership Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Excellence in Leadership Academy complied, in all material respects, with the 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Excellence in Leadership Academy 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 Excellence in Leadership Academy'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 Excellence in Leadership Academy's federal programs.

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 Excellence in Leadership Academy'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 Excellence in Leadership Academy'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 Excellence in Leadership Academy'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 Excellence in Leadership Academy'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 Excellence in Leadership Academy'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 instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Excellence in Leadership Academy's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Excellence in Leadership Academy's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Auditor's 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.

Raul Hernandez & Company, P.C.

Corpus Christi, TX

January 25, 2023

Excellence in Leadership Academy

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2022

I. Summary of Auditors' Results

| | |
|---|------------|
| 1. Type of auditors' report issued on the financial statements of the auditee | Unmodified |
| 2. Significant deficiencies in internal controls disclosed by the audit of the financial statements | None |
| a. Significant deficiencies that were material weaknesses | None |
| 3. Noncompliance material to the financial statements of the auditee disclosed by the audit of the financial statements | None |
| 4. Significant deficiencies in internal controls over major programs disclosed by the audit of the financial statements | None |
| a. Significant deficiencies that were material weaknesses | None |
| 5. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| 6. Type of auditors' report issued on compliance for major programs | Unmodified |
| 7. Findings disclosed by the audit of the financial statements which the auditor is required to report | None |
| 8. Major Programs: ESSER (84.425) | |
| 9. The dollar threshold used to distinguish between Type A and Type B programs | \$ 750,000 |
| 10. Auditee qualified as a low-risk auditee | No |

Excellence in Leadership Academy

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2022

II. Financial Statement Findings

Finding 2022-001 Controls Over Compliance with Year-End Closing

Criteria: All transaction types occurring in the course of business should be timely and coded properly in the general ledger. Preparation of year-end adjusting journal entries, reconciliations, reviews and other general ledger tests for reasonableness and agreement to underlying journals, and third parties should be performed in readiness for the reports to the Board, and preparation of the Charter School's annual financial statements.

Condition: The general ledger required several audit adjustments and reclassifications to current balances. Preparation of the year-end adjusting journal entries, schedules and reconciliation of several significant areas were not complete. This resulted in additional time and effort on our part during the course of the audit. The following items were noted:

- The general ledger did not properly classify payroll accrual activity for fiscal year 2022.
- The general ledger did not properly classify accounts payable activity for fiscal year 2022.
- The book balance of the general ledger had an unreconcilable difference from Charter School's reconciliation.

Effect: The Charter School had a general ledger that was not reconciled at year-end.

Cause: During the course of the audit, there were various general ledger accounts that required adjustments.

Recommendation: The Finance department should be properly informed regarding the understanding of year-end closing of the Charter School's books. The Charter School must develop a year-end closing plan and ensure that proper controls over financial reporting and compliance are in place.

Management Response: Management agrees. The Charter School's finance director will be responsible for ensuring accurate and timely reporting of accounting and financial information.

A. Questioned Costs: \$ 0.

III. Findings and questioned costs for state and federal awards.

None identified

**Excellence in Leadership Academy
Schedule of Prior Audit Findings**

For the Fiscal year ended August 31, 2022

I. Status of Prior Year Findings:

None

**Excellence in Leadership Academy
Corrective Action Plan**

For the Fiscal year ended August 31, 2022

The Charter School's finance director will be responsible for ensuring accurate and timely reporting of accounting and financial information.

EXCELLENCE IN LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

Exhibit H-1

| <u>SOURCE AND TITLE OF GRANT</u> | <u>FEDERAL</u> <u>CFDA</u> <u>NUMBER</u> | <u>GRANTOR'S/</u> <u>PASS-THROUGH</u> <u>NUMBER</u> | <u>FEDERAL</u> <u>EXPENDITURES</u> |
|--|--|---|---------------------------------------|
| FEDERAL AWARDS | | | |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through</i> | | | |
| <i>Texas Education Agency</i> | | | |
| ESSA Title I, Part A Fiscal Year 2022 | 84.010A | S010A210043 | \$ 151,996.00 |
| ESSA Title III, Part A - ELA Fiscal Year 2022 | 84.365A | S365A210043 | \$ 20,278.00 |
| ESSA Title IV, Part A - Subpart 1 Fiscal Year 2022 | 84.424A | S424A210045 | \$ 11,321.00 |
| ESSA Title II, Part A - Supporting Effective Instruction Fiscal Year 2022 | 84.367A | S367A210041 | \$ 18,594.00 |
| Special Education Grants to States IDEA-B Formula-ARP Fiscal Year 2022 | 84.027X | H027X210008 | \$ 14,449.00 |
| Special Education Grants to States IDEA-B Preschool-ARP Fiscal Year 2022 | 84.173X | H173X210004 | \$ 1,565.00 |
| Special Education Grants to States IDEA-B Formula Fiscal Year 2022 | 84.027A | H027A210008 | \$ 46,555.00 |
| Special Education Grants IDEA-B Preschool Fiscal Year 2022 | 84.173A | H173A210004 | \$ 1,309.00 |
| ESSER Grant Fiscal Year 2022 | 84.425D | 20521001108809 | \$ 27,322.43 |
| CRRSA ESSER II Fiscal Year 2022 | 84.425D | S425D200042 | \$ 149,770.88 |
| ARP ESSER III Fiscal Year 2022 | 84.425U | S425U210042 | \$ 512,141.50 |
| TCLAS-ESSER III Fiscal Year 2022 | 84.425U | 2158042108809 | \$ 56,704.72 |
| TOTAL U.S. DEPT OF EDUCATION | | | \$ 1,012,006.53 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through</i> | | | |
| <i>Texas Education Agency</i> | | | |
| National School Breakfast Program | 10.553 | 71401601 | \$ 53,666.16 |
| National School Lunch Program | 10.555 | 71301601 | \$ 128,737.59 |
| National School Lunch Program - Non-cash assistance (commodities) | 10.555 | 71301601 | \$ - |
| | | | <u>\$ 182,403.75</u> |
| SUPPLY CHAIN ASSISTANCE GRANT Fiscal Year 2022 | 10.555 | 6TX300400 | \$ - |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | \$ 182,403.75 |
| Total Federal Assistance | | | \$ 1,194,410.28 |

See accompanying Notes to Schedule of Expenditures of Federal Awards

**EXCELLENCE IN LEADERSHIP ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Fiscal Year Ended August 31, 2022

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter School. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Compliance Supplement, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Sub-recipients:

During the year ended August 31, 2022, the Charter School had no sub-recipients.

Federal Loans and Loan Guarantees:

During the year ended August 31, 2022, the Charter School had no outstanding federal loans payable or loan guarantees.

Federally Funded Insurance:

During the year ended August 31, 2022, the Charter School had no federally funded insurance.

Noncash awards:

During the year ended August 31, 2022, the Charter School did not receive noncash-assistance under the National School Lunch Program.

Indirect Cost Rate:

The Uniform Guidance allows an organization to elect a 10% de minimis indirect cost rate. For the year ended August 31, 2022, the Charter School did not elect to use this rate.

Reconciliation from the Schedule of Expenditures of Federal Awards to Exhibit A-2:

| | |
|------------------------------|---------------------|
| Total Federal Award Expended | \$ 1,194,410 |
| Food Program | 23,753 |
| Exhibit A-2 | <u>\$ 1,218,163</u> |

THIS PAGE LEFT BLANK INTENTIONALLY