

**EAGLE ADVANTAGE SCHOOLS, INC.
dba ADVANTAGE ACADEMY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
AUGUST 31, 2021**

EAGLE ADVANTAGE SCHOOLS, INC.
AUDITED FINANCIAL STATEMENTS
AUGUST 31, 2021

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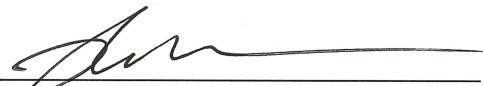
EAGLE ADVANTAGE SCHOOLS, INC.
AUGUST 31, 2021

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, 2021, at a meeting of the Board of Directors of such charter school on the 10th day of December, 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, 2021, 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, 2021, 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 26-32) 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 25), 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 December 10, 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
December 10, 2021

EAGLE ADVANTAGE SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2021

ASSETS

CURRENT ASSETS

| | |
|-----------------------------|-------------------|
| Cash and Cash Equivalents | \$ 10,466,646 |
| Due from State Agencies | 670,423 |
| Federal Agency Receivables | 346,695 |
| Inventory | 42,285 |
| Prepaid Expenses | 75,828 |
| TOTAL CURRENT ASSETS | 11,601,877 |

CAPITAL ASSETS

| | |
|-----------------------------------|-------------------|
| Capital Assets (non-depreciable) | |
| Land | 2,194,590 |
| Capital Assets (depreciable) | |
| Buildings and Equipment | 31,515,277 |
| Less Accumulated Depreciation | (11,037,249) |
| TOTAL CAPITAL ASSETS (NET) | 22,672,618 |

NONCURRENT ASSETS

| | |
|--|----------------|
| Bond Issuance Costs (net) | 434,012 |
| Restricted Cash: | |
| Cash for Future Debt Service for Bond Series 2015B | 348,031 |
| Cash for Current Debt Service for Bond Series 2014 | 109,690 |
| Cash for Current Debt Service for Bond Series 2015 | 36,046 |
| TOTAL OTHER ASSETS | 927,779 |

TOTAL ASSETS

\$ 35,202,274

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---|------------------|
| Accounts Payable | \$ 245,165 |
| Due to Governments - Sales Tax Payable | 287 |
| Accrued Wages and Tax Liabilities | 654,394 |
| Other Accrued Expenses | 495 |
| Deferred Revenue | 1,336 |
| Accrued Interest Payable | 43,117 |
| Current Portion of Long Term Debt - Bonds | 720,000 |
| TOTAL CURRENT LIABILITIES | 1,664,794 |

LONG TERM LIABILITIES

| | |
|---|-------------------|
| Bonds Payable (net of discounts/premiums) | 22,548,437 |
| TOTAL LONG TERM LIABILITIES | 22,548,437 |

TOTAL LIABILITIES

24,213,231

NET ASSETS

| | |
|----------------------------|-------------------|
| Without Donor Restrictions | 2,255,472 |
| With Donor Restrictions | 8,733,571 |
| TOTAL NET ASSETS | 10,989,043 |

TOTAL LIABILITIES AND NET ASSETS

\$ 35,202,274

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, 2021

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|--|-------------------------------|----------------------------|-----------------------------|
| REVENUES AND OTHER SUPPORT | | | |
| Local Support | \$ 81,736 | \$ - | \$ 81,736 |
| State Support: | | | |
| 420 FSP Per Capita | | 586,350 | 586,350 |
| 420 Foundation School Program | | 12,360,862 | 12,360,862 |
| 240 School Lunch Matching | | 2,937 | 2,937 |
| 410 Instructional Materials Allotment | | 5,134 | 5,134 |
| 420 PPE Equipment from TEA | | 10,215 | 10,215 |
| 429 Blended Learning Professional Development | | 542 | 542 |
| 429 School Safety & Security Grant | | 4,302 | 4,302 |
| 429 SpED Fiscal Support Grant | | 27,501 | 27,501 |
| Total Provided by State | | <u>12,997,843</u> | <u>12,997,843</u> |
| Federal Support: | | | |
| 211 Title I, Part A | | 649,749 | 649,749 |
| 224 IDEA B, Formula - Special Ed | | 163,111 | 163,111 |
| 240 National School Breakfast Program | | 75,121 | 75,121 |
| 240 National School Lunch Program | | 195,987 | 195,987 |
| 240 NSLP - USDA Emergency Operational Cost Reimb. | | 37,126 | 37,126 |
| 255 Title II, Part A - Teacher/Principal Development | | 52,466 | 52,466 |
| 263 Title III, Part A - LEP | | 35,971 | 35,971 |
| 266 ESSER Grant | | 123,108 | 123,108 |
| 277 Coronavirus Relief - PPRP | | 135,511 | 135,511 |
| 289 Title IV, Part A - ESSA | | 52,224 | 52,224 |
| 420 TDEM Coronavirus Relief Fund | | 207,346 | 207,346 |
| 420 Paycheck Protection Program | 1,737,600 | - | 1,737,600 |
| Total Provided by Federal | <u>1,737,600</u> | <u>1,727,720</u> | <u>3,465,320</u> |
| Net transfers that met restrictions | <u>12,897,190</u> | <u>(12,897,190)</u> | <u>-</u> |
| TOTAL REVENUES AND OTHER SUPPORT | <u><u>14,716,526</u></u> | <u><u>1,828,373</u></u> | <u><u>16,544,899</u></u> |
| EXPENDITURES | | | |
| 11 Instruction | 4,510,961 | - | 4,510,961 |
| 13 Curriculum Development and Instructional Staff Development | 809,516 | - | 809,516 |
| 21 Instructional Leadership | 255 | - | 255 |
| 23 School Leadership | 1,257,482 | - | 1,257,482 |
| 31 Guidance, Counseling and Evaluation Svcs | 203,990 | - | 203,990 |
| 33 Health Services | 243,872 | - | 243,872 |
| 34 Student Transportation | 39,347 | - | 39,347 |
| 35 Food Services | 492,074 | - | 492,074 |
| 36 Co-Curricular | 20,346 | - | 20,346 |
| 41 General Administration | 651,422 | - | 651,422 |
| 51 Plant Maint and Operations-Non Depreciation | 1,571,520 | - | 1,571,520 |
| 51 Plant Maint and Oper-Depreciation Only | 1,304,122 | - | 1,304,122 |
| 52 Security and Monitoring Services | 85,774 | - | 85,774 |
| 53 Data Processing Services | 655,660 | - | 655,660 |
| 61 Parental Involvement | 15,274 | - | 15,274 |
| 71 Debt Service | 1,035,401 | - | 1,035,401 |
| 81 Fundraising | 174 | - | 174 |
| TOTAL EXPENDITURES | <u><u>12,897,190</u></u> | <u><u>-</u></u> | <u><u>12,897,190</u></u> |
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS | <u>1,819,336</u> | <u>1,828,373</u> | <u>3,647,709</u> |
| Gain on Sale of Assets | 19,230 | - | 19,230 |
| Loss on Involuntary Conversion | <u>(33,851)</u> | <u>-</u> | <u>(33,851)</u> |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | <u>1,804,715</u> | <u>1,828,373</u> | <u>3,633,088</u> |
| BEGINNING NET ASSETS AT SEPTEMBER 1, 2020 | <u>450,757</u> | <u>6,905,198</u> | <u>7,355,955</u> |
| ENDING NET ASSETS AT AUGUST 31, 2021 | <u><u>\$ 2,255,472</u></u> | <u><u>\$ 8,733,571</u></u> | <u><u>\$ 10,989,043</u></u> |

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|------------------|
| Change in Net Assets | \$ 3,647,709 |
| Adjustments to reconcile change in net assets to cash provided | |
| Depreciation and Amortization | 1,273,265 |
| Gain on Disposal of Asset | 19,230 |
| Loss on Involuntary Conversion | (33,851) |
| (Increase) Decrease in Due from State Agencies | (414,804) |
| (Increase) Decrease in Due from Federal Agencies | 416,233 |
| (Increase) Decrease in Other Current Assets/Receivables | 77,170 |
| Increase (Decrease) in Accounts Payable | 3,118 |
| Increase (Decrease) in Accrued Expenses & Tax Liabilities | (886,137) |
| Increase (Decrease) in Deferred Revenue | (20,000) |
| Net cash provided (used) by operating activities | <u>4,081,933</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|----------------|
| Net Cash Paid for Other Capital Assets | |
| Cash Paid for Capital Assets | (71,479) |
| Cash Paid for Inventory | 4,860 |
| Redemption of Certificates of Deposit | 186,000 |
| Net Cash provided (used) by investing activities | <u>119,381</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|--|--------------------|
| Payments on Debt Principal | (690,000) |
| Forgiveness of PPP Loan | (1,737,600) |
| Net cash provided (used) by financing activities | <u>(2,427,600)</u> |

| | |
|--|-----------|
| Net increase (decrease) in cash and cash equivalents | 1,773,714 |
|--|-----------|

| | |
|--|------------------|
| Cash and Cash equivalents, Beginning of Year | <u>9,186,699</u> |
|--|------------------|

| | |
|---|-----------------------------|
| CASH AND CASH EQUIVALENTS, AUGUST 31, 2021 | <u><u>\$ 10,960,413</u></u> |
|---|-----------------------------|

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

| | |
|--|--------------------------------|
| Cash and Cash Equivalents | \$ 10,466,646 |
| Restricted Cash: | |
| Cash for Future Debt Service for Bond Series 2015B | 348,031 |
| Cash for Current Debt Service for 2014 Bonds | 109,690 |
| Cash for Current Debt Service for Bond Series 2015 | 36,046 |
| | <u>\$ 10,960,413</u> |
| Cash paid for Interest | <u><u>\$ 1,034,800</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, 2021

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, 2021 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, 2021 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, 2021

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.

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, 2021, net assets without donor restrictions are \$2,255,472.
- 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, 2021, donor restricted net assets are \$8,733,571. 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.

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.

EAGLE ADVANTAGE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2021. 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 2017.

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 11 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.

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.

EAGLE ADVANTAGE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Services and Materials

The Charter School recorded no amounts for donated materials and services for the year ended August 31, 2021. 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, 2021 is comprised of \$1,500 cash on hand and \$10,465,146 deposited with financial institutions. \$493,767 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 | 10,465,146 |
| Restricted Deposits at financial institutions | <u>493,767</u> |
| <i>Total Cash and Cash Equivalents</i> | <u>\$ 10,960,413</u> |
| | |
| Cash Insured by the FDIC | \$ 500,000 |
| Other Protection (Pledged Securities) | <u>9,194,264</u> |
| <i>Unprotected Cash Balances</i> | <u>\$ 1,266,149</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.

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, 2021, 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.

**EAGLE ADVANTAGE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

NOTE 3 – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY (CONTINUED)

| | |
|--|----------------------|
| Financial assets at year end: | |
| Cash and cash equivalents | \$ 10,466,646 |
| Restricted cash - bond covenants | 493,767 |
| Due from state/federal agencies | 1,017,118 |
| Prepaid expenses | 75,828 |
| Total financial assets | <u>12,053,359</u> |
| Less financial assets not available for general expenditure | |
| Cash contractually restricted for debt service | <u>(493,767)</u> |
| Total financial assets available to meet general expenditure | <u>\$ 11,559,592</u> |

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, 2021:

| | |
|------------------------------------|----------------------|
| <u>Non-Depreciable Assets:</u> | |
| Land | \$ 2,194,590 |
| <u>Depreciable Assets:</u> | |
| Buildings and Improvements | 28,801,377 |
| Vehicles, Machinery, and Equipment | <u>2,713,900</u> |
| Total Property and Equipment | <u>33,709,867</u> |
| Less Accumulated Depreciation | <u>(11,037,249)</u> |
| Property and Equipment, Net | <u>\$ 22,672,618</u> |
| Depreciation Expense | <u>\$ 1,304,122</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, at a net premium of \$1,524,718. \$4,589,384 of proceeds were deposited into the 2014 Trustee project account to finance new Charter School construction. \$15,588,539 were deposited into the 2011 Trustee's escrow account to finance the advance refunding of the Series 2011A bonds which occurred in August of 2016. \$360,752 of proceeds were paid for issuance costs. The 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 15th and August 15th. \$775,250 of interest was paid during fiscal year 2021.

**EAGLE ADVANTAGE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

NOTE 5 - LONG TERM DEBT (CONTINUED)

Principal totaling \$515,000 was due and paid for fiscal year 2021. Principal payments are due every August 15th 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 the purpose of effecting the issuance of Series 2014A and 2014B (the Bonds) and securing (to the holders of the Bonds) the payment of the Bonds.

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:

| Fiscal Years | Series 2014A Bonds | | |
|-------------------------|---------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 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 | 640,000 | 651,400 | 1,291,400 |
| 2027-2031 | 3,690,000 | 2,771,875 | 6,461,875 |
| 2032-2036 | 4,500,000 | 1,961,875 | 6,461,875 |
| 2037-2041 | 5,685,000 | 769,450 | 6,454,450 |
| Total | <u>\$16,815,000</u> | <u>\$ 9,019,200</u> | <u>\$25,834,200</u> |

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, at a net premium of \$29,425 with a Borrower Contribution of \$36,600. \$1,700,000 of proceeds were deposited into the 2015A Trustee project account to finance new Charter School construction. \$56,025 of proceeds were paid for issuance costs. The bonds carry a stated interest rate of 4.0%. Interest payments are made each February 15th and August 15th. \$59,200 of interest was paid during fiscal year 2021.

Principal totaling \$50,000 was due and paid for fiscal year 2021. Principal payments are due every August 15th 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.

**EAGLE ADVANTAGE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

NOTE 5 - LONG TERM DEBT (CONTINUED)

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, at a net discount of \$114,508 with a Borrower Contribution of \$139,800. \$4,185,000 of proceeds were deposited into the 2015B Trustee project account to finance new Charter School construction. \$149,942 of proceeds were paid for issuance costs. The 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 15th and August 15th. \$200,350 of interest was paid during fiscal year 2021.

Principal totaling \$125,000 was due and paid for fiscal year 2021. Principal payments are due every August 15th 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 the purpose 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:

| Fiscal Years | Series 2015A Bonds | | | Series 2015B Bonds | | |
|-------------------------|---------------------------|-----------------|--------------|---------------------------|-----------------|--------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2022 | 50,000 | 57,200 | 107,200 | 130,000 | 195,350 | 325,350 |
| 2023 | 55,000 | 55,200 | 110,200 | 135,000 | 190,150 | 325,150 |
| 2024 | 55,000 | 53,000 | 108,000 | 145,000 | 184,750 | 329,750 |
| 2025 | 60,000 | 50,800 | 110,800 | 150,000 | 177,500 | 327,500 |
| 2026 | 60,000 | 48,400 | 108,400 | 160,000 | 170,000 | 330,000 |
| 2027-2031 | 345,000 | 203,400 | 548,400 | 915,000 | 722,750 | 1,637,750 |
| 2032-2036 | 410,000 | 129,600 | 539,600 | 1,165,000 | 470,500 | 1,635,500 |
| 2037-2040 | 395,000 | 40,200 | 435,200 | 1,160,000 | 148,250 | 1,308,250 |
| Total | \$ 1,430,000 | \$ 637,800 | \$ 2,067,800 | \$3,960,000 | \$2,259,250 | \$6,219,250 |

EAGLE ADVANTAGE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 5 - LONG TERM DEBT (CONTINUED)

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

| Fiscal Years | Principal | Interest | Total Bond Debt Service |
|-------------------------|---------------------|---------------------|------------------------------------|
| 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 | 860,000 | 869,800 | 1,729,800 |
| 2027-2031 | 4,950,000 | 3,698,025 | 8,648,025 |
| 2032-2036 | 6,075,000 | 2,561,975 | 8,636,975 |
| 2037-2041 | 7,240,000 | 957,900 | 8,197,900 |
| Total | <u>\$22,205,000</u> | <u>\$11,916,250</u> | <u>\$34,121,250</u> |

The following summarizes the Charter School bonds payable activity for the year ended August 31, 2021:

| | August 31, 2020 | Additions | Reductions | August 31, 2021 |
|----------------------|----------------------|-------------|---------------------|----------------------|
| Bonds - Series 2014A | \$ 17,330,000 | \$ - | \$ (515,000) | \$ 16,815,000 |
| Bonds - Series 2015A | 1,480,000 | - | (50,000) | 1,430,000 |
| Bonds - Series 2015B | 4,085,000 | - | (125,000) | 3,960,000 |
| | <u>\$ 22,895,000</u> | <u>\$ -</u> | <u>\$ (690,000)</u> | <u>\$ 22,205,000</u> |

Total fiscal year 2021 bond interest incurred is \$1,034,800.

Reconciliation with Statement of Financial Position Presentation:

| | |
|---|----------------------|
| Current Portion of Bonds Payable - 2014, 2015 | \$ 720,000 |
| Long-term Portion of Bonds Payable - 2014 | 16,275,000 |
| Long-term Portion of Bonds Payable - 2015 | 5,210,000 |
| 2014 A Bond Premiums (net of \$395,298 acc. amortization) | 1,129,420 |
| 2015 A Bond Premiums (net of \$6,606 acc. amortization) | 22,819 |
| 2015 B Bond Discounts (net of \$25,706 acc. amortization) | (88,802) |
| Total Long-term debt: | <u>\$ 23,268,437</u> |

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, 2021.

**EAGLE ADVANTAGE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

NOTE 5 - LONG TERM DEBT (CONTINUED)

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. 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. On July 29, 2021, the SBA granted complete forgiveness to the Charter School for the PPP loan. No additional payments were due, and any interest accrued on the loan was paid by the SBA.

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: [ACFR 2021 \(texas.gov\)](#)

System Information:

| | | |
|---|------------------------------------|--|
| System Name: | Teacher Retirement System of Texas | |
| Zone Status of the Charter School: | Unknown | |
| State-wide System Assets: | \$201,807,002,496 | |
| System Accumulated Benefit Obligations: | \$227,273,463,630 | |
| System Percent Funded: | 88.79% | |

| | | |
|---|-------------|-------------|
| Contribution Rates: | <u>2021</u> | <u>2020</u> |
| Members | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State): | 7.5% | 7.5% |
| Employers: | 7.7% | 7.7% |

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.

EAGLE ADVANTAGE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 6 - PENSION PLAN OBLIGATIONS (CONTINUED)

For 2021, 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, 2021. The Charter School's contributions for the years ending August 31, 2021, 2020, and 2019, were \$100,710, \$106,804, and \$125,181, 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, 2021, 2020, and 2019 were \$525,586, \$594,658, and \$642,544, respectively. The Charter School's contributions for the years ending August 31, 2021, 2020, and 2019, were \$117,607, \$128,834, and \$83,400, respectively. The employer retirement contribution rate for fiscal year 2022 is 7.7% which is consistent with the prior year's contribution rate.

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 2021, 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, 2021, 2020, and 2019, were \$46,549, \$46,296, and \$54,241, respectively. The Charter School's contributions for the years ending August 31, 2021, 2020, and 2019, were \$47,208, \$58,525, and \$62,586, 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, 2021, 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, 2021, the copier lease agreements have total minimum monthly payments of \$14,677 which 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.

EAGLE ADVANTAGE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 8 - OPERATING LEASES (CONTINUED)

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. Total lease expense for this land was \$5,412 for the 12-month period ended August 31, 2021.

A lease agreement for an extension site in Waxahachie was commenced on August 1, 2006. The initial lease was for eight (8) years 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, 2021 included a monthly payment of \$12,150 and a monthly payment for 80% of utility costs.

The schedule of future operating lease commitments at August 31, 2021 is as follows:

| Year | Equipment | Realty |
|------|------------|------------|
| 2022 | \$ 180,002 | \$ 151,212 |

Total rental and lease expenses for fiscal year 2021 are \$337,726.

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, 2021, there are 6 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 2021. There is one vendor who is related to employees or board members.

EAGLE ADVANTAGE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 10 - RELATED PARTY TRANSACTIONS (CONTINUED)

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 \$21,600.

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 – 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: | | | | | | |
| Instruction & Instructional Related Services | \$4,475,241 | \$ 410,095 | \$360,272 | \$ 74,869 | \$ - | \$ 5,320,477 |
| Instructional & School Leadership | 1,224,972 | 22,805 | 2,548 | 7,412 | - | 1,257,737 |
| Student Support Services | 655,107 | 99,173 | 229,614 | 15,735 | - | 999,629 |
| Community Services | 15,099 | - | - | 175 | - | 15,274 |
| | <u>6,370,419</u> | <u>532,073</u> | <u>592,434</u> | <u>98,191</u> | <u>-</u> | <u>7,593,117</u> |
| Support Services: | | | | | | |
| Administrative Support Services | 425,813 | 167,048 | 8,910 | 49,652 | - | 651,423 |
| Support Services | 589,797 | 1,335,088 | 205,680 | 1,509,457 | 1,012,628 | 4,652,650 |
| | <u>1,015,610</u> | <u>1,502,136</u> | <u>214,590</u> | <u>1,559,109</u> | <u>1,012,628</u> | <u>5,304,073</u> |
| | <u>\$7,386,029</u> | <u>\$2,034,209</u> | <u>\$807,024</u> | <u>\$1,657,300</u> | <u>\$1,012,628</u> | <u>\$12,897,190</u> |

NOTE 12 – INVOLUNTARY CONVERSION

On February 14, 2021, a state of emergency was declared in Texas due to extreme winter weather conditions. The Charter School's properties suffered from extensive damage due to burst pipes. Insurance covered the majority of the damage, but resulted in a loss on involuntary conversion of assets in the amount of \$33,851 reported in the statement of activities.

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.

**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, 2021 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 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 Charter School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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 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
December 10, 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, 2021. 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, 2021.

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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Tom Bean, Texas
December 10, 2021

**EAGLE ADVANTAGE ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements 2021

Type of auditor’s reports issued: UNMODIFIED

Internal control over financial reporting:

• Significant deficiencies identified? NO

• Significant deficiencies identified that are considered to be a material weakness? NO

Noncompliance material to the financial statements noted? NO

Federal Awards

Internal control over major programs:

• Significant deficiencies identified? NO

• 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:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|--|
| 84.010A | Title I, Part A – Grants to Local Education Agencies |

Dollar threshold to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? YES

**EAGLE ADVANTAGE ACADEMY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2021**

SECTION II: FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2020-001:

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) was not properly documented. The internal control objectives were compromised and may not provide for the timely detection and correction of errors. This situation appeared to occur for a given time period during the year when personnel and procedures were changing. Corrective action has been taken and the matter is considered resolved.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FINDINGS

Significant Deficiencies

2020-002:

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. The internal control objectives were compromised and may not provide for the timely detection and correction of errors. 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. Corrective action has been taken and the matter is considered resolved.

2020-003:

The monthly food program reimbursement claim forms were not reviewed and approved by a supervisor. The internal control objectives were compromised and may not provide for the timely detection and correction of errors. The Charter School had a Child Nutrition Manager for many years and relied on the position instead of internal controls to detect errors. Corrective action has been taken and the matter is considered resolved.

Eagle Advantage Schools, Inc.
Schedule of Federal Award Expenditures
For the Year Ended August 31, 2021

| Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|---|-------------------------|
| United States Department of Treasury | | | |
| Coronavirus Relief Fund | 21.019 | | \$ 207,346 |
| Total United States Department of Treasury | | | 207,346 |
| United States Department of Agriculture | | | |
| <u>Passed through State Department of Agriculture:</u> | | | |
| National School Lunch Program - USDA Emergency Operational Cost Reimbursement | 10.555 | | 37,126 |
| Child Nutrition Cluster | | | |
| National School Breakfast Program | 10.553 | 71402001 | 75,121 |
| National School Lunch Program | 10.555 | 71302001 | 195,987 |
| Total Child Nutrition Cluster | | | 271,108 |
| Total United States Department of Agriculture | | | 308,234 |
| United States Department of Education | | | |
| <u>Passed through State Department of Education:</u> | | | |
| Special Education Cluster | | | |
| Special Education Grants - IDEA Part B | 84.027 | 206600010578066000 | 163,111 |
| Special Education Preschool Grants - IDEA Preschool | 84.173 | 206610010578066000 | - |
| Total Special Education Cluster | | | 163,111 |
| Title I, Part A - Grants To Local Education Agencies | 84.010A | 20610101057806 | 649,749 |
| Title II, Part A - Supporting Effective Instruction State Grant | 84.367A | 20694501057806 | 52,466 |
| ESSER Corona Relief Fund PPRP - Prior Purchase Reimbursement Program | 84.425D | 52102135 | 135,511 |
| ESSER - Elementary and Secondary School Emergency Relief Fund | 84.425D | 20521001057806 | 123,108 |
| Subtotal | | | 960,834 |
| Subtotal passed through State Department of Education | | | 1,123,945 |
| <u>Passed Through Education Service Center Region 10:</u> | | | |
| Title III, Part A - English Language Acquisition State Grants | 84.365A | 19671001057950 | 35,971 |
| Title IV - Student Support and Academic Enrichment Program | 84.424 | 19680101057950 | 52,224 |
| Subtotal passed through Education Service Center Region 10 | | | 88,195 |
| Total United States Department of Education | | | 1,212,140 |
| Total Expenditures of Federal Awards | | | \$ 1,727,720 |

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, 2021. 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, 2021.

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, 2021

| Expenditures | | 2021 |
|---------------------|--------------------------------------|----------------------|
| 6100 | Payroll Costs | \$ 7,386,029 |
| 6200 | Professional and Contracted Services | 2,034,209 |
| 6300 | Supplies and Materials | 807,024 |
| 6400 | Other Operating Costs | 1,657,300 |
| 6500 | Debt | 1,012,628 |
| | Total Expenditures | <u>\$ 12,897,190</u> |

EAGLE ADVANTAGE SCHOOLS, INC.
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2021

| | Ownership Interest | | |
|--|---------------------|----------------------|------------------|
| | Local | State | Federal |
| Cash and Cash Equivalents | \$ 521,852 | \$ 9,944,794 | \$ - |
| Restricted Cash for Current Debt Service | 145,736 | - | - |
| Restricted Cash for Future Debt Service | 348,031 | - | - |
| Land | - | 2,194,590 | - |
| Buildings and Improvements | - | 28,801,377 | - |
| Furniture and Equipment | - | 2,625,750 | 88,150 |
| Total Property and Equipment | <u>\$ 1,015,619</u> | <u>\$ 43,566,511</u> | <u>\$ 88,150</u> |

EAGLE ADVANTAGE SCHOOLS, INC.
BUDGET COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021

| REVENUES AND OTHER SUPPORT | ORIGINAL | FINAL | ACTUAL | VARIANCE | PERCENTAGE |
|---|-------------------|---------------------|---------------------|--------------------|-------------------|
| Local Support | | | | | |
| 199 Unrestricted | \$ 140,900 | \$ 54,883 | \$ 54,883 | \$ - | 0% |
| 240 NSLP & Breakfast (local activity) | 19,000 | 4,698 | 4,698 | - | 0% |
| 420 Earnings from Temporary Deposits | - | 21,136 | 21,136 | - | 0% |
| 420 Paycheck Protection Program | 1,741,700 | 1,737,600 | - | (1,737,600) A | -100% |
| 461 Campus Activity | 36,200 | 1,019 | 1,019 | - | 0% |
| Total Provided by Local | <u>1,937,800</u> | <u>1,819,336</u> | <u>81,736</u> | <u>(1,737,600)</u> | <u>-96%</u> |
| State Support | | | | | |
| 240 School Lunch Matching | 1,500 | 2,937 | 2,937 | - | 0% |
| 410 Instructional Materials Allotment | 181,715 | 5,134 | 5,134 | - | 0% |
| 420 Foundation School Program | 11,167,023 | 12,775,674 | 12,947,212 | 171,538 | 1% |
| 429 State-Funded Special Revenue | - | 42,560 | 42,560 | - | 100% |
| Total Provided by State | <u>11,350,238</u> | <u>12,826,305</u> | <u>12,997,843</u> | <u>171,538</u> | <u>1%</u> |
| Federal Support | | | | | |
| 211 Title I, Part A Imp Basic Program | 660,000 | 649,749 | 649,749 | - | 0% |
| 224 IDEA B Formula-Special Ed. | 229,209 | 163,111 | 163,111 | - | 0% |
| 225 IDEA B Formula-Pre-K-K Sped | 7,071 | - | - | - | N/A |
| 240 NSLP & Breakfast | 346,100 | 308,234 | 308,234 | - | 0% |
| 255 Title II, Part A-Teacher/Principal Developmt | 46,236 | 52,466 | 52,466 | - | 0% |
| 263 Title III, Pt A-English Lang Acquisition (LEP) | 31,524 | 35,971 | 35,971 | - | 0% |
| 266 ESSER Grant from CARES Act | - | 123,108 | 123,108 | - | 0% |
| 277 Coronavirus Relief - PPRP | - | 135,511 | 135,511 | - | 0% |
| 289 Title IV, Part A, ESSA | 35,179 | 52,224 | 52,224 | - | 0% |
| 420 TDEM Coronavirus Relief Fund | - | 207,346 | 207,346 | - | 0% |
| 420 Paycheck Protection Program | - | - | 1,737,600 | 1,737,600 A | N/A |
| Total Provided by Federal | <u>1,355,319</u> | <u>1,727,720</u> | <u>3,465,320</u> | <u>1,737,600</u> | <u>101%</u> |
| TOTAL REVENUES AND OTHER SUPPORT | <u>14,643,357</u> | <u>16,373,361</u> | <u>16,544,899</u> | <u>171,538</u> | <u>1%</u> |
| EXPENDITURES | | | | | |
| 11 Instruction | 5,452,608 | 4,474,042 | 4,510,961 | (36,919) | -1% |
| 13 Curriculum Development and Instructional Staff Development | 797,436 | 809,516 | 809,516 | - | 0% |
| 21 Instructional Leadership | 80,700 | 255 | 255 | - | 0% |
| 23 School Leadership | 1,071,500 | 1,257,482 | 1,257,482 | - | 0% |
| 31 Guidance, Counseling and Evaluation Svcs | 294,020 | 203,990 | 203,990 | - | 0% |
| 33 Health Services | 266,975 | 243,872 | 243,872 | - | 0% |
| 34 Student Transportation | 106,350 | 39,347 | 39,347 | - | 0% |
| 35 Food Services | 760,295 | 490,259 | 492,074 | (1,815) | 0% |
| 36 Co-Curricular | 145,205 | 20,346 | 20,346 | - | 0% |
| 41 General Administration | 1,044,350 | 651,422 | 651,422 | - | 0% |
| 51 Plant Maintenance and Operations | 2,997,530 | 2,875,642 | 2,875,642 | - | 0% |
| 52 Security and Monitoring Services | 90,940 | 85,774 | 85,774 | - | 0% |
| 53 Data Processing Services | 516,300 | 653,169 | 655,660 | (2,491) | 0% |
| 61 Community Services | 10,150 | 15,274 | 15,274 | - | 0% |
| 71 Debt Service | 1,008,800 | 1,035,401 | 1,035,401 | - | 0% |
| 81 Fundraising | - | 174 | 174 | - | 0% |
| TOTAL EXPENDITURES | <u>14,643,159</u> | <u>12,855,965</u> | <u>12,897,190</u> | <u>(41,225)</u> | |
| INCREASE (DECREASE) IN NET ASSETS BEFORE EXTRAORDINARY ITEM | <u>198</u> | <u>3,517,396</u> | <u>3,647,709</u> | | |
| TOTAL OPERATING BUDGET | <u>14,643,357</u> | <u>16,373,361</u> | <u>16,544,899</u> | | |
| EXTRAORDINARY ITEM | <u>-</u> | <u>(14,621)</u> | <u>(14,621)</u> | | |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | <u>\$ 198</u> | <u>\$ 3,502,775</u> | <u>\$ 3,633,088</u> | | |

**EAGLE ADVANTAGE SCHOOLS, INC.
DISCUSSION OF BUDGET VARIANCES
FOR THE YEAR ENDED AUGUST 31, 2021**

The following is a discussion of the budget comparison variances:

A The PPP Loan forgiveness was reclassified as Federal Revenue during the audit.

EAGLE ADVANTAGE SCHOOLS, INC.
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
FOR THE YEAR ENDED AUGUST 31, 2021

| Description | Property Address | Total Assessed Value | Ownership Interest - Local | Ownership Interest - State | Ownership Interest - Federal |
|---------------------------------|--|-------------------------------------|---------------------------------------|---------------------------------------|---|
| BLK 6962; TR 7 | 4010 Joseph Hardin Dr Dallas, TX 75236 | \$ 920,000 | \$ - | \$ 920,000 | \$ - |
| EAS; BLK 4/6962 LT 1A ACS 3.172 | 4011 Joseph Hardin Dr Dallas, TX 75236 | 7,034,399 | - | 7,034,399 | - |
| Country Creek Addition | 4019 Joseph Hardin Dr Dallas, TX 75236 | - | - | - | - |
| BLK C/6962 LT 3 ACS 2.90 | 955 Freetown Rd Grand Prairie, TX 75051 | 10,470,145 | - | 10,470,145 | - |
| Eagle Advantage | 618 W Wheatland Rd Duncanville, TX 75116 | 1,081,204 | - | 1,081,204 | - |
| LT 2 ACS 8.94 | 614 W Wheatland Rd Duncanville, TX 75116 | 571,799 | - | 571,799 | - |
| Duncanville Ind Dist 4th Inst | 540 W Pioneer Pkwy Grand Prairie, TX, 75051 | 2,529,258 | - | 2,529,258 | - |
| PT LOT D LOT 3 2.1416 AC | 300 W Pioneer Pkwy Grand Prairie, TX 75051 | 2,529,258 | - | 2,529,258 | - |
| Duncanville Industrial Dist 4 | | <u>2,529,258</u> | <u>-</u> | <u>2,529,258</u> | <u>-</u> |
| BLK D TR 3.2 ACS 0.5959 | | \$ 25,136,062 | \$ - | \$ 25,136,062 | \$ - |
| Sharpston Heights 1 | | | | | |
| BLK 1 LT 6.1 ACS 4.5914 | | | | | |
| Evangel Temple | | | | | |
| BLK 1 LT 1 ACS 7.024 | | | | | |

EAGLE ADVANTAGE SCHOOLS, INC.
SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED AUGUST 31, 2021

| <u>Related Party Name</u> | <u>Name of Relation to the Related Party</u> | <u>Relationship</u> | <u>Type of Transaction</u> | <u>Description of Terms and Conditions</u> | <u>Source of Funds Used</u> | <u>Payment Frequency</u> | <u>Total Paid During FY</u> | <u>Principal Balance Due</u> |
|-------------------------------|--|-----------------------|----------------------------|--|-----------------------------|--------------------------|-----------------------------|------------------------------|
| Heart & Home (Spouse Name) | Zielke, Jerry (Board Member) | Board Member's Spouse | Financial | Mentoring program | State | One-Time | \$ 21,600 | \$ - |

EAGLE ADVANTAGE SCHOOLS, INC.
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
FOR THE YEAR ENDED AUGUST 31, 2021

| Related Party Name | Name of Relation to the Related Party | Relationship | Compensation or Benefit | Payment Frequency | Description | Source of Funds Used | Total Paid During FY |
|---------------------------|--|---|------------------------------------|------------------------------|--------------------|---------------------------------|---------------------------------|
| McDonald, Angela (1) | Various | Spouse (2); Parent (3,4); Sibling (5); In-Law (6) | Compensation | Monthly | Salary | State | \$ 140,000 |
| McDonald, Kevin (2) | Various | Spouse (1); Parent (3,4); In-Law (5,6) | Compensation | Monthly | Salary | State | \$ 101,500 |
| McDonald, Tyler (3) | Various | Child (1,2); Sibling (4); Nephew (5); Spouse (6) | Compensation | Monthly | Salary | State | \$ 60,000 |
| McDonald, Brittany (4) | Various | Child (1,2); Sibling (3); Niece (5); In-Law (6) | Compensation | Monthly | Salary | State | \$ 46,000 |
| Busalacchi, Sherri (5) | Various | Sibling (1); In-Law (2); Aunt (3,4) | Compensation | Monthly | Salary | State | \$ 65,975 |
| McDonald, Esther (6) | Various | Spouse (3); In-Law (1,2,4) | Compensation | Monthly | Salary | State | \$ 36,000 |