

EOAC
Board of Trustees

Subject: **EOAC Annual Independent Audit**

Presented for: Action X Report Only

Background Information

Head Start agencies are required to have an annual independent audit. The purpose of the audit is to determine whether:

- (a) the organization's financial reports are accurate;
 - (b) the organization is complying with the terms and conditions of the Head Start Act; and
 - (c) the organization has and follows appropriate financial and administrative procedures.
- The audit report includes the opinion letter, financial statements, and any findings identified by the auditor. (Sec. 642(c)(1)(E)(iv)(V)(aa)(VII)(cc)(dd); Sec.642(d)(2)(E); Sec. 647 (c)(2))

Recommendation

Approve the EOAC Annual Independent Audit.

Contact Person

Brenda Sanchez, EOAC CFO

Date Submitted

June 21, 2023 – EOAC Head Start Policy Council

June 26, 2023 – EOAC Governing Body

**ECONOMIC OPPORTUNITIES ADVANCEMENT
CORPORATION OF PLANNING REGION XI**
(A Texas Nonprofit Corporation)

**Combined Financial Statements and
Independent Auditor's Report**

For the Year Ended August 31, 2022

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**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI
(A Texas Nonprofit Corporation)**

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**McConnell
Jones**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Economic Opportunities Advancement Corporation
Of Planning Region XI

Opinion

We have audited the accompanying combined financial statements of the Economic Opportunities Advancement Corporation of Planning Region XI ("EOAC"), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of EOAC as of August 31, 2022, 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 (US GAAP).

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of EOAC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EOAC's ability to continue as a going concern for within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of

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not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EOAC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EOAC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining financial statements on pages 20 through 23 are presented for purposes of additional analysis and are not a required part of the basic combined financial statements of EOAC. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is also not a required part of the financial statements of EOAC. 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.



McConnell
Jones

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of EOAC'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 EOAC's internal control over financial reporting and compliance.

McConnell & Jones

Houston, Texas
March 30, 2023

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI**
(A Texas Nonprofit Corporation)

COMBINED STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2022

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 5,153,566
Grants/Contracts Receivable	3,460,509
Other Receivables	12,038
Inventory	1,693
Prepaid Expenses	148,363
Total Current Assets	<u>8,776,169</u>

Noncurrent Assets:

Property and Equipment:	
Buildings and Land	8,367,146
Equipment	841,645
Vehicles	579,819
Accumulated Depreciation	<u>(3,610,184)</u>
Total Noncurrent Assets	<u>6,178,426</u>
TOTAL ASSETS	<u><u>\$ 14,954,595</u></u>

LIABILITIES AND NET ASSETS:

Current Liabilities:

Accounts Payable	\$ 1,254,854
Other Payables	11,144
Accrued Salaries	871,003
Accrued Annual Leave	126,332
Deferred Revenue	3,025,464
Long-Term Debt - Current Portion	<u>50,224</u>
Total Current Liabilities	<u>5,339,021</u>

Noncurrent Liabilities:

Long-Term Debt	1,649,776
Total Liabilities	<u>6,988,797</u>

NET ASSETS:

Without donor restrictions	2,815,611
With donor restrictions	<u>5,150,187</u>
Total Net Assets	<u>7,965,798</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 14,954,595</u></u>
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The accompanying notes are an integral part of this combined financial statement.

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**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI**
(A Texas Nonprofit Corporation)

**COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES AND GAINS:</u>			
Federal Grants	\$ -	\$ 28,000,185	\$ 28,000,185
State Grants	-	2,174,005	2,174,005
Miscellaneous Grants/Contracts	-	468,540	468,540
Interest Income	-	2,468	2,468
Other	2,513,545	-	2,513,545
In-Kind - Nonfinancial assets	-	1,790,823	1,790,823
Net Assets Released from Restrictions:			
Satisfaction of Program Requirements	31,553,595	(31,553,595)	-
Total Revenues and Gains	<u>34,067,140</u>	<u>882,426</u>	<u>34,949,566</u>
<u>EXPENSES AND LOSSES:</u>			
Program Services:			
Child Care and Development	10,170,259	-	10,170,259
Community/Emergency Services	17,757,475	-	17,757,475
Weatherization	783,210	-	783,210
School	2,960,847	-	2,960,847
Supporting Services:			
Management and General	<u>972,872</u>	<u>-</u>	<u>972,872</u>
Total Expenses	<u>32,644,663</u>	<u>-</u>	<u>32,644,663</u>
Loss	14,778	-	14,778
Change in Net Assets	1,407,699	882,426	2,290,125
NET ASSETS, BEGINNING OF YEAR	<u>1,407,912</u>	<u>4,267,761</u>	<u>5,675,673</u>
NET ASSETS, END OF YEAR	<u>\$ 2,815,611</u>	<u>\$ 5,150,187</u>	<u>\$ 7,965,798</u>

The accompanying notes are an integral part of this combined financial statement.

ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI
(A Texas Nonprofit Corporation)

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022

	Program Services		
	Child Care and Development	Community/ Emergency Services	Weatherization
EXPENSES:			
Salaries & Wages	\$ 4,282,254	\$ 495,167	\$ 110,915
Administrative Salaries	211,015	7,919	338
Fringe Benefits	949,753	83,490	23,179
Administrative Fringe Benefits	30,775	883	-
Contractual Services	94,768	53,597	-
Travel/Transportation	36,381	4,513	13,255
Supplies and Materials	498,576	56,774	399,424
Food	237,799	-	-
Printing & Reproduction	9,835	1,941	2,325
Professional Services	70,975	11,200	1,823
Telephone	40,807	-	-
Insurance	58,543	6,913	3,307
Training	68,297	-	-
Labor	-	-	160,844
Space and Utilities	386,473	59,838	9,751
Publications, Dues, and Fees	-	145,106	-
Repairs & Maintenance	409,292	1,714	3,824
Direct Services	46,495	15,329,892	-
Other	-	-	839
Administrative Costs	-	-	1,101
In-Kind	1,790,822	866,978	-
Indirect Costs	824,123	619,569	52,285
Depreciation	123,276	11,981	-
TOTAL EXPENSES	\$ 10,170,259	\$17,757,475	\$ 783,210

The accompanying notes are an integral part of this combined financial statement.

Program Services		Supporting Services		
School		Fundraising	Management and General	Total
\$	1,632,031	\$ -	\$ 592,208	\$ 7,112,575
	-	-	-	219,272
	222,363	-	220,604	1,499,389
	-	-	-	31,658
	296,093	-	6,977	451,435
	4,936	-	4,682	63,767
	385,961	-	19,273	1,360,008
	80,684	-	-	318,483
	-	-	4,204	18,305
	107,422	-	4,187	195,607
	-	-	-	40,807
	33,225	-	888	102,876
	-	-	4,730	73,027
	-	-	-	160,844
	3,750	-	45,992	505,804
	5,382	-	-	150,488
	-	-	9,988	424,818
	-	-	-	15,376,387
	16,097	-	55,182	72,118
	-	-	-	1,101
	-	-	-	2,657,800
	84,845	-	-	1,580,822
	88,058	-	3,957	227,272
\$	2,960,847	\$ -	\$ 972,872	\$ 32,644,663

The accompanying notes are an integral part of this combined financial statement.

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI**
(A Texas Nonprofit Corporation)

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 2,290,125
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	227,272
Loss on Disposal	14,778
Changes in:	
Receivables	(1,431,779)
Other receivables	251,210
Prepaid Expenses	75,856
Accounts Payable	406,862
Other Payables	(387)
Accrued Expenses	(108,391)
Deferred Revenue	<u>1,955,178</u>
Total adjustments	<u>1,390,599</u>
Net Cash Provided by Operating Activities	<u>3,680,724</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisitions of Property and Equipment	<u>(3,337,529)</u>
Net Cash Used in Investing Activities	<u>(3,337,529)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Acquisition of Debt	<u>1,700,000</u>
Net Cash Provided by Financing Activities	<u>1,700,000</u>

Net Increase in Cash	2,043,195
Cash Balance, Beginning of Year	<u>3,110,371</u>
Cash Balance, End of Year	<u><u>\$ 5,153,566</u></u>

The accompanying notes are an integral part of this combined financial statement.

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI**
(A Texas Nonprofit Corporation)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Economic Opportunities Advancement Corporation of Planning Region XI (EOAC) is a nonprofit organization chartered by the State of Texas and organized for the purpose of providing community services in the counties of Bosque, Ellis, Falls, Freestone, Hill, Johnson, Limestone, McLennan, and Navarro. EOAC is funded principally through direct federal grants from the Department of Health and Human Services and various grants passed through Texas State Agencies. Local support is in the form of contributions and donated services. Activities include operating Head Start Centers for qualified children, operating a charter school, contracting with providers of day care services for children under Child Care Services, and the weatherization of personal residences.

Waco Charter School (School) is an unincorporated division of EOAC, a Texas non-profit corporation. EOAC and School, known collectively as the Organization. The purpose of School is to provide education for elementary school students who are at risk. The School is governed by a fifteen-member Board of EOAC (Board). The Board has governance responsibilities over all activities related to the education within the jurisdiction of the School. The Board is appointed and has the exclusive power and duty to govern and oversee the management of the School. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The School receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. The School only operates this single charter school and did not conduct any other charter or non-charter activities. The School utilizes an August 31 fiscal year end in accordance with requirement of TEA. In addition, the School has a separate independent audit. The results of the operations of the School for the year ended August 31, 2022 are included in the accompanying combined financial statements. Complete financial statements for the School year ended August 31, 2022 may be obtained from the EOAC administration office.

Basis of Accounting

The combined financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), codified by the Financial Accounting Standards Board (FASB) into Accounting Standards Codification (ASC).

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI**
(A Texas Nonprofit Corporation)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

Combined Financial Statements Presentation

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-210, net assets, revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of EOAC and changes therein are classified and reported as follows:

Net assets without donor restrictions— Net assets available for use in general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.

Net assets with donor restrictions— Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

In addition, EOAC is required by Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Not-for-Profit Entities-Presentation of Financial Statements*, to present statements of activities and cash flows.

When both restricted and unrestricted resources are available for use, it is the EOAC's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue Recognition

Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on the passage of time. Program income and other income are recognized the earlier of when received or when billed. Conditional promises to give cash or other assets are not recognized until received.

Texas Education Agency Financial Accountability Guide

For all federal and state programs, the School uses the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement to Financial Accountability System and Resource Guide* for nonprofit charter schools. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI**
(A Texas Nonprofit Corporation)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

and state financial assistance for the charter school received through the Texas Education Agency is generally accounted for in temporarily restricted net asset codes.

Cash

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Grants Receivable

Grants receivable represent pending reimbursements of program expenses incurred as of year-end, both billed and unbilled, and expected to be received from the funding sources in the subsequent year. Management considers such receivables at August 31, 2022 to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statements.

Pledges Receivable

Unconditional promises to give are recognized as revenues in the period received and as pledges receivable. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no pledge receivables not as of year-end August 31, 2022.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at their estimated fair value at the date of donation. Such donations are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain property and equipment are recorded as restricted contributions. Presently, the Organization does not have any assets which have donor-imposed restrictions.

Organization's policy is to capitalize all asset acquisitions with the useful life expectancy of greater than one year and with a cost of \$5,000 or greater. Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 30 years. Maintenance and repairs are charged to expense when incurred. Renewals and betterments that extend the useful lives of the assets are capitalized.

ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI
(A Texas Nonprofit Corporation)

NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Compensable Absences

Annual leave time are granted to the Organization employees. Under Organization's policy for non-school employees, annual leave is provided to full-time employees and generally accrues up to a maximum amount based on an employee's years of service. Full-time school employees do not earn annual leave. They accrue personal leave days, based on the number of days worked, up to a maximum of 5 workdays annually. Accrued, unused personal leave for full-time employees carries over from year to year, for a maximum accrual of twenty (20) days. These days may be transferrable to another school district in Texas, depending on the policies of the specific district involved. Upon termination, employees will not be paid for any personal leave accumulation. Annual leave which is not used annually or during the funding period up to one hundred sixty (160) hours may be used in the succeeding year. The maximum amount of accumulated annual leave an employee may carry forward at the beginning of any new program year is limited to one hundred sixty (160) hours. Any leave accumulated beyond this will be lost. Upon termination, employees (except employees who have been employed less than ninety (90) days will be paid for all unused annual leave up to a maximum of one hundred sixty (160) hours. As of August 31, 2022, the liabilities for personal leave benefits was \$126,332 for EOAC and is reflected in the accompanying statement of combined financial position.

Unearned Revenue

Unearned revenue represents amounts received by the Organization, which have not yet been earned. Such amounts are recognized as revenue when earned, generally when expenditures have been incurred for purposes specified, or other applicable donor-imposed condition has been met.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in with donor restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of combined 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 certain reported amounts of assets and liabilities and

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI**
(A Texas Nonprofit Corporation)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the Organization's combined financial statements relate primarily to the Foundation School Program revenue accrual which requires an estimate based on additional information provided to the State; the useful lives applied in asset depreciation, and; the functional allocation of expenses.

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying combined financial statements at their estimated values at date of receipt. The related expense is recognized as the item is used. Contribution of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time to Organization's program services and fundraising efforts. In-kind donations are generally valued by the donor and may be used by the Organization to satisfy Head State grant requirements for a 20 percent (20%) match by the done. In-kind nonfinancial assets contributions consisted of the following as of August 31, 2022:

Contributed Nonfinancial Assets				
Revenue Recognized		Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Salaries	\$ 1,192,631	Volunteers for program activities	Restricted for Head Start Early Head Start	Salaries are based upon position volunteered for
Fringe Benefits	\$ 282,436	Fringe Benefits for Volunteers	Restricted for Head Start Early Head Start	20% of Salaries
Rent	\$ 248,747	Donated space (Fair rental value minus rent payment)	Restricted for Head Start Early Head Start	Fair rental value minus rent payment
Supplies	\$ 67,009	Donations received for classroom/program activities	Restricted for Head Start Early Head Start	Actual value of donated supplies

Income Taxes

The Organization is a non-profit Organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities. For the year ended August 31, 2022, the Organization has determined that no income taxes are due for these activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an Organization that is not a private foundation under Section 509(a)(1) of the Code.

ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI
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NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of providing various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited in accordance with Organization's cost allocation plan. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

New Accounting Pronouncements

In February 2016, In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 – *Leases* (Topic 842), which supersedes existing guidance on leases and amends and supersedes a number of other paragraphs throughout the FASB ASC. This update will be effective for EOAC's 2023 annual financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. EOAC implemented the provisions of ASU 2020-07 for the year ended August 31, 2022. EOAC adopted ASU 2020-07 and included the required disclosures in the financial statements for the year ended August 31, 2022.

2. PROGRAM SERVICES

Program Services – All programs, services, activities and functions are governed by the Economic Opportunities Advancement Corporation's Board of Directors.

Child Care Services – CCS provides eligible families with information that will allow them to make informed choices of childcare arrangements.

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI
(A Texas Nonprofit Corporation)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

Community Services Block Grant – To provide CSBG funds to CSBG eligible entities, who will utilize funds for the reduction of poverty, the revitalization of communities, and the empowerment of low-income families and individuals to become fully self-sufficient.

Comprehensive Energy Assistance Program – CEAP is designed to assist low-income household in meeting their immediate energy needs and to encourage consumers to control energy costs for years to come through education. The CEAP involved integration of all LIHEAP-funded programs, thereby enhancing efficiency and effectiveness of services provided to clients and eliminating duplication of services.

Early Head Start – Provide low-income families, single women and pregnant teenagers with educational and social services for infants and toddlers 0-3 years of age.

Full Year Head Start – Provides educational, social, nutritional, health and transportation services for eligible families for children 3-5 years of age.

Waco Charter School – Provide quality education for every student pre-kindergarten through fifth grade to the extent that each student has the skills, knowledge, and values needed to become productive and contributing citizens.

Weatherization Department of Energy – Designed to help low-income customers control their energy costs through installation of weatherization materials and education. The program goal is to reduce the energy cost burden of low-income households through energy efficiency.

Weatherization Low Income Home Energy Assistance Program – WAP is designed to help low-income customers control their energy costs through installation of weatherization materials and education. The program goal is to reduce the energy cost burden of low-income household through energy efficiency.

3. CONCENTRATION OF CREDIT RISKS

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Organization will not be able to recover its deposits. Although the Organization does not have a formal deposit policy, it maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risks by maintaining deposits at institutions with demonstrated financial strength and through bank agreements with regards to pledging securities. Bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. The total cash maintained by the Organization in their banks as of August 31, 2022 which was subject to custodial credit risk was \$6,064,040, exceeded the FDIC

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS
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insured limit by \$5,564,040. However, these amounts were sufficiently collateralized as of August 31, 2022 in accordance with EOAC's agreement with Extraco Bank.

During the year ended August 31, 2022, the Organization recognized revenues of \$9,014,214 from the United States Department of Health and Human Services, which comprises 26% of its total support and revenue. Credit risk associated with grants receivable is minimal due to the credit worthiness of the federal, state, and local funding agencies.

4. OPERATING LEASES

The Organization leases office space and equipment under operating lease agreements with third parties.

The following is a schedule of future minimum lease payments under non-cancellable leases:

<u>Year ending August 31,</u>	
2023	\$ 315,517
2024	200,138
2025	166,608
2026	166,608
2027	<u>166,608</u>
Total	<u>\$ 1,015,479</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions amounting to \$5,625,549, as of August 31, 2022, and summarized below, represent contributions to the Organization, which the donors have restricted for use in future periods:

	<u>2022</u>
Purpose Restrictions:	
ERA 21	\$ 16,023
Head Start Program	1,852,879
Weatherization Program	72,110
Restricted Grant 70	111,238
Student Scholarship	14,022
Waco Charter School	<u>3,083,915</u>
Total temporarily restricted net assets	<u>\$ 5,150,187</u>

ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
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NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

6. MULTIEMPLOYER PENSION PLANS

The School contributes to the Teacher Retirement System of Texas (the "System" or "TRS"), a cost-sharing multiple employer defined benefit pension plan. Specific details related to the plan are disclosed in the School's audited financial statements for the year ended August 31, 2022.

7. DEFINED CONTRIBUTION PLAN

The Organization sponsors a qualified retirement plan under IRS section 403(b) for all employees working more than 1,500 hours. Contributions of 3% of employees' gross earnings are made to the plan each month. Employees are required to work one year to be eligible to participate in the plan. Enrollment occurs on the month following one year of service. The Organization made contributions to the 403(b) plan for the period May 1, 2020, to August 31, 2022 in the amount of \$45,434, equal to the required contributions for the period.

8. COMMITMENTS AND CONTINGENCIES

The Organization receives grants from Federal, State and local sources that are subject to review and audit by the funding sources. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of the grants/contracts. In the opinion of the Organization's management, such disallowances, if any, would not be significant in relation to the combined financial statements of the Organization.

The School participates in grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

The Organization receives a significant portion of its revenue from funds provided through federal grants. These amounts are all appropriated each year by the federal government. If significant budget cuts are made at the federal or state level, the amount of the funds received could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

9. LONG-TERM DEBT

On July 13, 2022, EOAC executed a loan agreement with a financial institution to finance the purchase of real estate and make ready improvements. The sum of \$1.7 million was outstanding on the loan as of August 31, 2022. The loan has an annual interest rate of 5.1%, a monthly payment of \$11,314, and matures August 1, 2032. The loan is secured on the property located at 1800 N Valley Mills Drive.

Future maturities of the long-term debt consist of the following:

Year ending:	
August 31, 2023	\$ 50,224
August 31, 2024	52,846
August 31, 2025	55,605
August 31, 2026	58,508
August 31, 2027	61,563
Thereafter	<u>1,421,254</u>
	<u>\$ 1,700,000</u>

10. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash	\$ 5,153,566
Receivables	<u>3,460,509</u>
	<u>\$ 8,614,075</u>

A majority of their cash is related to Waco Charter School. Per the Texas Education Agency, Foundation School Program revenues should be classified as revenue with donor restrictions. However, the funds do not have time restriction, but must be used for education purposes in accordance with State law. As such, part of their cash and receivables that are due from the State are available for use for educational purposes. EOAC monitors cash on a daily basis. All investments shall comply with the Public Funds Investment Act. The primary objective of investing for operating funds is to ensure that anticipated cash flows are matched with adequate investment liquidity.

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 30, 2023, the date combined financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, as a result of this evaluation.

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SUPPLEMENTARY INFORMATION

ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI
(A Texas Nonprofit Corporation)

COMBINING STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2022

	CSBG Fund 20	ERA 21	Head Start Fund 50	HS Parent Policy Council Fund 59	WAP Fund 60
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 345,601	\$ -	\$ -	\$ 26,013	\$ 61,758
Grants/Contracts Receivable	693,168	1,682,392	645,723	-	74,344
Other Receivables	-	-	-	-	-
Due From Other Funds	-	-	304,379	2	42,311
Inventory	-	-	-	-	-
Prepaid Expenses	35,367	-	82,719	-	26,230
Total Current Assets	1,074,136	1,682,392	1,032,821	26,015	204,643
Noncurrent Assets:					
Property and Equipment:					
Buildings and Land	-	-	3,449,004	-	-
Equipment	-	-	576,345	-	-
Vehicles	59,903	-	466,786	-	53,130
Accumulated Depreciation	(35,941)	-	(2,420,880)	-	(53,130)
Total Noncurrent Assets	23,962	-	2,071,255	-	-
TOTAL ASSETS	1,098,098	1,682,392	3,104,076	26,015	204,643
LIABILITIES AND NET ASSETS:					
Current Liabilities:					
Accounts Payable	325,061	607,854.00	120,568	\$ -	42,660
Other Payables	-	-	-	-	-
Due to Other Funds	579,062	1,058,944	-	-	-
Accrued Salaries	31,170	(429)	645,213	-	8,417
Accrued Annual Leave	41,390	-	72,972	-	6,285
Deferred Revenue	135,550	-	412,444	26,015	75,171
Long-Term Debt - Current Portion	-	-	-	-	-
Total Current Liabilities	1,112,233	1,666,369	1,251,197	26,015	132,533
Noncurrent Liabilities:					
Long-Term Debt	-	-	-	-	-
Total Liabilities	1,112,233	1,666,369	1,251,197	26,015	132,533
NET ASSETS:					
Without donor restrictions	(14,135)	-	-	-	-
With donor restrictions	-	16,023	1,852,879	-	72,110
Total Net Assets	(14,135)	16,023	1,852,879	-	72,110
TOTAL LIABILITIES AND NET ASSETS	\$ 1,098,098	\$ 1,682,392	\$ 3,104,076	\$ 26,015	\$ 204,643

ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI
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COMBINING STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2022

Restricted Grant 70	Indirect Cost Pool 90	Unrestricted Surplus 91	WCS 92	Student Scholarship 93	EOAC Total	Waco Charter School	Elimination Entry	Total
\$2,616,614	\$ 477,317	\$ 423,677	\$ -	\$ 18,739	\$ 3,969,719	\$ 1,183,847	\$ -	\$ 5,153,566
-	1,585.00	-	-	2.00	3,097,214	363,295	-	3,460,509
-	520	4,284	-	-	4,804	7,234	-	12,038
-	1,175,440	-	-	-	1,522,132	1,094,447	(2,616,579)	-
-	-	-	-	-	-	1,693	-	1,693
-	4,034	13	-	-	148,363	-	-	148,363
<u>2,616,614</u>	<u>1,658,896</u>	<u>427,974</u>	<u>-</u>	<u>18,741</u>	<u>8,742,232</u>	<u>2,650,516</u>	<u>(2,616,579)</u>	<u>8,776,169</u>
-	2,069,278	-	-	-	5,518,282	2,848,864	-	8,367,146
-	-	26,380	-	-	602,725	238,920	-	841,645
-	-	-	-	-	579,819	-	-	579,819
-	-	(26,380)	-	-	(2,536,331)	(1,073,853)	-	(3,610,184)
-	2,069,278	-	-	-	4,164,495	2,013,931	-	6,178,426
<u>2,616,614</u>	<u>3,728,174</u>	<u>427,974</u>	<u>-</u>	<u>18,741</u>	<u>12,906,727</u>	<u>4,664,447</u>	<u>(2,616,579)</u>	<u>14,954,595</u>
-	(150,965.00)	169,501	-	-	\$ 1,114,679	140,175	\$ -	\$ 1,254,854
-	-	-	-	2,528	2,528	59,679	-	62,207
196,108	-	-	49,305	-	1,883,419	733,160	(2,616,579)	-
-	30,173	-	3,741	-	718,285	101,655	-	819,940
-	-	-	-	-	120,647	5,685	-	126,332
2,309,268	9	-	-	2,191	2,960,648	64,816	-	3,025,464
-	50,224	-	-	-	50,224	-	-	50,224
<u>2,505,376</u>	<u>(70,559)</u>	<u>169,501</u>	<u>53,046</u>	<u>4,719</u>	<u>6,850,430</u>	<u>1,105,170</u>	<u>(2,616,579)</u>	<u>5,339,021</u>
-	1,649,776	-	-	-	1,649,776	-	-	1,649,776
<u>2,505,376</u>	<u>1,579,217</u>	<u>169,501</u>	<u>53,046</u>	<u>4,719</u>	<u>8,500,206</u>	<u>1,105,170</u>	<u>(2,616,579)</u>	<u>6,988,797</u>
-	2,148,957	258,473	(53,046)	-	2,340,249	475,362	-	2,815,611
111,238	-	-	-	14,022	2,066,272	3,083,915	-	5,150,187
<u>111,238</u>	<u>2,148,957</u>	<u>258,473</u>	<u>(53,046)</u>	<u>14,022</u>	<u>4,406,521</u>	<u>3,559,277</u>	<u>-</u>	<u>7,965,798</u>
<u>\$2,616,614</u>	<u>\$ 3,728,174</u>	<u>\$ 427,974</u>	<u>\$ -</u>	<u>\$ 18,741</u>	<u>\$12,906,727</u>	<u>\$ 4,664,447</u>	<u>\$(2,616,579)</u>	<u>\$ 14,954,595</u>

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
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**COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022**

	EOAC Health Plan Fund 15	CSBG Fund 20	ERA 21	CCS Vendor Fund 30	CCS Operating Fund 31	Head Start Fund 50	WAP Fund 60
REVENUES AND GAINS:							
Federal Grants	\$ -	\$ 9,474,253	\$ 7,911,121	\$ -	\$ -	\$ 9,014,214	\$ 711,622
State Grants	-	-	-	-	-	-	-
Miscellaneous Grants/Contracts	-	373,989	-	-	-	-	94,551
Interest Income	74	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Transfer In	26,736	-	-	-	-	-	-
In-Kind	-	-	-	-	-	1,790,823	-
Total Revenues and Gains	26,810	9,848,242	7,911,121	-	-	10,805,037	806,173
EXPENSES AND LOSSES:							
Program Services:							
Child Care and Development	\$ -	\$ -	\$ -	\$ -	\$ 5,198	\$ 10,165,061	\$ -
Community/Emergency Services	-	9,862,377	7,895,098	-	-	-	-
Weatherization	-	-	-	-	-	-	783,210
Housing	-	-	-	-	-	-	-
School	-	-	-	-	-	-	-
Supporting Services:							
Fundraising	-	-	-	-	-	-	-
Transfer Out	-	-	-	1,204	25,228	-	-
Management and General	115,563	-	-	-	-	-	-
Total Expenses and Losses	115,563	9,862,377	7,895,098	1,204	30,426	10,165,061	783,210
Losses	-	-	-	-	-	-	-
Change in Net Assets	(88,753)	(14,135)	16,023	(1,204)	(30,426)	639,976	22,963
NET ASSETS, BEGINNING OF YEAR	88,753	-	-	1,204	30,426	1,212,903	49,147
NET ASSETS, END OF YEAR	\$ -	\$ (14,135)	\$ 16,023	\$ -	\$ -	\$ 1,852,879	\$ 72,110

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI
(A Texas Nonprofit Corporation)**

**COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022**

Restricted Grant 70	HOME Fund 80	Indirect Cost Pool 90	Unrestricted Surplus 91	WCS 92	Student Scholarship 93	EOAC Total	Waco Charter School	Eliminating Entry	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,111,210	\$ 888,975		\$ 28,000,185
-	-	-	-	-	-	-	2,174,005		2,174,005
-	-	-	-	-	-	468,540	-		468,540
976	-	-	618	-	-	1,668	800		2,468
-	-	2,456,724	29,812	-	-	2,486,536	27,009		2,513,545
-	-	-	5,026	-	-	31,762	-	(31,762)	-
-	-	-	-	-	-	1,790,823	-		1,790,823
976	-	2,456,724	35,456	-	-	31,890,539	3,090,789	(31,762)	34,949,566
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,170,259	\$ -		\$ 10,170,259
-	-	-	-	-	-	17,757,475	-		17,757,475
-	-	-	-	-	-	783,210	-		783,210
-	-	-	-	-	-	-	-		-
-	-	-	-	-	-	-	2,960,847		2,960,847
-	-	-	-	-	-	-	-		-
-	5,330	-	-	-	-	31,762	-	(31,762)	-
-	-	793,340	11,542	52,427	-	972,872	-		972,872
-	5,330	793,340	11,542	52,427	-	29,715,578	2,960,847	(31,762)	32,644,663
-	14,778	-	-	-	-	14,778			14,778
976	(20,108)	1,663,384	23,914	(52,427)	-	2,160,183	129,942	-	2,290,125
110,262	20,108	485,573	234,559	(619)	14,022	2,246,338	3,429,335	-	5,675,673
\$ 111,238	\$ -	\$ 2,148,957	\$ 258,473	\$ (53,046)	\$ 14,022	\$ 4,406,521	\$ 3,559,277	\$ -	\$ 7,965,798

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SINGLE AUDIT SECTION

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**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022**

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass Through Grantor or Grant Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Head Start	93.600	06CH01097503	\$ 6,378,451
COVID-19 - Head Start	93.600	06HE00084101C5	28,853
Head Start	93.600	06HE00084101C6 - ARP	842,929
COVID-19 - Head Start	93.600	06CH0109750	2,910,278
Total Head Start Cluster			10,160,511
Total Direct Program			10,160,511
Passed Through the Texas Department of Housing and Community Affairs			
LIHEAP Weatherization	93.568	81210003420	271,138
LIHEAP Weatherization	93.568	81200003612	340,438
Comprehensive Energy Assistance Program	93.568	25210003544	110,151
Comprehensive Energy Assistance Program	93.568	34210003681	69,221
Comprehensive Energy Assistance Program	93.568	70300001015	293,701
Comprehensive Energy Assistance Program	93.568	58210003390	2,113,813
Comprehensive Energy Assistance Program	93.568	58200003159	2,987,052
Comprehensive Energy Assistance Program	93.568		3,242,259
Community Services Block Grant	93.569	61210003451	318,823
Community Services Block Grant	93.569	61220003643	353,286
Total Passed Through the Texas Department of Housing and Community Affairs			10,099,882
Total Passed Through the Heart of Texas Workforce Development Board			10,099,882
Passed Through Texas Workforce Commission			
COVID-19 Child Care Relief Fund	93.498	N/A	20,977
Total Passed Through the Heart of Texas Workforce Development Board			20,977
Total U. S. Department of Health and Human Services			20,281,370
U. S. DEPARTMENT OF ENERGY			
Passed Through the Texas Department of Housing and Community Affairs			
Weatherization Assistance for Low-Income Persons	81.042	56210003515	97,169
Weatherization Assistance for Low-Income Persons	81.042	56220003762	
Total Passed Through the Texas Department of Housing and Community Affairs			97,169
Total U. S. Department of Energy			97,169
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through the Texas Education Agency:			
* National School Breakfast Program	10.553	71401701	50,146 ***
* School Lunch Program	10.555	71301701	104,688 ***
Total Child Nutrition Cluster*			154,834
Total Passed Through the Texas Education Agency			154,834
Passed Through the Texas Department of Agriculture:			
Child and Adult Care Food Program	10.558	75-G1007	359,475
Child and Adult Care Food Program	10.558	75-G1007	177,294
Commodity Supplemental Food Program	10.565	N/A	2,981
Total Food Distribution Cluster**			539,750
Total Passed Through the Texas Department of Agriculture			539,750
Total U. S. Department of Agriculture			694,584
U. S. DEPARTMENT OF TREASURY			
Passed Through McLennan County, Texas:			
COVID-19 Emergency Rental Assistance Program 1	21.023	N/A	4,115,743
COVID-19 Emergency Rental Assistance Program 2	21.023	N/A	3,779,355
Total Passed Through the Texas Education Agency			7,895,098
Total U.S. Department of Treasury			\$ 7,895,098

The accompanying notes are an integral part of this schedule of expenditures of federal awards.

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
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(A Texas Nonprofit Corporation)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022**

U. S. DEPARTMENT OF EDUCATION

Passed Through Texas Education Agency:				
ESEA Title I Part A	84.010A	S010A210043	\$	98,408
COVID-19 ESSER Grant	84.425D	S425D210042		221,551
COVID-19 ESSER III Grant	84.425U	S425U210042		313,015
*** IDEA - Part B, Formula	84.027A	H027A210008		53,836
*** IDEA-B Formula, ARP	84.027X	H027X210008		10,691
*** IDEA - Part B, Preschool	84.173A	H173A210004		4,680
*** IDEA - Part B, Preschool ARP	84.173X	H173X210004		1,504
ESEA Title II Part A	84.367A	S367A200041		12,982
LEP Summer School	84.369A	S369A190045		1,476
Title IV, Part A, Subpart I	84.424A	S424A210045		4,416
ELC Reopening Schools	93.323	HHS001114100001		8,601
Total Passed Through the Texas Education Agency				<u>731,160</u>
Total U.S. Department of Education				<u>731,160</u>
TOTAL FEDERAL EXPENDITURES			\$	<u>29,699,381</u>

**** Waco Charter School
*** Special Education Cluster

Federal expenditures per SEFA	\$	29,699,381
Deferred revenue recognized in current year for CCS		226,884
Depreciation deduction		(135,257)
Add for Fixed Assets		
Less In-Kind Expense		<u>(1,790,823)</u>
Total Expenses		<u>28,000,185</u>
Total federal revenue per statement of activities	\$	<u>28,000,185</u>

The accompanying notes are an integral part of this schedule of expenditures of federal awards.

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI**
(A Texas Nonprofit Corporation)

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes federal grant activities of EOAC under programs of the federal government for the year ended August 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of Organization's operations, they are not intended to and do not present the financial position, changes in net assets, and cash flows of EOAC as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. RELATIONSHIP OF THE SCHEDULE TO FINANCIAL REPORTS SUBMITTED TO GRANTOR AGENCIES

Amounts reflected in the financial reports filed with grantor agencies for the programs and the Schedule may not agree because of accruals which would be included in the next report filed with the agencies, matching requirements not included in the Schedule and different program year ends.

4. COMMITMENTS AND CONTINGENCIES

Federal grants received by EOAC are subject to review and audit by grantor agencies. Organization's management believes that the results of such audits will not have a material effect on the Schedule.

5. ELECTION TO USE 10% DE MINIMIS INDIRECT COST RATE

Economic Opportunity Advancement Corporation has elected to use the 10% de minimis indirect cost rate allowed under uniform guidance.

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McConnell
Jones

**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Economic Opportunities Advancement Corporation of Planning Region XI

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 the Economic Opportunities Advancement Corporation of Planning Region XI ("EOAC"), which comprise the combined statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether EOAC's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Houston, Texas
March 30, 2023



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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Economic Opportunities Advancement Corporation of Planning Region XI

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Economic Opportunities Advancement Corporation of Planning Region XI's ("EOAC") compliance with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of EOAC's major federal programs for the year ended August 31, 2022, EOAC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, EOAC 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of EOAC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of EOAC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance

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with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to EOAC's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on EOAC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about EOAC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding EOAC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of EOAC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of EOAC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a



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type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

McConnell & Jones

Houston, Texas
March 30, 2023

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI**
(A Texas Nonprofit Corporation)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022**

PART 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified? | No |
| c) Noncompliance material to the financial statements noted? | No |

Federal Awards Section

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified that is not considered to be a material weakness? | No |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed, which are required to be reported in accordance with 2 CFR Section 200.516(a)? | No |
| 4. Identification of major programs: | |

<u>Federal – Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.023	COVID-19 Emergency Rental Assistance Program 1
21.023	COVID-19 Emergency Rental Assistance Program 2

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B federal programs: | \$890,981 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.520? | Yes |

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI**
(A Texas Nonprofit Corporation)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022**

PART II – FINDINGS - FINANCIAL STATEMENT AUDIT

This section identifies the significant deficiencies, material weaknesses, and instances of fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards require reporting under 2 CFR Section 200.515(d)(2).

No findings reported.

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
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(A Texas Nonprofit Corporation)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022**

PART III – FINDINGS - FEDERAL AWARDS SECTION

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any abuse findings involving federal awards that are material to a major program.

No findings reported.

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI**
(A Texas Nonprofit Corporation)

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CURRENT STATUS
FOR THE YEAR ENDED AUGUST 31, 2022**

None for the fiscal year ended August 31, 2021.