

**EAGLE ADVANTAGE SCHOOLS, INC.  
dba ADVANTAGE ACADEMY  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
AUGUST 31, 2020**

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**AUGUST 31, 2020**

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**EAGLE ADVANTAGE SCHOOLS, INC.**  
**AUGUST 31, 2020**

NAME OF SCHOOL: EAGLE ADVANTAGE SCHOOLS, INC.  
COUNTY: DALLAS  
CO. DIST. NUMBER: 057-806

We, the undersigned, certify that the attached annual financial reports of the above-named charter school were reviewed and   X   approved    disapproved for the year ended August 31, 2020, at a meeting of the Board of Directors of such charter school on the 22nd day of January, 2021.

  
\_\_\_\_\_  
Signature of Board

  
\_\_\_\_\_  
Signature of Board

If the report was disapproved, the reasons are listed below:



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Eagle Advantage Schools, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Eagle Advantage Schools, Inc. (a non-profit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, 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.

### ***Auditor's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Eagle Advantage Schools, Inc. as of August 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules presented in the section labeled *Supplementary Information* (pages 32-35) are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards (page 31), as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Tom Bean, Texas  
January 22, 2021

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2020**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 8,692,403
Certificates of Deposit	186,000
Due from State Agencies	255,619
Federal Agency Receivables	762,928
Other Receivables	9,200
Inventory	47,145
Prepaid Expenses	143,798

**TOTAL CURRENT ASSETS**

**10,097,093**

**CAPITAL ASSETS**

Capital Assets (non-depreciable)	
Land	2,194,590
Capital Assets (depreciable)	
Buildings and Equipment	31,533,484
Less Accumulated Depreciation	(9,822,813)

**TOTAL CAPITAL ASSETS (NET)**

**23,905,261**

**NONCURRENT ASSETS**

Bond Issuance Costs (net)	456,154
Restricted Cash:	
Cash for Project Account 2015A	7
Cash for Project Account 2015B	379
Cash for Future Debt Service for Bond Series 2015B	330,350
Cash for Current Debt Service for Bond Series 2014	109,752
Cash for Current Debt Service for Bond Series 2015	53,808

**TOTAL OTHER ASSETS**

**950,450**

**TOTAL ASSETS**

**\$ 34,952,804**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 242,047
Due to Governments-TEA Payable and Sales Tax Payable	952,452
Accrued Wages and Tax Liabilities	588,366
Other Accrued Expenses	495
Deferred Revenue	21,336
Accrued Interest Payable	43,117
Current Portion of Long Term Debt - Bonds	690,000

**TOTAL CURRENT LIABILITIES**

**2,537,813**

**LONG TERM LIABILITIES**

Loans Payable L/T PPP	1,737,600
Bonds Payable (net of discounts/premiums)	23,321,436

**TOTAL LONG TERM LIABILITIES**

**25,059,036**

**TOTAL LIABILITIES**

**27,596,849**

**NET ASSETS**

Without Donor Restrictions	450,757
With Donor Restrictions	6,905,198

**TOTAL NET ASSETS**

**7,355,955**

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 34,952,804**

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

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR TO DATE AS OF AUGUST 31, 2020**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUES AND OTHER SUPPORT</b>			
Local Support	\$ 126,607	\$ -	\$ 126,607
State Support:			
420 FSP Per Capita		381,449	381,449
420 Foundation School Program		11,511,151	11,511,151
240 School Lunch Matching		3,351	3,351
410 Instructional Materials Allotment		138,268	138,268
420 PPE Equipment from TEA		11,936	11,936
429 Blended Learning Professional Development		21,000	21,000
429 School Safety & Security Grant		22,990	22,990
429 Technology Lending Grant		49,754	49,754
Total Provided by State		12,139,899	12,139,899
Federal Support:			
211 Title I, Part A		375,371	375,371
224 IDEA B Formula-Special Ed.		262,867	262,867
240 National School Breakfast Program		79,273	79,273
240 National School Lunch Program		313,951	313,951
255 Title II, Part A-Teacher/Principal Development		66,909	66,909
263 Title III, Part A LEP		49,152	49,152
266 ESSER Grant		385,126	385,126
289 Title IV Part A, ESSA		36,741	36,741
Total Provided by Federal		1,569,390	1,569,390
Net transfers that met restrictions	13,776,904	(13,776,904)	-
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>13,903,511</b>	<b>(67,615)</b>	<b>13,835,896</b>
<b>EXPENDITURES</b>			
11 Instruction	5,461,242	-	5,461,242
13 Curriculum Development and Instructional Staff Development	721,093	-	721,093
21 Instructional Leadership	79,028	-	79,028
23 School Leadership	925,238	-	925,238
31 Guidance, Counseling and Evaluation Svcs	83,853	-	83,853
33 Health Services	259,274	-	259,274
34 Student Transportation	83,536	-	83,536
35 Food Services	618,692	-	618,692
36 Co-Curricular	76,559	-	76,559
41 General Administration	1,026,257	-	1,026,257
51 Plant Maint and Operations-Non Depreciation	1,611,599	-	1,611,599
51 Plant Maint and Oper-Depreciation Only	1,289,728	-	1,289,728
52 Security and Monitoring Services	111,362	-	111,362
53 Data Processing Services	505,631	-	505,631
61 Parental Involvement	48,657	-	48,657
71 Debt Service	1,036,414	-	1,036,414
<b>TOTAL EXPENDITURES</b>	<b>13,938,163</b>	<b>-</b>	<b>13,938,163</b>
 INCREASE (DECREASE) IN NET ASSETS	 (34,652)	 (67,615)	 (102,267)
BEGINNING NET ASSETS AT SEPTEMBER 1, 2019	485,409	7,298,353	7,783,762
PRIOR PERIOD ADJUSTMENTS	-	(325,540)	(325,540)
<b>ENDING NET ASSETS AT AUGUST 31, 2020</b>	<b>\$ 450,757</b>	<b>\$ 6,905,198</b>	<b>\$ 7,355,955</b>

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

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FISCAL YEAR TO DATE AS OF AUGUST 31, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (102,267)
Adjustments to reconcile change in net assets to cash provided	
Depreciation and Amortization	1,258,871
(Increase) Decrease in Due from State Agencies	505,864
(Increase) Decrease in Due from Federal Agencies	(762,928)
(Increase) Decrease in Other Current Assets/Receivables	(14,048)
Increase (Decrease) in Accounts Payable	(4,284)
Increase (Decrease) in Accrued Expenses & Tax Liabilities	892,649
Increase (Decrease) in Deferred Revenue	21,336
Increase (Decrease) in Other Accrued Expenses	274
Increase (Decrease) in Accrued Interest	(1,312)
Net cash provided (used) by operating activities	<u>1,794,155</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash Paid for Capital Assets	(516,482)
Cash Paid for Inventory	(47,145)
Redemption of Certificates of Deposit	470,000
Net Cash provided (used) by investing activities	<u>(93,627)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on Debt Principal	(665,000)
Cash Received from PPP Loan	1,737,600
Net cash provided (used) by financing activities	<u>1,072,600</u>

Net increase (decrease) in cash and cash equivalents 2,773,128

Cash and Cash equivalents, Beginning of Year 6,413,571

**CASH AND CASH EQUIVALENTS, AUGUST 31, 2020** \$ 9,186,699

*Reconciliation with the Statement of Financial Position - Cash and Restricted Cash*

Cash and Cash Equivalents	\$ 8,692,403
Restricted Cash:	
Cash for Project Account 2015A	7
Cash for Project Account 2015B	379
Cash for Future Debt Service for Bond Series 2015B	330,350
Cash for Current Debt Service for 2014 Bonds	109,752
Cash for Current Debt Service for Bond Series 2015	53,808
	<u>\$ 9,186,699</u>
Cash paid for Interest	<u><u>\$ 1,066,300</u></u>

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



**EAGLE ADVANTAGE SCHOOLS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

Eagle Advantage Schools, Inc., dba Advantage Academy (the Charter School) was organized as an open-enrollment school and was granted a charter by the State Board of Education of the State of Texas pursuant to Chapter 12 of the Texas Education code in 1998. Advantage Academy filed for a renewal of its charter with the Texas Education Agency ("TEA") and the application was approved as of April 2, 2014 and will expire July 31, 2023. There is only one Charter School operated under the charter, and no other charter or non-charter activities were conducted. The charter holder's sole operation is the Charter School.

The Charter School receives funding from TEA based on the Charter School's Average Daily Attendance ("ADA") Foundation Formula Program. Since the Charter School receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing these funds.

*Basis of Presentation*

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management made certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reported period.

The Charter School accounts for and reports its activities in accordance with the Financial Accounting Standards Board, *Accounting Standards Codification (FASB ASC)*, which is the source of generally accepted accounting principles (GAAP) for non-governmental entities. The accompanying financial statements and the related accounting system are also organized and prepared in accordance with the Special Supplement to Financial Accounting and Reporting – Nonprofit Charter Academy Chart of Accounts, a module of the TEA's *Financial Accountability Resource Guide* (the "Resource Guide").

*Cash and Equivalents*

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

*Investments*

The Charter School's investment policy allows for conservative investments that preserve capital. All investments at August 31, 2020 are certificates of deposits with varying maturity dates.

*Due from State and Federal Agencies*

Amounts are presented net of estimated allowances for doubtful amounts. The Charter School's policy is to write-off receivables as they are deemed uncollectible or as notified by grantor agencies. All federal and state receivable amounts due at August 31, 2020 were subsequently collected. Therefore, management has not recorded an allowance for the federal and state balances.

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Capital Assets*

Capital assets include land, buildings and improvements, property and equipment, vehicles, and other personal property. Capital assets are defined by the Charter School as assets with a cost of more than \$5,000 and a useful life greater than one year. Such assets are recorded at historical cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which ranges from three to fifty years. Transactions for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

*Compensated absences*

\$8,060 of accrued vacation payable was recorded for vacation that was earned but not taken as of August 31, 2020. The earned vacation will be used during the fiscal year ending August 31, 2021.

*Net Assets*

Net Assets are classified into two separate categories: with donor restrictions and without donor restrictions. The classifications are determined based upon the existence and/or nature of any donor restrictions. Unrestricted net assets are available for current operating expenses or for designation by the Board of Directors for a specific purpose. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

- Without donor restrictions - net assets are available for current operating expenses or for designation by the Board of Directors for a specific purpose. At August 31, 2020, net assets without donor restrictions are \$450,757.
- With donor restrictions - net assets have been restricted by donors until the occurrence of a certain event or the expiration of time requirements. Such net asset balances may also have principal balances restricted by donors that will not expire. Only earnings on the balance may be expended by the Organization in that situation. At August 31, 2020, donor restricted net assets are \$6,905,198. Net assets with donor restrictions are available to pay expenditures as allowed by Section 45.105(c) of the Texas Education Code.

*Grants and Contributions*

The Charter School considers all government grants and contracts to be contributions. The Charter School recognizes grants and contributions at fair value when an unconditional commitment is received from the donor or grantor agency. Contributions and grants received with donor or grantor stipulations that limit their use are classified as with donor restrictions.

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Revenue Recognition*

Revenue from contracts with customers is derived primarily from food service fees and other miscellaneous fees. Revenue is recognized when the services are provided to a student, in an amount that reflects the consideration. The Charter School expects to be entitled to an exchange for those services. The nature of these services does not give rise to contract costs or any variable considerations, or other related obligations.

*Tax Status*

The Charter School is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, the financial statements do not include a provision for income taxes and no income taxes were paid for fiscal year 2020. The Charter School annually files an Internal Revenue Service (IRS) Form 990 federal income tax return. The American Institute of Certified Public Accountants (AICPA) has also defined the State of Texas franchise tax as a type of income tax. IRS Form 990 and, as applicable, Texas Franchise Tax returns may be subject to examination by these agencies. The Charter School is generally no longer subject to examination by the IRS for the years before 2016.

*Functional Allocation of Expenses*

The costs of providing the Charter School's various programs and supporting services have been summarized on a functional basis in Note 12 of the Notes to Financial Statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Program services are the direct conduct or supervision of activities that fulfill the purpose for which the Charter School exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefited.

*Fair Value*

Fair value of assets and liabilities are approximately the carrying value.

*Fair Value Measurements*

FASB ASC 820 Fair Value Measurements and Disclosures (formerly SFAS No. 157 "Fair Value Measurements"), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1: Quoted prices for identical assets or liabilities in active markets;
- Level 2: Significant other observable inputs;
- Level 3: Significant unobservable inputs.

**EAGLE ADVANTAGE SCHOOLS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain account balances and notes to the financial statements. Actual results could differ from those estimates.

*In-Kind Services and Materials*

The Charter School recorded no amounts for donated materials and services for the year ended August 31, 2020. Management has estimated that any in-kind services and materials are not significant and would not be material to the financial statements taken as a whole.

*Debt Issuance Costs*

Costs of obtaining bond financing are recorded as debt issuance costs and are reported as a direct reduction of the related debt and amortized as interest expense using the interest method over the term of the bonds. Amortization expense is included in debt service in the accompanying Statement of Activities.

**NOTE 2 – CASH AND CASH EQUIVALENTS & RESTRICTED CASH**

Cash at August 31, 2020 is comprised of \$1,500 cash on hand and \$8,690,903 deposited with financial institutions. \$494,296 of the cash balance is related to restricted bond project and debt service accounts that are held in trust in the required separate bank accounts. The Federal Depository Insurance Corporation (FDIC) insures the bank deposits to certain limits. The following report outlines secured and unsecured financial institution deposits:

Cash on Hand	\$ 1,500
Unrestricted Deposits at financial institutions	8,690,903
Restricted Deposits at financial institutions	494,296
<i>Total Cash and Cash Equivalents</i>	<u>\$ 9,186,699</u>
 Cash Insured by the FDIC	 \$ 500,000
Other Protection (Pledged Securities)	8,036,112
<i>Unprotected Cash Balances</i>	<u>\$ 650,587</u>

The Charter School maintains its cash balances in bank accounts that occasionally exceed federally insured limits, as noted above. However, management does not believe it is exposed to any significant credit risk in connection with these accounts. The Charter School also has multiple certificates of deposits placed at various banks with varying maturity dates with a total carrying value of \$186,000 at August 31, 2020. The certificate of deposit balances are fully insured by the FDIC.

**EAGLE ADVANTAGE SCHOOLS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 3 – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY**

The Charter School strives to maintain liquid financial assets sufficient to cover general expenditures, as needed.

The following table reflects the Charter School's financial assets as of August 31, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of certain donor restrictions, if applicable.

Financial assets at year end:

Cash and cash equivalents	\$ 8,692,403
Restricted cash - bond covenants	494,296
Certificates of deposit	186,000
Due from state/federal agencies	1,018,547
Other receivables	9,200
Prepaid expenses	<u>143,798</u>
Total financial assets	<u>10,544,244</u>

Less financial assets not available for general expenditure

Cash contractually restricted for debt service	<u>(494,296)</u>
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Total financial assets available to meet general expenditure	<u><u>\$ 10,049,948</u></u>
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**EAGLE ADVANTAGE SCHOOLS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 4 – CAPITAL ASSETS: PROPERTY, PLANT, AND EQUIPMENT**

Capital assets of the Charter School were acquired with public funds for the operation of the Charter School and constitute public property, pursuant to Chapter 12 of the Texas Education Code. See supplemental schedule “Schedule of Capital Assets” for more information.

The following is a summary of property, plant, and equipment at August 31, 2020:

<u>Non-Depreciable Assets:</u>	
Land	\$ 2,194,590
<u>Depreciable Assets:</u>	
Buildings and Improvements	28,777,011
Vehicles, Machinery, and Equipment	<u>2,756,473</u>
 Total Property and Equipment	 <u>33,728,074</u>
 Less Accumulated Depreciation	 <u>(9,822,813)</u>
 Property and Equipment, Net	 <u><u>\$ 23,905,261</u></u>
 Depreciation Expense	 <u><u>\$ 1,289,728</u></u>

**NOTE 5 - LONG TERM DEBT**

**Bonds Payable**

Series 2014A

On June 24, 2014, an agreement was entered into between the Charter School and Newark Higher Education Finance Corp. (the issuer) to issue Education Revenue and Refunding Bonds Series 2014A (Series 2014A) in the original principal amount of \$19,065,000 and at a net premium of \$1,524,718. \$4,589,384 of proceeds was deposited into the 2014 Trustee project account to finance new Charter School construction. \$15,588,539 was deposited into the 2011 Trustee’s escrow account to finance the advance refunding of the Series 2011A bonds to occur in August of 2016. \$360,752 of proceeds paid for issuance costs. Remaining balances were deposited into other 2014 Trustee accounts. The bonds carry stated interest rates varying between 2.0% and 5.0%. Interest payments are made each February 15<sup>th</sup> and August 15<sup>th</sup>. \$799,750 of interest was paid during fiscal year 2020.

Principal totaling \$490,000 was due and paid for fiscal year 2020. Principal payments are due every August 15<sup>th</sup> and commenced in fiscal year 2015. The Charter School’s obligation under the Series 2014A bonds will expire with the retirement of the debt in fiscal year 2041.

Trustee

The issuer also entered into an agreement on June 1, 2014 with U.S. Bank National Association to act as trustee (the 2014 Trustee) for purposes of effecting the issuance of Series 2014A and 2014B (the Bonds) and securing to the holders of the Bonds the payment of the Bonds.

**EAGLE ADVANTAGE SCHOOLS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 5 - LONG TERM DEBT (CONTINUED)**

Collateral

Collateral for Series 2014A are the restricted cash balances held in the 2014 Trustee bank accounts.

The schedule below represents Series 2014 future bond debt service payments:

<b>Fiscal Years</b>	<b>Series 2014A Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 515,000	\$ 775,250	\$ 1,290,250
2022	540,000	749,500	1,289,500
2023	565,000	727,900	1,292,900
2024	585,000	705,300	1,290,300
2025	610,000	681,900	1,291,900
2026-2030	3,530,000	2,929,500	6,459,500
2031-2035	4,315,000	2,146,500	6,461,500
2036-2040	5,430,000	1,029,000	6,459,000
2041	1,240,000	49,600	1,289,600
<b>Total</b>	<b>\$ 17,330,000</b>	<b>\$ 9,794,450</b>	<b>\$ 27,124,450</b>

Series 2015A

On December 16, 2015, an agreement was entered into between the Charter School and Northeast Higher Education Facilities Corp. (the issuer) to issue Education Revenue Bonds Series 2015A (Series 2015A) in the original principal amount of \$1,690,000 and at a net premium of \$29,425 with a Borrower Contribution of \$36,600. \$1,700,000 of proceeds was deposited into the 2015A Trustee project account to finance new Charter School construction. \$56,025 of proceeds paid for issuance costs. The bonds carry a stated interest rate of 4.0%. Interest payments are made each February 15<sup>th</sup> and August 15<sup>th</sup>. \$61,200 of interest was paid during fiscal year 2020.

Principal totaling \$50,000 was due and paid for fiscal year 2020. Principal payments are due every August 15<sup>th</sup> and commenced in fiscal year 2016. The Charter School's obligation under the Series 2015A bonds will expire with the retirement of the debt in fiscal year 2040.

Series 2015B

On December 16, 2015, an agreement was entered into between the Charter School and Northeast Higher Education Facilities Corp. (the Issuer) to issue Education Revenue Bonds Series 2015B (Series 2015B) in the original principal amount of \$4,640,000 and at a net discount of \$114,508 with a Borrower Contribution of \$139,800. \$4,185,000 of proceeds was deposited into the 2015B Trustee project account to finance new Charter School construction. \$149,942 of proceeds paid for issuance costs. Remaining balances were deposited into other 2015B Trustee accounts. The bonds carry stated interest rates varying between 4.8% and 5.0%. Interest payments are made each February 15<sup>th</sup> and August 15<sup>th</sup>. \$205,350 of interest was paid during fiscal year 2020.

**EAGLE ADVANTAGE SCHOOLS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 5 - LONG TERM DEBT (CONTINUED)**

Principal totaling \$125,000 was due and paid for fiscal year 2020. Principal payments are due every August 15<sup>th</sup> and commenced in fiscal year 2016. The Charter School's obligation under the Series 2015B bonds will expire with the retirement of the debt in fiscal year 2040.

Trustee

The issuer also entered into an agreement on December 1, 2015 with U.S. Bank National Association to act as trustee (the 2015 Trustee) for purposes of effecting the issuance of Series 2015A and 2015B (the Bonds) and securing to the holders of the Bonds the payment of the Bonds.

Collateral

Collateral for both Series 2015A and 2015B are the restricted cash balances held in the 2015 Trustee bank accounts.

The schedules below represent Series 2015 future bond debt service payments:

<b>Fiscal Years</b>	<b>Series 2015A Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 50,000	\$ 59,200	\$ 109,200
2022	50,000	57,200	107,200
2023	55,000	55,200	110,200
2024	55,000	53,000	108,000
2025	60,000	50,800	110,800
2026-2030	330,000	216,600	546,600
2031-2035	395,000	145,400	540,400
2036-2040	485,000	59,600	544,600
<b>Total</b>	<b>\$ 1,480,000</b>	<b>\$ 697,000</b>	<b>\$ 2,177,000</b>

<b>Fiscal Years</b>	<b>Series 2015B Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 125,000	\$ 200,350	\$ 325,350
2022	130,000	195,350	325,350
2023	135,000	190,150	325,150
2024	145,000	184,750	329,750
2025	150,000	177,500	327,500
2026-2030	875,000	766,500	1,641,500
2031-2035	1,110,000	526,000	1,636,000
2036-2040	1,415,000	219,000	1,634,000
<b>Total</b>	<b>\$ 4,085,000</b>	<b>\$ 2,459,600</b>	<b>\$ 6,544,600</b>



**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 5 - LONG TERM DEBT (CONTINUED)**

The schedule below represents future bond debt service payments for all outstanding bonds:

<b>Fiscal Years</b>	<b>All Bonds Principal</b>	<b>All Bonds Interest</b>	<b>Total Bond Debt Service</b>
2021	\$ 690,000	\$ 1,034,800	\$ 1,724,800
2022	720,000	1,002,050	1,722,050
2023	755,000	973,250	1,728,250
2024	785,000	943,050	1,728,050
2025	820,000	910,200	1,730,200
2026-2030	4,735,000	3,912,600	8,647,600
2031-2035	5,820,000	2,817,900	8,637,900
2036-2040	7,330,000	1,307,600	8,637,600
2041	1,240,000	49,600	1,289,600
<b>Total</b>	<b><u>\$22,895,000</u></b>	<b><u>\$12,951,050</u></b>	<b><u>\$ 35,846,050</u></b>

The following summarizes Charter School bonds payable activity for the year ended August 31, 2020:

	<b>August 31, 2019</b>			<b>August 31, 2020</b>
	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>
Bonds - Series 2014A	\$ 17,820,000	\$ -	\$ (490,000)	\$ 17,330,000
Bonds - Series 2015A	1,530,000	-	(50,000)	1,480,000
Bonds - Series 2015B	4,210,000	-	(125,000)	4,085,000
	<b><u>\$ 23,560,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (665,000)</u></b>	<b><u>\$ 22,895,000</u></b>

Total fiscal year 2020 bond interest incurred is \$1,066,300.

*Reconciliation with Statement of Financial Position Presentation:*

Loans Payable L/T PPP	\$ 1,737,600
Current Portion of Bonds Payable - 2014, 2015	690,000
Long-term Portion of Bonds Payable - 2014	16,815,000
Long-term Portion of Bonds Payable - 2015	5,390,000
2014 A Bond Premiums (net of \$338,826 acc. amortization)	1,185,891
2015 A Bond Premiums (net of \$5,405 acc. amortization)	24,020
2015 B Bond Discounts (net of \$21,032 acc. amortization)	(93,476)
Total Long-term debt:	<b><u>\$ 25,749,036</u></b>

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 5 - LONG TERM DEBT (CONTINUED)**

*Debt Covenants*

The 2014 A Bonds and the 2015 A&B Bonds have multiple debt covenants as outlined by the “Master Trust Indenture and Security Agreements” between the Charter School and these bond Trustees (the Agreements). These debt covenants include, but are not limited to the following: maintaining a minimum of forty-five days cash on hand as defined by the Agreements, meeting certain debt service coverage ratios as defined by the Agreements, and providing audited financial statements within 180 days of fiscal year-end. Non-compliance with debt covenants may be considered an “Event of Default” as defined by the Agreements and may under certain circumstances make all outstanding bond debt due immediately. The Charter School is in compliance with these covenants at August 31, 2020.

*Loan Payable L/T Paycheck Protection Program*

On May 11, 2020, the Charter School was granted a loan (the “Loan”) from Comerica Bank in the amount of \$1,737,600, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated April 29, 2020 issued by the Charter School, matures on April 29, 2022 and bears a fixed interest rate of 1.00% per annum, payable monthly commencing on November 1, 2020. The Note may be prepaid by the Charter School at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred within a 24-week period following the date of the loan. The Charter School intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Charter School does not intend to make any monthly payments on principal or interest of the Loan, but intends to accept full loan forgiveness within the allowable period.

**NOTE 6 - PENSION PLAN OBLIGATIONS**

*Plan Description*

The Charter School contributes to the Teacher Retirement System of Texas (the System); Employer Identification Number: 2054; and Plan 401A; is a public employee retirement system. It is a cost-sharing, multiemployer defined benefit pension plan with one exception; all risks and costs are not shared by the Charter School, but are the liability of the State of Texas. Charter schools are legally separate entities from the State of Texas and each other. The System provides service retirement and disability retirement benefits, and death benefits to System members and beneficiaries. Additional information can be found at the following link: [TRS Legislative Reports on Pension Benefits](#).

The System’s comprehensive annual financial report and other required disclosure information are available on the Teacher Retirement System website at the following link: [TRS 2020 Comprehensive Annual Financial Report](#).

**EAGLE ADVANTAGE SCHOOLS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 6 - PENSION PLAN OBLIGATIONS (CONTINUED)**

System Information:

System Name:	Teacher Retirement
Zone Status of the Charter School:	System of Texas
State-wide System Assets:	Unknown
System Accumulated Benefit Obligations:	\$164,641,523,669
System Percent Funded:	\$218,974,205,084
	75.54%

Contribution Rates:	<u>2020</u>	<u>2019</u>
Members	7.7%	7.7%
Non-Employer Contributing Entity (State):	7.5%	6.8%
Employers:	7.5%	6.8%

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. Any unfunded obligations get passed along to the other charters or ISD's. There is not a withdrawal penalty for leaving the System.

For 2020, the Charter School is required to contribute in certain circumstances such as salaries funded through certain private and federal grants, new members, and covered payroll in excess of certain State determined caps. Assets contributed by one charter or ISD may be used for the benefit of an employee of another charter or ISD. In addition, the Charter School is required to contribute 1.5% of all covered salaries to TRS because the Charter School does not participate in social security and did not participate in OASDI for the year ending August 31, 2020. The Charter School's contributions for the years ending August 31, 2020, 2019, and 2018, were \$106,804, \$125,181, and \$129,447, respectively.

In addition, the Charter School's plan members were required to contribute 7.7% of their annual covered salary and the State of Texas contributes an amount equal to 7.5% of the Charter School's covered payroll. Charter employees' contributions to the System for the years ending August 31, 2020, 2019, and 2018 were \$594,658, \$642,544, and \$664,575, respectively. The Charter School's contributions for the years ending August 31, 2020, 2019, and 2018, were \$128,834, \$83,400, and \$79,324, respectively. The employer retirement contribution rate for fiscal year 2021 is 7.7% which is consistent with the prior year's contribution rate.

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 6 - PENSION PLAN OBLIGATIONS (CONTINUED)**

Similarly, TRS offers retiree health insurance, called TRS-Care, a cost-sharing multiple-employer defined benefit postemployment health care plan. Qualified retirees receive health insurance paid for by the plan. The State, employees and employers contribute a portion of covered payroll. In 2020, the State contributed 1.0% of covered payroll, employees contributed 0.65% of covered payroll, and employers contributed 0.75% for state funded covered payroll and 1.25% for federally funded covered payroll. Charter School employees' contributions to the System for the years ending August 31, 2020, 2019, and 2018, were \$46,296, \$54,241, and \$56,100, respectively. The Charter School's contributions for the years ending August 31, 2020, 2019, and 2018, were \$58,525, \$62,586, and \$64,738, respectively. Except as otherwise noted, there have been no changes to System that would affect the comparison of Charter School contributions from year to year. The Charter School's contributions to the System did not represent more than 28% of total contributions to the System.

**NOTE 7 - HEALTH CARE COVERAGE**

During the year ended August 31, 2020, employees of the Charter School were covered by a health insurance plan (the Plan). The Charter School contributed between \$225 and \$599 per month (depending on the plan) per enrolled employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

**NOTE 8 - OPERATING LEASES**

Equipment

The Charter School leases copiers under five non-cancelable operating leases. At August 31, 2020, the copier lease agreements have total minimum monthly payments of \$14,677 that includes maintenance. Copier leases have varying effective starting dates from 2015 through 2017 and have lease periods of five (5) years that expire at various times from 2020 through 2022.

The Charter School leased postage equipment totaling \$794 per quarter.

Realty

The Charter School leases a tract of land (48,307 square feet) from the City of Dallas. The property is used as a playground for students. The lease is on a month-to-month basis and began June 1, 2004. 11 monthly payments were made in the amount of \$441 from September 2019 to July 2020, and 1 monthly payment was made in the amount of \$451 for August 2020, after a pricing increase.

A lease agreement for an extension site in Waxahachie was commenced on August 1, 2006. The lease is for eight (8) years ending August 1, 2015 with a one year extension for subsequent years. Rental payments are negotiated between the two parties on an annual basis, based upon the needs of the two parties, and an agreed-upon amount is determined for each subsequent year. The rental agreement for the year ended August 31, 2020 included a monthly payment of \$13,500 and a monthly payment for 80% of utility costs.

**EAGLE ADVANTAGE SCHOOLS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 8 - OPERATING LEASES (CONTINUED)**

The schedule of future operating lease commitments at August 31, 2020 is as follows:

Year	<u>Equipment</u>	<u>Realty</u>
2021	\$ 173,943	\$ 162,000
2022	169,303	-
2023	-	-
	<u>\$ 343,246</u>	<u>\$ 162,000</u>

Total rental and lease expenses for fiscal year 2020 are \$359,869.

**NOTE 9 – COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS**

The Charter School is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Charter School defends itself vigorously against any such claims. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its financial position, results of operations, or cash flows.

The Charter School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the Charter School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, Charter School funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency. The Charter School's funding is concentrated with awards received from the Texas Education Agency. If this funding were to cease or be significantly reduced, the financial impact on the Charter School would be severe.

**NOTE 10 - RELATED PARTY TRANSACTIONS**

At August 31, 2020, there are 14 employees who are related to another employee, a spouse, parent, or sibling. Included is the CEO/Superintendent (board member) whose sister, husband, son, daughter, and daughter-in-law were also employed by the Charter School during fiscal year 2020. There are also two vendors who are related to employees and board members.

The employees sometimes make purchases (such as supplies) for the Charter School and are reimbursed. Expenditures are pre-approved by appropriate personnel and are usually minimal dollar amounts (less than \$200). Receipts are required for reimbursement.

The Charter School made purchases from vendors that are related to an employee or board member. Payments to related parties, excluding recurring payroll related reimbursements, totaled \$144,838.

**EAGLE ADVANTAGE SCHOOLS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 10 - RELATED PARTY TRANSACTIONS (CONTINUED)**

The individuals related to the CEO/Superintendent are designated as employees under TEC 12.1055, government Code 573. The employees were hired by the Director of Personnel, who is not related to the CEO/Superintendent. The CEO/Superintendent does not directly supervise nor vote on personnel matters pertaining to these individuals.

Eagle Advantage Schools, Inc. meets the criteria to allow employees on the board of directors as granted thru the *Texas Administrative Code (TAC) Sect100.1022 (b)(2)(B) subsection f.*

**NOTE 11 - MAINTENANCE PROGRAM**

The Charter School has not set up a formal long-term maintenance program.

**NOTE 12 – FUNCTIONAL EXPENSES**

The following is a detail of all expenses by function allocated to program and support services:

	Payroll Costs	Professional & Contracted Services	Supplies & Materials	Other Operating Expenses	Debt Service	Total
Program Services:						
Instructional and Instructional Related Services	\$ 4,909,075	\$ 491,506	\$ 595,098	\$ 185,826	\$ -	\$ 6,181,505
Instructional and School Leadership	989,399	1,750	9,482	3,635	-	1,004,266
Student Support Services	673,327	52,126	375,849	20,612	-	1,121,914
Community Services	25,928	-	-	22,730	-	48,658
	<u>6,597,729</u>	<u>545,382</u>	<u>980,429</u>	<u>232,803</u>	<u>-</u>	<u>8,356,343</u>
Support Services:						
Administrative Support Services	662,699	256,071	35,829	71,658	-	1,026,257
Support Services	643,607	1,252,490	169,424	1,453,628	1,036,414	4,555,563
	<u>1,306,306</u>	<u>1,508,561</u>	<u>205,253</u>	<u>1,525,286</u>	<u>1,036,414</u>	<u>5,581,820</u>
	<u>\$ 7,904,035</u>	<u>\$ 2,053,943</u>	<u>\$ 1,185,682</u>	<u>\$ 1,758,089</u>	<u>\$ 1,036,414</u>	<u>\$ 13,938,163</u>

**NOTE 13 - SUBSEQUENT EVENTS**

The date of the independent auditor's report represents the date through which management has evaluated for subsequent events and the date that the audit was available for issuance. There are no subsequent events to disclose.

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**NOTE 14 – ADOPTION OF ACCOUNTING STANDARDS**

The Charter School adopted the amendments of ASU 2018-08, Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made for the year ended August 31, 2020, which provides guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-10, Revenue from Contracts with Customers (Topic 606) Identifying Performance Obligations and Licensing. The update states revenue from contracts with customers must be recorded when customers obtain control over the good or services that are provided to them rather than when the revenue is “earned”. The Charter School implemented ASU 2016-10 during the year ended August 31, 2020.

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

The useful life estimates of the HVAC unit assets were originally set at 240 months and 180 months, but were subsequently changed to 144 months as a better estimate of the useful life of the assets. Therefore, a prior period adjustment of \$325,540 was made to correct the depreciation expense for the prior years.

**NOTE 16 – UNCERTAINTIES**

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. As a result of the global coronavirus pandemic, the financial picture for school districts has seen an unanticipated change. To reduce the chance of spreading COVID-19, public schools were closed in March of 2020 for in-person instructions through the remainder of the 2019-2020 school year. As a result, the Charter School transitioned into a remote working and learning environment for the remainder of the school year. The extent to which Covid-19 may continue to impact the Charter School's activities will depend upon future developments, which are highly uncertain, including new information which may emerge concerning the severity of Covid-19 and the actions required to contain the virus.

**SUPPLEMENTARY INFORMATION REQUIRED BY  
*GOVERNMENTAL AUDITING STANDARDS* AND  
UNIFORM GUIDANCE**





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

To the Board of Directors of  
Eagle Advantage Schools, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eagle Advantage Schools, Inc. (the "Charter School"), which comprise the statement of financial position as of August 31, 2020 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter School'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 Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Charter School'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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "LaFollett & Company PLLC". The signature is written in a cursive, flowing style.

Tom Bean, Texas  
January 22, 2021



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

To the Board of Directors of  
Eagle Advantage Schools, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Eagle Advantage Schools, Inc. (the "Charter School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal programs for the year ended August 31, 2020. Eagle Advantage Schools, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Charter School's compliance.

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

In our opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

## **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 2020-002 and 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

The Charter School's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003 that we consider to be significant deficiencies.

The Charter School's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Tom Bean, Texas  
January 22, 2021

**EAGLE ADVANTAGE ACADEMY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

<u>Financial Statements</u>	<u>2020</u>								
Type of auditor’s reports issued:	UNMODIFIED								
Internal control over financial reporting:									
• Significant deficiencies identified?	YES								
• Significant deficiencies identified that are considered to be a material weakness?	NO								
Noncompliance material to the financial statements noted?	NO								
<u>Federal Awards</u>									
Internal control over major programs:									
• Significant deficiencies identified?	YES								
• Significant deficiencies identified that are considered to be a material weakness?	NO								
Type of auditor’s report issued on compliance for major programs:	UNMODIFIED								
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. CFR Part 200 Uniform Guidance Subpart F?	NO								
Identification of major programs:									
<table border="0" style="width: 100%;"> <tr> <th style="text-align: left;"><u>CFDA Numbers</u></th><th style="text-align: left;"><u>Name of Federal Program or Cluster</u></th></tr> <tr> <td>10.553</td><td>National School Breakfast Program</td></tr> <tr> <td>10.555</td><td>National School Lunch Program</td></tr> <tr> <td>84.425D</td><td>Elementary and Secondary School Emergency Relief Fund</td></tr> </table>	<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	10.553	National School Breakfast Program	10.555	National School Lunch Program	84.425D	Elementary and Secondary School Emergency Relief Fund	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>								
10.553	National School Breakfast Program								
10.555	National School Lunch Program								
84.425D	Elementary and Secondary School Emergency Relief Fund								
Dollar threshold to distinguish between Type A and Type B programs:	\$750,000								
Auditee qualified as a low-risk auditee?	YES								

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

***Significant Deficiency***

2020-001:	Internal Controls over Review and Approval of Disbursements
Criteria:	Internal controls over disbursements should be adequately documented to ensure that financial transactions are properly approved.
Condition:	We selected a sample of disbursements, noting there was a time period during the year where review and approval for some transactions (5 out of 40) were not properly documented.
Possible Asserted Effect:	The internal control objectives are compromised and may not provide for the timely detection and correction of errors.
Cause:	Due to changing personnel and procedures, internal controls over disbursements were not designed and implemented to ensure that approval for all transactions are properly documented.
Perspective:	This situation appeared to occur for a given time period during the year when personnel and procedures were changing. Controls tested for transactions at the end of the year had no identified errors.
Recommendation:	Design and implement controls and processes to document the review and approval of all disbursements.
Management's Response:	After all payables have been posted by the A/P Clerk, Business Manager performs a preliminary review of documentation and coding. Business Manager prepares A/P reports for review and approval by CFO. Payables are signed off and then paid via check stock, or online via ACH or Credit Card. At the end of each month after the period has been reconciled, the CFO and Superintendent both sign off on the check register and credit card expense report for that period. All signed reports are filed for internal and audit purposes.

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

***Significant Deficiency***

2020-002:	Internal Controls over Food Program Manual Meal Count Process
Criteria:	Internal controls over the food program manual meal count process should be designed and implemented to ensure that the meal count is properly documented to reflect meals served to students.
Condition:	Due to the pandemic during the months of April and May, The Charter School served meals to students in a drive up grab and go manner. Staff at each campus utilized manual meal count sheets to record meals served to students. The written meal count sheets did not agree to the summary of meal counts and did not fully support the submitted claim. Manual meal count sheets were not reviewed and approved by a supervisor.
Possible Asserted Effect:	The internal control objectives are compromised and may not provide for the timely detection and correction of errors.
Cause:	Internal controls over the food program manual meal count process are not properly designed and implemented to ensure the accuracy and completeness of meal counts.
Perspective:	During the pandemic, The Charter School was not able to utilize the Nutrikids electronic meal count system. A manual count sheet system had to be quickly developed and implemented. Drive up grab and go lines of students in cars created additional challenges as staff focused on delivering the meals to students in a safe manner.
Recommendation:	We recommend the Charter School design and implement internal controls and processes to properly document manually counted meals served to students in emergency situations. This includes written documentation to support the meal count such as count sheets and reconciliations. Manual meal count sheets should be reviewed and signed by the Child Nutrition Manager and submitted to a Supervisor for review and approval.
Management's Response:	<p>Additional internal controls have been put in place for meal counts that now require validation by the Child Nutrition Manager, Director of Student Services, and Business Manager. In an effort to strengthen the internal knowledge base and expertise within Advantage Academy, the Child Nutrition Manager will meet with Region 10 Coordinator of Child Nutrition to discuss and implement best practices to establish the highest level of controls for manual meal counts. All Child Nutrition staff will attend additional training to ensure the accuracy and completeness of all documentation.</p> <p>Child Nutrition Manager will review documentation in collaboration with Child Nutrition Assistant to validate the accuracy of documentation prior to submitting to the Director of Student Services. The Director of Student Services will sign off on accuracy before submitting information to the Business Manager. The Business Manager will perform a final review and validation of information before approving the final claim to be submitted by Child Nutrition Manager.</p>

**EAGLE ADVANTAGE SCHOOLS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2020**

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)**

***Significant Deficiency***

2020-003:	Internal Controls over Food Program Reimbursement Claim
Criteria:	Internal controls over the food program reimbursement claim should include a review and approval of the reimbursement claim form and detail by a supervisor to ensure that the claim is complete and accurate.
Condition:	The monthly food program reimbursement claim forms are not reviewed and approved by a supervisor.
Possible Asserted Effect:	The internal control objectives are compromised and may not provide for the timely detection and correction of errors.
Cause:	Internal controls over the food program reimbursement claim forms are not properly designed and implemented to ensure the accuracy and completeness of reimbursement claim.
Perspective:	The Charter School had a Child Nutrition Manager for many years and relied on the position instead of internal controls to detect errors. Stronger internal controls and training for current staff will assist in the process.
Recommendation:	Design and implement controls and processes to accurately prepare and submit meal reimbursement claims, including a documented review and approval of the reimbursement claim by a supervisor.
Management's Response:	The Child Nutrition Manager will review documentation in collaboration with Child Nutrition Assistant to validate the accuracy and completeness of documentation prior to submitting to the Director of Student Services. The Director of Student Services will sign off on accuracy before submitting information to the Business Manager. The Business Manager will perform a final review and validation of information before approving the final claim to be submitted by Child Nutrition Manager.



**EAGLE ADVANTAGE ACADEMY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2020**

**FINANCIAL STATEMENT FINDINGS**

NONE

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FINDINGS**

NONE

**EAGLE ADVANTAGE SCHOOL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Agriculture			
<u>Passed through State Department of Agriculture:</u>			
<b>Child Nutrition Cluster</b>			
National School Breakfast Program	10.553	71401801	\$ 79,273
National School Lunch Program	10.555	71301801	313,951
<b>Total Child Nutrition Cluster</b>			<b>393,224</b>
<b>Total United States Department of Agriculture</b>			<b>393,224</b>
United States Department of Education			
<u>Passed through State Department of Education:</u>			
<b>Special Education Cluster</b>			
Special Education Grants - IDEA Part B	84.027	196600010578066600	262,867
<b>Total Special Education Cluster</b>			<b>262,867</b>
 Title I, Part A - Grants To Local Education Agencies	 84.010A	 19610101057806	 375,371
Title II, Part A - Supporting Effective Instruction State Grant	84.367A	19694501057806	66,909
ESSER-Elementary and Secondary School Emergency Relief Fund	84.425D	20521001057806	385,126
<b>Subtotal Title I, Title II, and ESSER</b>			<b>827,406</b>
<b>Total passed through State Department of Education</b>			<b>1,090,273</b>
<u>Passed Through Education Service Center Region 10:</u>			
Title III, Part A - English Language Acquisition State Grants	84.365A	19671001057950	49,152
Title IV - Student Support and Academic Enrichment Program	84.424	19680101057950	36,741
<b>Total passed through Education Service Center Region 10</b>			<b>85,893</b>
<b>Total United States Department of Education</b>			<b>1,176,166</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,569,390</b>

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Eagle Advantage Schools, Inc. dba Advantage Academy (the Charter School) under programs of the federal government for the year ended August 31, 2020. The information in this Schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for the Federal Awards (Uniform Guidance)* . Because the Schedule presents only a selected portion of the operations of the Charter School, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the Charter School.

The Charter School had no federally funded insurance programs or loan guarantees during the year ended August 31, 2020.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented when available.

The Charter School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3. Non-Profit Charter School Chart of Accounts**

For all federal programs, the Charter School used the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement To Financial Accounting and Reporting, Nonprofit Charter School Chart Of Accounts* . Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor.

Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.

**SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS EDUCATION AGENCY**

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**SCHEDULE OF EXPENDITURES**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

<b>Expenditures</b>		<u><b>2020</b></u>
6100	Payroll Costs	\$ 7,904,035
6200	Professional and Contracted Services	2,053,944
6300	Supplies and Materials	1,185,682
6400	Other Operating Costs	1,758,088
6500	Debt	<u>1,036,414</u>
	Total Expenditures	<u><u>\$ 13,938,163</u></u>

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**SCHEDULE OF CAPITAL ASSETS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	Ownership Interest		
	Local	State	Federal
Cash and Cash Equivalents	\$ 454,286	\$ 8,238,117	\$ -
Restricted Cash for Project Accounts	386	-	-
Restricted Cash for Current Debt Service	163,560	-	-
Restricted Cash for Future Debt Service	330,350	-	-
Certificates of Deposit	-	186,000	-
Land	-	2,194,590	-
Buildings and Improvements	-	21,182,674	-
Furniture and Equipment	-	439,847	88,150
Total Property and Equipment	<u>\$ 948,582</u>	<u>\$ 32,241,228</u>	<u>\$ 88,150</u>

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**BUDGET COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

<b>REVENUES AND OTHER SUPPORT</b>	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	<b>VARIANCE</b>	
Local Support					
199 Unrestricted	\$ 205,000	\$ 205,000	\$ 37,605	\$ (167,395)	A
240 NSLP & Breakfast (local activity)	80,000	80,000	38,194	(41,806)	B
420 Earnings from Temporary Deposits	55,500	55,500	31,806	(23,694)	C
461 Campus Activity	41,000	41,000	19,002	(21,998)	D
Total Provided by Local	<u>381,500</u>	<u>381,500</u>	<u>126,607</u>	<u>(254,893)</u>	
State Support					
240 School Lunch Matching	4,000	4,000	3,351	(649)	
410 Instructional Materials Allotment	115,000	412,838	138,268	(274,570)	E
420 Foundation School Program	13,200,000	13,315,000	11,904,536	(1,410,464)	
429 State-Funded Special Revenue	-	-	93,744	93,744	F
Total Provided by State	<u>13,319,000</u>	<u>13,731,838</u>	<u>12,139,899</u>	<u>(1,591,939)</u>	
Federal Support					
211 Title I, Part A Imp Basic Program	465,093	645,194	375,371	(269,823)	G
224 IDEA B Formula-Special Ed.	253,424	253,424	262,867	9,443	
225 IDEA B Formula-Pre-K Sped	2,024	2,024	-	(2,024)	H
240 NSLP & Breakfast	600,000	600,000	393,224	(206,776)	I
255 Title II, Part A-Teacher/Principal Developmt	49,617	71,660	66,909	(4,751)	
263 Title III, Pt A-English Lang Acquisition (LEP)	33,545	58,380	49,152	(9,228)	
266 ESSER Grant from CARES Act	-	300,000	385,126	85,126	J
289 Summer School LEP/Title IV Part A, ESSA	35,341	59,001	36,741	(22,260)	K
Total Provided by Federal	<u>1,439,044</u>	<u>1,989,683</u>	<u>1,569,390</u>	<u>(420,293)</u>	
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>15,139,544</u>	<u>16,103,021</u>	<u>13,835,896</u>	<u>(2,267,125)</u>	
<b>EXPENDITURES</b>					
11 Instruction	5,818,252	6,272,101	5,461,242	810,859	
13 Curriculum Development and Instructional Staff Development	944,641	1,028,535	721,093	307,442	L
21 Instructional Leadership	83,170	82,920	79,028	3,892	
23 School Leadership	1,320,101	1,313,525	925,238	388,287	M
31 Guidance, Counseling and Evaluation Svcs	174,721	172,877	83,853	89,024	N
33 Health Services	263,836	279,086	259,274	19,812	
34 Student Transportation	96,602	96,602	83,536	13,066	
35 Food Services	774,234	776,634	618,692	157,942	O
36 Co-Curricular	178,830	175,672	76,559	99,113	P
41 General Administration	932,209	924,699	1,026,257	(101,558)	
51 Plant Maintenance and Operations	3,274,657	3,073,847	2,901,327	172,520	
52 Security and Monitoring Services	-	92,680	111,362	(18,682)	Q
53 Data Processing Services	435,994	536,474	505,631	30,843	
61 Community Services	66,725	69,581	48,657	20,924	R
71 Debt Service	1,070,543	1,070,543	1,036,414	34,129	
<b>TOTAL EXPENDITURES</b>	<u>15,434,515</u>	<u>15,965,776</u>	<u>13,938,163</u>	<u>2,027,613</u>	
INCREASE (DECREASE) IN NET ASSETS BEFORE EXTRORDINARY ITEM	<u>(294,971)</u>	<u>137,245</u>	<u>(102,267)</u>		
<b>TOTAL OPERATING BUDGET</b>	<u>15,139,544</u>	<u>16,103,021</u>	<u>13,835,896</u>		
EXTRAORDINARY ITEM - OPERATING CONTINGENCY (USE OF FUND BALANCE)	<u>300,000</u>	<u>-</u>	<u>-</u>		
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<u>\$ 5,029</u>	<u>\$ 137,245</u>	<u>\$ (102,267)</u>		

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**DISCUSSION OF BUDGET VARIANCES**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**The following is a discussion of the budget comparison variances:**

- A Lower student activity fees (athletics, clubs, etc.) due to COVID school closure.
- B Lower student meal revenue due to COVID school closure.
- C Lower interest income caused by lower bank rates in response to COVID.
- D Lower student activity fees (athletics, clubs, etc.) due to COVID school closure.
- E The District plan for purchasing EMAT materials was to use only a portion of the bi-annual allotment.
- F These various state grants were not finalized until the final amendment process.
- G The District had a planned funds carryover into 2020-2021 year.
- H The District had a planned funds carryover into 2020-2021 year.
- I Lower student meal revenue due to COVID school closure.
- J Actual grant entitlement was greater than original estimates.
- K The District had a planned funds carryover into 2020-2021 year.
- L Position vacancies and costs shifted in response to COVID.
- M Position vacancies and costs shifted in response to COVID.
- N Not all planned diagnostic services were needed this year, partially in response to COVID.
- O Lower student meal revenue, and therefore lower food costs due to COVID school closure.
- P Lower student activity fees (athletics, clubs, etc.) due to COVID school closure, therefore lower costs related to those activities.
- Q Reallocation of costs for security and safety of students.
- R Not all planned community services were needed this year, primarily due to COVID.