

**EAGLE ADVANTAGE SCHOOLS, INC.  
dba ADVANTAGE ACADEMY  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
AUGUST 31, 2019**

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**EAGLE ADVANTAGE SCHOOLS, INC.**  
**AUGUST 31, 2019**

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, 2019, at a meeting of the Board of Directors of such charter school on the 18th day of December, 2019.

  
\_\_\_\_\_  
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, 2019, 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, 2019, 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 27-30) 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 26), 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 18, 2019, 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 18, 2019

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 5,922,531
Certificates of Deposit	656,000
Due from State Agencies	761,483
Other Receivables	2,147
Prepaid Expenses	136,803
<b>TOTAL CURRENT ASSETS</b>	<b><u>7,478,964</u></b>

**CAPITAL ASSETS**

Capital Assets (non-depreciable)	
Land	2,194,590
Capital Assets (depreciable)	
Buildings and Equipment	31,043,146
Less Accumulated Depreciation	(8,233,690)
<b>TOTAL CAPITAL ASSETS (NET)</b>	<b><u>25,004,046</u></b>

**NONCURRENT ASSETS**

Bond Issuance Costs (net)	478,295
Restricted Cash:	
Cash for Project Account 2015A	7
Cash for Project Account 2015B	375
Cash for Future Debt Service for Bond Series 2015B	330,350
Cash for Current Debt Service for Bond Series 2014	109,686
Cash for Current Debt Service for Bond Series 2015	50,623
<b>TOTAL OTHER ASSETS</b>	<b><u>969,336</u></b>

**TOTAL ASSETS**

**\$ 33,452,346**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 246,332
Due to Governments-Sales Tax Payable	2,032
Accrued Wages and Tax Liabilities	646,137
Other Accrued Expenses	221
Accrued Interest Payable	44,429
Current Portion of Long Term Debt - Bonds	665,000
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>1,604,151</u></b>

**LONG TERM LIABILITIES**

Bonds Payable (net of discounts/premiums)	24,064,433
<b>TOTAL LONG TERM LIABILITIES</b>	<b><u>24,064,433</u></b>

**TOTAL LIABILITIES**

**25,668,584**

**NET ASSETS**

Without Donor Restrictions	485,409
With Donor Restrictions	7,298,353
<b>TOTAL NET ASSETS</b>	<b><u>7,783,762</u></b>

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 33,452,346**

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, 2019**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUES AND OTHER SUPPORT</b>			
Local Support	\$ 428,366	\$ -	\$ 428,366
State Support:			
420 FSP Per Capita		613,298	613,298
420 Foundation School Program		13,608,530	13,608,530
420 Other Foundation School Prg Act		8,235	8,235
410 Textbook & Kinder Materials		158,419	158,419
Total Provided by State		14,388,482	14,388,482
Federal Support:			
211 Title I, Part A		308,811	308,811
224 IDEA B Formula-Special Ed.		237,325	237,325
240 National School Breakfast Program		79,748	79,748
240 National School Lunch Program		408,089	408,089
255 Title II, Part A-Teacher/Principal Development		32,319	32,319
263 Title III - Immigrant		16,775	16,775
289 Summer School LEP		2,503	2,503
289 Emergency Impact Aid		2,121	2,121
289 Title IV Part A, ESSA		11,795	11,795
Total Provided by Federal		1,099,486	1,099,486
Net transfers that met restrictions	15,095,522	(15,095,522)	-
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>15,523,888</b>	<b>392,446</b>	<b>15,916,334</b>
<b>EXPENDITURES</b>			
11 Instruction	6,314,790	-	6,314,790
13 Curriculum Development and Instructional Staff Development	896,485	-	896,485
21 Instructional Leadership	75,995	-	75,995
23 School Leadership	1,063,788	-	1,063,788
31 Guidance, Counseling and Evaluation Svcs	158,518	-	158,518
33 Health Services	235,323	-	235,323
34 Student Transportation	88,930	-	88,930
35 Food Services	743,107	-	743,107
36 Co-Curricular	103,699	-	103,699
41 General Administration	1,014,547	-	1,014,547
51 Plant Maint and Operations-Non Depreciation	1,780,283	-	1,780,283
51 Plant Maint and Oper-Depreciation Only	1,184,324	-	1,184,324
52 Security and Monitoring Services	125,060	-	125,060
53 Data Processing Services	450,832	-	450,832
61 Parental Involvement	60,218	-	60,218
71 Debt Service	1,094,444	-	1,094,444
<b>TOTAL EXPENDITURES</b>	<b>15,390,343</b>	<b>-</b>	<b>15,390,343</b>
INCREASE (DECREASE) IN NET ASSETS BEFORE EXTRORDINARY ITEM	133,545	392,446	525,991
EXTRAORDINARY ITEM - GAIN FROM INSURANCE CLAIMS	-	6,533	6,533
TOTAL INCREASE (DECREASE) IN NET ASSETS	133,545	398,979	532,524
BEGINNING NET ASSETS AT SEPTEMBER 1, 2018	351,864	6,899,374	7,251,238
<b>ENDING NET ASSETS AT AUGUST 31, 2019</b>	<b>\$ 485,409</b>	<b>\$ 7,298,353</b>	<b>\$ 7,783,762</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, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 525,991
Adjustments to reconcile change in net assets to cash provided	
Depreciation and Amortization	1,153,467
(Increase) Decrease in Due from State Agencies	15,548
(Increase) Decrease in Due from Federal Agencies	65,221
(Increase) Decrease in Other Current Assets/Receivables	(23,479)
Increase (Decrease) in Accounts Payable	(781,352)
Increase (Decrease) in Accrued Expenses & Tax Liabilities	(144,377)
Increase (Decrease) in Other Accrued Expenses	167
Increase (Decrease) in Accrued Interest	(1,256)
Extraordinary Losses from Lightning/Wind Damage	(72,684)
Net cash provided (used) by operating activities	<u>737,246</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash Paid for Capital Assets	(438,586)
Investment in Treasury Bills	(1,744,741)
Redemption of Treasury Bills	1,744,741
Cash Received from Insurance Proceeds	109,352
Redemption of Certificates of Deposit	705,000
Net Cash provided (used) by investing activities	<u>375,766</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on Debt Principal	(635,000)
Net cash provided (used) by financing activities	<u>(635,000)</u>

Net increase (decrease) in cash and cash equivalents	478,012
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Cash and Cash equivalents, Beginning of Year	<u>5,935,560</u>
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<b>CASH AND CASH EQUIVALENTS, AUGUST 31, 2019</b>	<b><u>\$ 6,413,572</u></b>
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*Reconciliation with the Statement of Financial Position - Cash and Restricted Cash*

Cash and Cash Equivalents	\$ 5,922,531
Restricted Cash:	
Cash for Project Account 2015A	7
Cash for Project Account 2015B	375
Cash for Future Debt Service for Bond Series 2015B	330,350
Cash for Current Debt Service for 2014 Bonds	109,686
Cash for Current Debt Service for Bond Series 2015	50,623
	<u>\$ 6,413,572</u>
Cash paid for Interest	<u>\$ 1,095,146</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, 2019**

**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, 2019 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, 2019 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, 2019**

**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*

\$5,614 of accrued vacation payable was recorded for vacation that was earned but not taken as of August 31, 2019. The earned vacation will be used during the fiscal year ending August 31, 2020.

*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, 2019, net assets without donor restrictions are \$485,409.
- 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, 2019, donor restricted net assets are \$7,298,353.

*Revenue and Support*

Contributions are reported as with or without donor restriction, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor support in the reporting period in which the support is recognized. When a restriction expires, net assets with donor support are reclassified to net assets without support and reported in the statement of activities as net assets released from restrictions.

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**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 2019. 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 2015.

*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.

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.

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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

*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, 2019. 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.

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

Cash at August 31, 2019 is comprised of \$1,500 cash on hand and \$5,921,031 deposited with financial institutions. \$491,040 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	5,921,031
Restricted Deposits at Financial Institutions	491,040
<i>Total Cash and Cash Equivalents</i>	<u>\$ 6,413,571</u>
Cash Insured by the FDIC	\$ 500,000
Other Protection (Pledged Securities)	5,768,498
<i>Unprotected Cash Balances</i>	<u>\$ 145,073</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 \$656,000 at August 31, 2019. The certificate of deposit balances are fully insured by the FDIC.

**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, 2019, 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, 2019**

**NOTE 3 – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY (CONTINUED)**

Financial assets at year end:

Cash and cash equivalents	\$ 5,922,531
Restricted cash - bond covenants	491,041
Certificates of deposit	656,000
Due from state/federal agencies	761,483
Other receivables	2,147
Prepaid expenses	136,803
Total financial assets	<u>7,970,005</u>

Less financial assets not available for general expenditure:

Cash contractually restricted for debt service	<u>(491,041)</u>
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Total financial assets available to meet general expenditure \$ 7,478,964

**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, 2019:

Non-Depreciable Assets:

Land	\$ 2,194,590
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Depreciable Assets:

Buildings and Improvements	28,737,827
Vehicles, Machinery, and Equipment	<u>2,305,319</u>

Total Property, Plant, and Equipment	<u>33,237,736</u>
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Less Accumulated Depreciation	<u>(8,233,690)</u>
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Property, Plant, and Equipment, Net	<u>\$ 25,004,046</u>
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Depreciation Expense	<u>\$ 1,184,324</u>
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**EAGLE ADVANTAGE SCHOOLS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**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>. \$823,250 of interest was paid during fiscal year 2019.

Principal totaling \$470,000 was due and paid for fiscal year 2019. 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.

**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
2020	\$ 490,000	\$ 799,750	\$ 1,289,750
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
2025-2029	3,370,000	3,088,750	6,458,750
2030-2034	4,150,000	2,313,250	6,463,250
2035-2039	5,170,000	1,287,500	6,457,500
2040-2041	2,435,000	147,000	2,582,000
Total	<u>\$17,820,000</u>	<u>\$10,594,200</u>	<u>\$ 28,414,200</u>

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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

Series 2015A

On December 16, 2015, an agreement was entered into between the Charter School and Northeast Higher Education Facilities Corporation (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>. \$63,000 of interest was paid during fiscal year 2019.

Principal totaling \$45,000 was due and paid for fiscal year 2019. 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 Corporation (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>. \$210,150 of interest was paid during fiscal year 2019.

Principal totaling \$120,000 was due and paid for fiscal year 2019. 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.

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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

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

Fiscal Years	Series 2015A Bonds		
	Principal	Interest	Total
2020	\$ 50,000	\$ 61,200	\$ 111,200
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
2025-2029	320,000	229,400	549,400
2030-2034	380,000	160,600	540,600
2035-2039	465,000	78,200	543,200
2040-2041	105,000	4,200	109,200
Total	<u>\$ 1,530,000</u>	<u>\$ 758,200</u>	<u>\$ 2,288,200</u>

Fiscal Years	Series 2015B Bonds		
	Principal	Interest	Total
2020	\$ 125,000	\$ 205,350	\$ 330,350
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
2025-2029	835,000	808,250	1,643,250
2030-2034	1,055,000	578,750	1,633,750
2035-2039	1,350,000	286,500	1,636,500
2040-2041	310,000	15,500	325,500
Total	<u>\$ 4,210,000</u>	<u>\$ 2,664,950</u>	<u>\$ 6,874,950</u>

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

Fiscal Years	All Bonds		Total Bond
	Principal	Interest	Debt Service
2020	\$ 665,000	\$ 1,066,300	\$ 1,731,300
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
2025-2029	4,525,000	4,126,400	8,651,400
2030-2034	5,585,000	3,052,600	8,637,600
2035-2039	6,985,000	1,652,200	8,637,200
2040-2041	2,850,000	166,700	3,016,700
Total	<u>\$23,560,000</u>	<u>\$ 14,017,350</u>	<u>\$ 37,577,350</u>

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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

The following summarizes Charter School bonds payable activity for the year ended August 31, 2019:

	August 31, 2018			August 31, 2019
	Balance	Additions	Reductions	Balance
Bonds - Series 2014A	\$ 18,290,000	\$ -	\$ (470,000)	\$ 17,820,000
Bonds - Series 2015A	1,575,000	-	(45,000)	1,530,000
Bonds - Series 2015B	4,330,000	-	(120,000)	4,210,000
	<u>\$ 24,195,000</u>	<u>\$ -</u>	<u>\$ (635,000)</u>	<u>\$ 23,560,000</u>

Total fiscal year 2019 bond interest incurred is \$1,095,146.

*Reconciliation with Statement of Financial Position Presentation:*

Current Portion of Bonds Payable - 2014, 2015	\$ 665,000
Long-term Portion of Bonds Payable - 2014	17,330,000
Long-term Portion of Bonds Payable - 2015	5,565,000
2014 A Bond Premiums (net of \$282,355 acc. amortization)	1,242,362
2015 A Bond Premiums (net of \$4,204 acc. amortization)	25,221
2015 B Bond Discounts (net of \$16,359 acc. amortization)	(98,150)
Total Long-term debt:	<u>\$ 24,729,433</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, 2019.

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**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: [https://www.trs.texas.gov/pages/about\\_legislative\\_reports\\_trscare.aspx](https://www.trs.texas.gov/pages/about_legislative_reports_trscare.aspx).

The System's comprehensive annual financial report and other required disclosure information are available on the Teacher Retirement System website at the following link: [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2019.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2019.pdf).

System Information:

System Name:	Teacher Retirement System of Texas	
Zone Status of the Charter School:	Unknown	
State-wide System Assets:	\$157,978,199,075	
System Accumulated Benefit Obligations:	\$209,961,325,288	
System Percent Funded:	75.24%	
Contribution Rates:	<u>2018</u>	<u>2019</u>
Members	7.7%	7.7%
Non-Employer Contributing Entity (State):	6.8%	6.8%
Employers:	6.8%	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' 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 2019, 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, 2019. The Charter School's contributions for the years ending August 31, 2019, 2018, and 2017, were \$125,181, \$129,447, and \$130,201, respectively.

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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

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 6.8% of the Charter School's covered payroll. Charter employees' contributions to the System for the years ending August 31, 2019, 2018, and 2017 were \$642,544, \$664,575, and \$668,406, respectively. The Charter School's contributions for the years ending August 31, 2019, 2018, and 2017, were \$83,400, \$79,324, and \$100,312, respectively.

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 2019, 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 1.0% for federally funded covered payroll. Charter School employees' contributions to the System for the years ending August 31, 2019, 2018, and 2017, were \$54,241, \$56,100, and \$56,423, respectively. The Charter School's contributions for the years ending August 31, 2019, 2018, and 2017, were \$62,586 \$64,738, and \$47,744, 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, 2019, employees of the Charter School were covered by a health insurance plan (the Plan). The Charter School contributed between \$225 and \$494 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, 2019, the copier lease agreements have total minimum monthly payments of \$14,594 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 \$954 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. Monthly payments are made in the amount of \$441.

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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

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 \$40 per pre-kindergarten through eighth grade student, per month (based upon average daily enrollment) plus utilities.

The schedule of future operating lease commitments at August 31, 2019 is as follows:

Year	<u>Equipment</u>	<u>Realty</u>
2020	\$ 170,962	\$ 162,000
2021	169,130	-
2022	155,453	-
	<u>\$ 495,545</u>	<u>\$ 162,000</u>

Total rental and lease expenses for fiscal year 2019 are \$431,563.

**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, 2019, there are 13 employees who are related to another employee, a spouse, parent, or sibling. Included is the CEO/Superintendent (board member) whose sister, husband, son, and daughter were also employed by the Charter School during fiscal year 2019. There are also 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 in dollar amounts (less than \$200). Receipts are required for reimbursement.

**EAGLE ADVANTAGE SCHOOLS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

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

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 \$155,601.

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	\$6,230,483	\$ 300,538	\$ 457,158	\$ 223,096	\$ -	\$ 7,211,275
Instructional and School Leadership	1,100,876	5,223	26,554	7,129	-	1,139,782
Student Support Services	777,675	44,717	470,119	37,067	-	1,329,578
Community Services	28,714	-	715	30,789	-	60,218
	8,137,748	350,478	954,546	298,081	-	9,740,853
Support Services:						
Administrative Support Services	674,218	248,366	29,167	62,797	-	1,014,548
Facilities and Related Services	647,307	1,365,247	174,157	1,353,788	1,094,443	4,634,942
	1,321,525	1,613,613	203,324	1,416,585	1,094,443	5,649,490
	<u>\$9,459,273</u>	<u>\$1,964,091</u>	<u>\$1,157,870</u>	<u>\$1,714,666</u>	<u>\$1,094,443</u>	<u>\$15,390,343</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.

**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, 2019, 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 18, 2019.

**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. 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 18, 2019



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

**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, 2019. 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, 2019.

## 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. 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 18, 2019

**EAGLE ADVANTAGE ACADEMY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

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

Financial Statements 2019

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There are no matters to report in this section.

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

There are no matters to report in this section.

**EAGLE ADVANTAGE ACADEMY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**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, 2019**

Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Agriculture			
<u>Passed through State Department of Education:</u>			
<b>Child Nutrition Cluster</b>			
National School Breakfast Program	10.553	71401801	\$ 79,748
National School Lunch Program	10.555	71301801	408,089
<b>Total Child Nutrition Cluster</b>			<b>487,837</b>
<b>Total passed through United States Department of Agriculture</b>			<b>487,837</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	237,325
<b>Total Special Education Cluster</b>			<b>237,325</b>
 Title I, Part A - Grants To Local Education Agencies	 84.010A	 19610101057806	 308,811
Title II, Part A - Supporting Effective Instruction State Grant	84.367A	19694501057806	32,319
Temporary Emergency Impact Aid for Displaced Students	84.938C	51271901	2,121
LEP Summer School	84.369A	69551802	2,503
<b>Subtotal</b>			<b>345,754</b>
<b>Subtotal passed through State Department of Education</b>			<b>583,079</b>
<u>Passed Through Education Service Center Region 10:</u>			
Title III, Part A - English Language Acquisition State Grants	84.365A	19671001057950	16,775
Title IV - Student Support and Academic Enrichment Program	84.424	19680101057950	11,795
<b>Subtotal passed through Education Service Center Region 10</b>			<b>28,570</b>
<b>Total United States Department of Education</b>			<b>611,649</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,099,486</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, 2019. 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, 2019.

**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, 2019**

<b>Expenditures</b>		<b>2019</b>
6100	Payroll Costs	\$ 9,459,272
6200	Professional and Contracted Services	1,964,091
6300	Supplies and Materials	1,157,870
6400	Other Operating Costs	1,714,666
6500	Debt	1,094,443
	Total Expenditures	<u>\$ 15,390,342</u>

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**SCHEDULE OF CAPITAL ASSETS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

	Ownership Interest		
	Local	State	Federal
Cash and Cash Equivalents	\$ 488,492	\$ 5,434,039	\$ -
Restricted Cash for Project Accounts	382	-	-
Restricted Cash for Current Debt Service	160,308	-	-
Restricted Cash for Future Debt Service	330,350	-	-
Certificates of Deposit	-	656,000	-
Land	-	2,194,590	-
Buildings and Improvements	-	22,492,023	-
Furniture and Equipment	-	229,283	88,150
Total Property and Equipment	<u>\$ 979,532</u>	<u>\$ 31,005,935</u>	<u>\$ 88,150</u>

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**BUDGET COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

<b>REVENUES AND OTHER SUPPORT</b>	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	<b>VARIANCE</b>	
Local Support					
199 Unrestricted	\$ 170,000	\$ 205,000	\$ 241,847	\$ 36,847	A
240 NSLP & Breakfast (local activity)	80,000	55,000	61,761	6,761	B
420 Earnings from Temporary Deposits	55,500	80,500	94,022	13,522	C
461 Campus Activity	36,000	26,000	30,736	4,736	D
Total Provided by Local	341,500	366,500	428,366	61,866	
State Support					
240 School Lunch Matching	4,000	4,000	3,924	(76)	
410 Instructional Materials Allotment	-	154,000	154,495	495	
420 Foundation School Program	14,500,000	14,250,000	14,230,063	(19,937)	
Total Provided by State	14,504,000	14,408,000	14,388,482	(19,518)	
Federal Support					
211 Title I, Part A Imp Basic Program	465,093	465,093	308,811	(156,282)	E
224 IDEA B Formula-Special Ed.	253,424	253,424	237,325	(16,099)	E
225 IDEA B Formula-Pre-K Sped	2,024	2,024	-	(2,024)	E
240 NSLP & Breakfast	600,000	550,000	487,837	(62,163)	F
255 Title II, Part A-Teacher/Principal Developmt	49,617	49,617	32,319	(17,298)	E
263 Title III, Pt A-English Lang Acquisition (LEP)	33,545	33,545	16,775	(16,770)	E
289 Summer School LEP	-	-	2,503	2,503	
289 Emergency Impact Aid	-	-	2,121	2,121	
289 Title IV, Part A, ESSA	31,903	35,341	11,795	(23,546)	E
Total Provided by Federal	1,435,606	1,389,044	1,099,486	(289,558)	
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>16,281,106</b>	<b>16,163,544</b>	<b>15,916,334</b>	<b>(247,210)</b>	
<b>EXPENDITURES</b>					
11 Instruction	6,692,307	6,518,252	6,314,792	203,460	
13 Curriculum Development and Instructional Staff Development	956,515	944,641	896,485	48,156	
21 Instructional Leadership	84,570	83,170	75,995	7,175	
23 School Leadership	1,350,527	1,255,101	1,063,788	191,313	G
31 Guidance, Counseling and Evaluation Svcs	172,371	174,721	158,518	16,203	
33 Health Services	273,190	263,836	235,323	28,513	G
34 Student Transportation	80,492	96,602	88,930	7,672	
35 Food Services	784,347	774,234	743,106	31,128	
36 Co-Curricular	173,830	178,830	103,699	75,131	H
41 General Administration	876,017	997,209	1,014,547	(17,338)	
51 Plant Maintenance and Operations	3,292,789	3,099,657	2,964,606	135,051	
52 Security and Monitoring Services	-	175,000	125,060	49,940	I
53 Data Processing Services	438,854	435,994	450,832	(14,838)	
61 Community Services	31,725	66,725	60,218	6,507	J
71 Debt Service Financial Consulting	5,000	1,099	-	1,099	K
71 Debt Service (2014 Series - Interest & Amortization Expense)	780,105	809,281	809,281	-	
71 Debt Service (2015 Series - Interest & Amortization Expense)	285,438	285,163	285,163	-	
<b>TOTAL EXPENDITURES</b>	<b>16,278,077</b>	<b>16,159,515</b>	<b>15,390,343</b>	<b>769,172</b>	
INCREASE (DECREASE) IN NET ASSETS BEFORE EXTRORDINARY ITEM	3,029	4,029	525,991	15,394,372	
EXTRAORDINARY ITEM - GAIN FROM INSURANCE CLAIMS	-	-	6,533	(6,533)	
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 3,029</b>	<b>\$ 4,029</b>	<b>\$ 532,524</b>	<b>\$ 15,387,839</b>	

**EAGLE ADVANTAGE SCHOOLS, INC.**  
**DISCUSSION OF BUDGET VARIANCES**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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

- A There were more local-district level activities than anticipated in the budget.
- B The local payments for lunch sales were higher than anticipated in the budget.
- C The local actual interest revenue realized was higher than anticipated in the budget.
- D There were more local-campus level activities than anticipated in the budget.
- E Federal grants were rolled forward to accomplish grant objectives in 2019-2020.
- F Food service federal revenue was lower than anticipated in the budget.
- G Positions were not filled as originally anticipated in the budget.
- H Campus level actual costs were lower than anticipated in the budget.
- I Security costs were lower than anticipated in the budget.
- J Community Service costs were lower than anticipated in the budget.
- K Debt Service financial consulting was not used in the budget.