

**WACO CHARTER SCHOOL**

**An Unincorporated Division of Economic  
Opportunities Advancement Corporation of  
Planning Region XI  
(A Texas Nonprofit Organization)**

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

**Years Ended August 31, 2019 and 2018**

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**WACO CHARTER SCHOOL**  
(A Texas Nonprofit Organization)

**Years Ended August 31, 2019 and 2018**

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**WACO CHARTER SCHOOL**

**(Co.-Dist. Number: 161-801)**

**Certificate of Board**

We, the undersigned, certify that the attached Financial and Compliance Report of the above named school district was reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2019, at a meeting of the governing body of the charter holder on the 21 day of January, 2020.

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Signature of Board Secretary

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Signature of Board President

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Waco Charter School

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Waco Charter School (the "School"), which comprise the statement of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 entity'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 entity'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 the School as of August 31, 2019 and 2018, and the changes in its net assets , functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules, as listed in the table of contents, as required by the Texas Education Agency, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2020, on our consideration of the School’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 School’s internal control over financial reporting and compliance.

Houston, Texas  
January 14, 2020



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**WACO CHARTER SCHOOL**  
(A Texas Nonprofit Organization)

**Statements of Financial Position**  
**August 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash	\$ 890,295	\$ 740,796
Due from Other Governments	195,998	179,169
Inventories	2,217	2,813
<b>Total Current Assets</b>	1,088,510	922,778
<b>Noncurrent Assets:</b>		
Land	120,000	120,000
Buildings and Improvements, Net	1,608,894	1,672,902
Furniture and Equipment, Net	9,327	11,194
<b>Total Noncurrent Assets</b>	1,738,221	1,804,096
<b>TOTAL ASSETS</b>	\$ 2,826,731	\$ 2,726,874
 <b>LIABILITIES AND NET ASSETS:</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 34,736	\$ 46,916
Accrued Liabilities	127,165	71,069
Deferred Revenue	6,137	6,137
<b>Total Current Liabilities</b>	168,038	124,122
<b>TOTAL LIABILITIES</b>	168,038	124,122
<b>Net Assets:</b>		
Without donor restrictions	1,028,656	1,005,162
With donor restrictions	1,630,037	1,597,590
<b>Total Net Assets</b>	2,658,693	2,602,752
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 2,826,731	\$ 2,726,874

**WACO CHARTER SCHOOL**  
(A Texas Nonprofit Organization)

**Statements of Activities**  
**For the Year Ended August 31, 2019**  
**(With comparative totals for 2018)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2019</b>	<b>2018</b>
<b>REVENUES:</b>				
Local and Intermediate Sources	\$ 23,494	\$ 9,780	\$ 33,274	\$ 30,457
State Program Revenues				
Foundation School Program	-	1,923,093	1,923,093	1,861,700
Other State Aid	-	30,000	30,000	54,706
Total State Program Revenues	-	1,953,093	1,953,093	1,916,406
Federal Program Revenues				
ESEA Title I, Part A	-	68,497	68,497	120,294
ESEA Title II, Part A Teacher/Principal Training	-	11,495	11,495	10,002
Child Nutrition	-	176,025	176,025	173,184
USDA Donated Commodities	-	12,055	12,055	12,217
Summer School LEP	-	11,252	11,252	10,807.00
IDEA-B Formula	-	50,753	50,753	49,648
IDEA-B Preschool	-	-	-	885
Total Federal Revenues	-	330,077	330,077	377,037
Net Assets Released from Restrictions:				
Restrictions satisfied by payments	2,260,503	(2,260,503)	-	-
<b>Total Revenues</b>	<b>2,283,997</b>	<b>32,447</b>	<b>2,316,444</b>	<b>2,323,900</b>
<b>EXPENSES:</b>				
Program Services:				
Instruction and Instructional-Related Services	1,183,084	-	1,183,084	1,293,273
Instructional and School Leadership	241,875	-	241,875	232,389
Support Services:				
Administrative Support Services	214,887	-	214,887	177,289
Support Services-Student (Pupil)	316,602	-	316,602	317,382
Support Services-Non-Student Based	304,055	-	304,055	201,168
Debt service	-	-	-	1,470
<b>Total Expenses</b>	<b>2,260,503</b>	<b>-</b>	<b>2,260,503</b>	<b>2,222,971</b>
<b>Change in Net Assets</b>	<b>23,494</b>	<b>32,447</b>	<b>55,941</b>	<b>100,929</b>
<b>Net Assets, Beginning of Year</b>	<b>1,005,162</b>	<b>1,597,590</b>	<b>2,602,752</b>	<b>2,501,823</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,028,656</b>	<b>\$ 1,630,037</b>	<b>\$ 2,658,693</b>	<b>\$ 2,602,752</b>

**WACO CHARTER SCHOOL**  
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**Statement of Functional Expenses**  
**For the Year Ended August 31, 2019**

	Program Services			Supporting Services						
	Instructional & Instructional- Related Services	Instructional & School Leadership	Total Program Services	Administrative Support Services	Support Services - Non- Student Based	Support Services - Student (Pupil)	Debt Service	Fundraising	Total Support Services	Total Expenditures
<b>EXPENSES:</b>										
Salaries and wages	\$ 842,905	\$ 143,332	\$ 986,237	\$ 32,584	\$ 28,516	\$ 74,370	\$ -	\$ -	\$ 135,470	\$ 1,121,707
Benefits	142,794	25,996	168,790	6,645	9,578	30,403	-	-	46,626	215,416
Total Payroll Expenses	985,699	169,328	1,155,027	39,229	38,094	104,773	-	-	182,096	1,337,123
Contract labor	3,487	-	3,487	35,162	-	87,622	-	-	122,784	126,271
Contracted Maintenance and Repair	-	-	-	-	27,846	-	-	-	27,846	27,846
Education Service Center	10,923	16,629	27,552	19,653	-	-	-	-	19,653	47,205
Utilities	-	-	-	-	72,774	-	-	-	72,774	72,774
Rent expense	-	-	-	3,629	9,202	-	-	-	12,831	12,831
Miscellaneous Contracted Services	51,744	13,054	64,798	74,110	68,235	9,959	-	-	152,304	217,102
Supplies and Materials for Maintenance and Operation	-	-	-	-	48,817	-	-	-	48,817	48,817
Instructional materials	7,749	-	7,749	-	-	-	-	-	-	7,749
Testing Materials	-	-	-	-	-	3,313	-	-	3,313	3,313
Food	-	-	-	-	-	97,298	-	-	97,298	97,298
Supplies and Materials—General	67,410	25,779	93,189	18,676	6,475	9,585	-	-	34,736	127,925
Travel	6,395	2,549	8,944	4,010	-	1,587	-	-	5,597	14,541
Insurance and bonding	3,487	-	3,487	10,997	23,954	-	-	-	34,951	38,438
Depreciation	40,725	8,546	49,271	6,618	7,521	2,465	-	-	16,604	65,875
Other	5,465	5,990	11,455	2,803	1,137	-	-	-	3,940	15,395
Total Non-payroll Expenses	197,385	72,547	269,932	175,658	265,961	211,829	-	-	653,448	923,380
<b>TOTAL EXPENSES</b>	<b>\$ 1,183,084</b>	<b>\$ 241,875</b>	<b>\$ 1,424,959</b>	<b>\$ 214,887</b>	<b>\$ 304,055</b>	<b>\$ 316,602</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 835,544</b>	<b>\$ 2,260,503</b>

**WACO CHARTER SCHOOL**  
(A Texas Nonprofit Organization)

**Statement of Functional Expenses**  
**For the Year Ended August 31, 2019**

	Program Services			Supporting Services						
	Instruction & Instructional- Related Services	Instructional & School Leadership	Total Program Services	Administrative Support Services	Support Services - Non- Student Based	Support Services - Student (Pupil)	Debt Service	Fundraising	Total Support Services	Total Expenditures
<b>EXPENSES:</b>										
Salaries and wages	\$ 861,055	\$ 141,382	\$ 1,002,437	\$ 47,828	\$ 28,370	\$ 73,223	\$ -	\$ -	\$ 149,421	\$ 1,151,858
Benefits	177,749	25,712	203,461	9,897	9,713	22,866	-	-	42,476	245,937
Total Payroll Expenses	1,038,804	167,094	1,205,898	57,725	38,083	96,089	-	-	191,897	1,397,795
Contract labor	-	-	-	8,230	-	104,973	-	-	113,203	113,203
Contracted Maintenance and Repair	-	-	-	-	17,898	-	-	-	17,898	17,898
Education Service Center	27,627	28,134	55,761	9,611	-	-	-	-	9,611	65,372
Utilities	-	-	-	-	69,380	-	-	-	69,380	69,380
Rent expense	-	-	-	2,609	7,698	-	-	-	10,307	10,307
Miscellaneous Contracted Services	37,223	6,517	43,740	64,747	36,657	6,630	-	-	108,034	151,774
Supplies and Materials for Maintenance and Operation	-	-	-	-	11,435	-	-	-	11,435	11,435
Instructional materials	12,989	-	12,989	-	-	-	-	-	-	12,989
Testing Materials	-	-	-	-	-	-	-	-	-	-
Food	-	-	-	-	-	94,790	-	-	94,790	94,790
Supplies and Materials—General	93,381	12,602	105,983	13,476	2,269	9,651	-	-	25,396	131,379
Travel	12,217	2,219	14,436	4,956	-	150	-	-	5,106	19,542
Insurance and bonding	922	-	922	2,048	5,325	-	-	-	7,373	8,295
Interest expense	-	-	-	-	-	-	1,470	-	1,470	1,470
Depreciation	67,268	14,116	81,384	10,932	12,423	5,099	-	-	28,454	109,838
Other	2,842	1,707	4,549	2,955	-	-	-	-	2,955	7,504
Total Non-payroll Expenses	254,469	65,295	319,764	119,564	163,085	221,293	1,470	-	505,412	825,176
<b>TOTAL EXPENSES</b>	<b>\$ 1,293,273</b>	<b>\$ 232,389</b>	<b>\$ 1,525,662</b>	<b>\$ 177,289</b>	<b>\$ 201,168</b>	<b>\$ 317,382</b>	<b>\$ 1,470</b>	<b>\$ -</b>	<b>\$ 697,309</b>	<b>\$ 2,222,971</b>

**WACO CHARTER SCHOOL**  
(A Texas Nonprofit Organization)

**Statements of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities:</b>		
State Grant Receipts	\$ 1,936,970	\$ 1,966,686
Federal Grant Receipts	330,077	377,037
Receipts from Miscellaneous Sources	32,429	29,251
Payments to Vendors for Goods and Service Rendered	(812,854)	(698,540)
Payments to Charter School Personnel for Service Rendered	(1,337,123)	(1,397,795)
Payments for Interest Expense	-	(1,470)
<b>Net Cash Provided by Operating Activities</b>	<b>149,499</b>	<b>275,169</b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition or Construction of Capital Assets	-	(492,393)
<b>Net Cash Used by Investing Activities</b>	<b>-</b>	<b>(492,393)</b>
<b>Cash Flows from Financing Activities:</b>		
Repayment on Long-term Debt	-	(33,381)
<b>Net Cash Used for Financing Activities</b>	<b>-</b>	<b>(33,381)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>149,499</b>	<b>(250,605)</b>
<b>Cash , Beginning of Year</b>	<b>740,796</b>	<b>991,401</b>
<b>Cash , End of Year</b>	<b>\$ 890,295</b>	<b>\$ 740,796</b>
<b>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Change in Net Assets	\$ 55,941	\$ 100,929
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	65,875	108,809
Change in Operating Assets and Liabilities:		
Due from Other Governments	(16,829)	49,074
Inventories	596	(475)
Other Assets	-	7,995
Accounts Payable and Accrued Liabilities	43,916	13,881
Deferred Revenue	-	(5,044)
Total Adjustments	<b>93,558</b>	<b>174,240</b>
Net Cash Provided by Operating Activities	<b>\$ 149,499</b>	<b>\$ 275,169</b>

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**WACO CHARTER SCHOOL**  
(A Texas Nonprofit Organization)

**Notes to the Financial Statements**

**August 31, 2019 and 2018**

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

The financial statements of Waco Charter School (the “School”) have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) in conjunction with the Texas Education Agency’s Financial Accountability System Resource Guide (“Resource Guide”).

Reporting Entity

The School is a part of Economic Opportunities Advancement Corporation of Planning Region XI (“EOAC”), a not-for-profit organization incorporated in the State of Texas and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The School is governed by a Board of Directors comprised of fifteen members. The Board is selected pursuant to the bylaws of EOAC and significantly influence operations. The Board has the primary accountability for the fiscal affairs of the School and EOAC.

Since the School received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

The School was organized to provide educational services to at-risk students and their programs, services, activities, and functions are governed by the School’s board of directors. EOAC operates a single charter school and did not conduct any other charter activities.

Basis of Accounting

The financial statements of the School 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”).

Financial Statement Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

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 the School 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.

**WACO CHARTER SCHOOL**  
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**Notes to the Financial Statements**  
**August 31, 2019 and 2018**

**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, the School 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 School’s policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

For financial statement purposes, the School considers all highly liquid investment instruments with an original maturity of three months or less from the date of purchase to be cash equivalents. The carrying value approximates fair value because of the short maturities of those financial instruments. The school did not have any cash equivalents as of August 31, 2019 and 2018.

Inventories and Prepaid Items

The School records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Building Improvements	10-40
Office Equipment	10

**WACO CHARTER SCHOOL**  
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**Notes to the Financial Statements**  
**August 31, 2019 and 2018**

Revenue Recognition

Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. State and federal grant revenues are recognized when services are rendered. State Foundation School Program revenues are recognized based on the reported student attendance. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on passage of time.

Standard Financial Accounting System

For all federal and state programs, the School used the net asset classes and codes specified by the Texas Education Agency (TEA) in the Special Supplement to Financial Accounting and Reporting, Nonprofit 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.

Contributions

All contributions are considered available for the School's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction time or purpose restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Services

The School recognizes contributed services at their fair value if the services provide value to the School and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors, as established by FASB ASC Topic 958-605. As of August 31, 2019 and 2018, the School did not receive any services that would meet the criteria for recognition in the financial statements as prescribed in FASB ASC 958-605.

Receivable and Payable Balances

The School believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates these balances.

There are no significant receivables which are not scheduled for collection within one year of year-end.

**WACO CHARTER SCHOOL**  
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**Notes to the Financial Statements**  
**August 31, 2019 and 2018**

Income Taxes

The School is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). Accordingly, income taxes are not provided for in the accompanying financial statements. In addition, the School 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.

The School applies the provisions of FASB ASC 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 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The School 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. . Generally, the School tax returns remain open for federal income tax examination for three years from the date of filing.

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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 School’s financial statements are related to the School’s estimate of revenue and receivable for the Foundation School Program, depreciation expense and the functional allocation of expenses.

Fair Value Measurements

The majority of the School’s current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument. Other financial instruments consist of long-term obligations. The fair value of long-term obligations is estimated based on current interest rates offered to the School for obligations with similar remaining maturities. The recorded value of the financial instruments approximated fair value as of August 31, 2019 and 2018.

New Accounting Pronouncement

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 the School’s 2021 annual financial statements. Management is currently evaluating the impact this update will have on the financial statements.

**WACO CHARTER SCHOOL**  
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**Notes to the Financial Statements**  
**August 31, 2019 and 2018**

In August 2016, the FASB issued ASU No, 2016-14, Not-for-Profit Entities (Topic 958), which amended the requirements for financial statements and notes for not-for-profit entities in order to improve the usefulness of information provided and reduce the complexities or costs for preparers or users of financial statements. This update will be effective for the Organization's 2019 financial statements. Management is currently evaluating the impact this update will have on the Organization's financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update provided clarified guidance on certain cash flow classification issues, and will be effective for the Organization's 2020 financial statements. Management is currently evaluating the impact this update will have on the Organization's financial statements.

**NOTE 2: DEPOSITS AND INVESTMENTS**

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the School will not be able to recover its deposits. The School maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risk by maintaining deposits at institutions with demonstrated financial strength. Balances in interest bearing accounts at the banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank.

As of August 31, 2019 and 2018, the combined carrying amount of the School's deposits (cash, and interest-bearing savings accounts) were \$890,295 and \$740,796, respectively. As of August 31, 2019 and 2018, the bank balance was \$959,318 and \$767,839, respectively. As of August 31, 2019 and 2018, the total cash maintained by the School in banks exceeded the FDIC insured limit by \$709,318 and \$267,839, respectively. However, these amounts were sufficiently collateralized as of August 31, 2019 and 2018 in accordance with EOAC's tri-lateral agreement with Bank of America and Bank of New York to mitigate custodial credit risk.

The State of Texas and Federal Government provided a total of 99% and 99% of the School's total revenues for the year ended August 31, 2019 and 2018, respectively, of which 84% and 82% was provided by the State of Texas. 98% and 97% of the total state funding or 83% and 80% of total revenue consists of Foundation School Program, FSP, income as of August 31, 2019 and 2018. Cash and cash equivalents reported in the statement of financial position is different from the cash and cash equivalents at banks due to outstanding checks and similar reconciling items.

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**Notes to the Financial Statements**

**August 31, 2019 and 2018**

**NOTE 3: CAPITAL ASSETS**

Capital assets acquired with public funds received by the School for the operation of the School constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets for the School.

Depreciation expense was \$65,875 and \$108,809 for the year ended August 31, 2019 and 2018, respectively, and is included in plant maintenance and operations on the statement of activities.

Capital assets as of August 31, 2019 and 2018 were as follows:

	2019	2018
Land	\$ 120,000	\$ 120,000
Buildings and improvements	2,327,795	2,327,795
Furniture and equipment	152,543	152,543
Total capital assets	2,600,338	2,600,338
Less: accumulated depreciation	(862,117)	(796,242)
Capital assets, net	\$ 1,738,221	\$ 1,804,096

**NOTE 4: NOTES PAYABLE**

The School entered into a note payable agreement with Bank of America for an original amount of \$384,000 in 2002 at interest rate of 8.5%. The loan matured and paid off in January 8, 2017. The School entered into another note payable agreement in 2003 with Bank of America for an original amount of \$202,000 at interest rate 7.77%. The loan was paid off in July of 2018.

**NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions for the years ending consisted of the following:

	2019	2018
Food Services	\$ 68,604	\$ 87,959
State Foundation Program	1,561,433	1,509,631
Total Restricted Funds	\$ 1,630,037	\$ 1,597,590

**NOTE 6: STATE FOUNDATION PROGRAM REVENUE**

The School's charter schools had 9 days of instruction in August 31, 2019. Based on the estimated State Foundation Program revenue for the 2019-2020 school year as provided by the

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**Notes to the Financial Statements**  
**August 31, 2019 and 2018**

Texas Education Agency, the School's charter schools earned \$113,218 of State Foundation Program revenue for these days of instruction. This revenue has been accrued at August 31, 2019 and will be received after September 1, 2019.

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

Plan Description

The School contributes to the Teacher Retirement System of Texas (the “System” or “TRS”), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. The System operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by downloading the report from the TRS internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701. Charters are legally separate entities from the state and each other. Assets contributed by one charter or ISD may be used for the benefit of an employee of another ISD or charter, and any unfunded obligations get passed on to the other charters and ISDs. There is no withdrawal penalty for leaving the TRS system.

The following present information about the School’s multiemployer pension plan as of and for the years ended August 31, 2019 and 2018:

<u>Name of Pension Fund</u>	EIN and Plan Number	Total Plan Assets (in thousands)		Accumulated Benefit Obligations (in thousands)		% funded	
		2019	2018	2019	2018	2019	2018
TRS	N/A	\$157,978,199	\$176,942,454	\$209,961,325	\$209,611,329	75.24%	73.74%

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**Notes to the Financial Statements**  
**August 31, 2019 and 2018**

The following presents information about the School’s involvement of such multiemployer pension plan for the years ended August 31, 2019 and 2018:

2019				
<u>Collective</u> <u>Bargaining</u> <u>Agreement</u>	<u>School's</u> <u>Contributions</u>	<u>More than 5%</u> <u>of Total</u> <u>Contributions</u>	<u>FIP/RP Status</u>	<u>Surcharge</u> <u>Imposed</u>
N/A	\$75,321	No	N/A	No
2018				
<u>Collective</u> <u>Bargaining</u> <u>Agreement</u>	<u>School's</u> <u>Contributions</u>	<u>More than 5%</u> <u>of Total</u> <u>Contributions</u>	<u>FIP/RP Status</u>	<u>Surcharge</u> <u>Imposed</u>
N/A	\$69,430	No	N/A	No

The School’s contributions to the plan did not represent more than 5% of the total contributions to the plan.

Funding Policy

Under provisions in State law, the System’s plan members are required to contribute 7.7% of their annual covered salary for TRS Retirement and 0.65% of their annual covered salary to TRS Care. The State of Texas contributes an amount equal to 6.80% of the covered payroll of the participating employees compensated with State funds for TRS Retirement for TRS Care. The School employees’ contributions to the TRS was \$76,665 and \$86,238, the School contribution to TRS Care was \$7,468 and \$8,409 for the years ended August 31, 2019 and 2018, respectively.

Under provisions in the State of Texas law, the School is required to pay a 0.55% administrative TRS entity fee, an entity payment of 1.5% for Non-OASDI members for covered salary and a 6.8% administrative TRS new member fee for the first three (3) months for each new TRS member working at the school. The School total administrative fee to the TRS was \$757 and \$665, \$14,413 and \$16,191, and \$13,122 and \$234, for TRS Entity Fee, TRS Entity Payment for Non-OASDI Members, and TRS New Member Fee, respectively for the years ending August 31, 2019 and 2018, respectively.

For payroll covered by federal government funded grants, the School is required to contribute to the defined benefit plan matching contribution amount of 6.80% to TRS Retirement and 1% for



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**Notes to the Financial Statements**  
**August 31, 2019 and 2018**

TRS Care for the charter school's covered payroll. The employer's contributions made to the TRS Retirement and TRS Care were \$4,322 and \$1,546, and \$2,213 and \$318, for the years ended August 31, 2019 and 2018, respectively.

The School contributes to 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 is twice a year, April and October, with participation beginning in July and January, respectively. The School made contributions to the 403(b) plan for the years ended August 31, 2019 and 2018 in the amount of \$10,133, and \$21,453 equal to the required contributions for each year.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

Contingencies

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.

Litigation

No reportable litigation was pending against the School at August 31, 2019.

**NOTE 10: RELATED ORGANIZATIONS**

As described in Note 1, the Waco Charter School was established to assist in providing educational services to at-risk students. The School is an unincorporated division of EOAC and subject to its control procedures. During the year ended August 31, 2019, the division reimbursed EOAC for administrative costs, which were primarily personnel costs for accounting and controllership. The EOAC fiscal year end is April 30<sup>th</sup> of each year.

**NOTE 11: BUDGETARY DATA**

The Board of Directors adopts an annual budget for the School. The School is required to present final amended budgeted revenues and expenditures along with the adopted budget. The School compares the final amended budget to actual revenues and expenses. However, due to the significant inflows and outflows of students from the programs, the budget must be amended on a regular basis. This has resulted in the variances between the original adopted budget and final amended budget presented on the Budgetary Comparison Schedule.

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**Notes to the Financial Statements**  
**August 31, 2019 and 2018**

Function 12 (Instructional Resources) contained a budget adjustment of -14% from the original budget. The decrease was primarily due to the need for supplies/materials was less than originally budgeted.

Function 13 (Curriculum Development & Staff Development) contained an increase of 77% from the original budget. The increase was primarily due to staff development was not in the original budget but was needed for the current year.

Function 31 (Counseling, Evaluation Services) contained a decrease of 19% from the original budget. The decrease was primarily due to funds from IDEA-B were used for contract services which decreased expenditures in fund 420.

Function 33 (Health Services) contained a budget adjustment of 167% from the original budget. The increase was primarily due to the board approving a staff position for on-site nurse what was not in the original budget.

Function 35 (Food Services) contained a budget adjustment of 15% from the original budget. The increase was primarily due the projected expenses coming out higher than originally budgeted.

Function 41 (General Administration) contained an increase of 14% from the original budget. The increase was primarily due to an increase in legal fees and payroll allocation being greater than originally budgeted.

Function 51 (Facilities Maintenance & Operations) contained an increase of 15% from the original budget. The adjustment was primarily due to increase in renovation and construction expenses.

Function 52 (Security and Monitoring Services) contained a decrease of 87% from the original budget. The decrease was primarily due to IT contracted services and supplies being less than originally budgeted.

Function 53 (Data Processing Services) contained a decrease of 20% from the original budget. The variance was primarily due technology upgrades budgeted but not enough time to properly procure before end of budget year.

Management's budget amendments have occurred to ensure that actual expenditures align with approved budgeted amount. EOAC continues to monitor its budget on a frequent basis and improve its initial estimate to reduce the need for significant changes to the original budget.

**NOTE 12: 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 and cash equivalents	\$ 890,295
Receivables	195,998
	<u>\$ 1,086,293</u>

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**Notes to the Financial Statements**  
**August 31, 2019 and 2018**

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, there are cash and receivables that are due from the State and are available for use for educational purposes. As part of WCS' liquidity management practice, we monitor the cash on daily and monthly basis.

**NOTE 13: SUBSEQUENT EVENTS**

The School has evaluated subsequent events through January 14, 2020, the date on which the financial statements were available to be issued.

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## **SUPPLEMENTARY INFORMATION**

**WACO CHARTER SCHOOL**  
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**Schedules of Expenses**  
**For the Years Ended August 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
EXPENSES		
6100 Payroll Costs	\$ 1,337,123	\$ 1,397,795
6200 Professional and Contracted Services	504,029	427,934
6300 Supplies and Materials	285,102	250,593
6400 Other Operating Costs	134,249	145,179
6500 Debt	-	1,470
	<u>                    </u>	<u>                    </u>
Total Expenses	<u>\$ 2,260,503</u>	<u>\$ 2,222,971</u>

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**Schedules of Capital Assets**  
**For the Years Ended August 31, 2019 and 2018**

	<b>2019</b>		
	Ownership Interest		
	Local	State	Federal
1510 Land and Improvements	\$ -	\$ 120,000	\$ -
1520 Buildings and Improvements	407,247	743,548	1,177,000
1539 Furniture and Equipment	30,536	117,157	4,850
Total Property and Equipment	<u>\$ 437,783</u>	<u>\$ 980,705</u>	<u>\$ 1,181,850</u>

	<b>2018</b>		
	Ownership Interest		
	Local	State	Federal
1510 Land and Improvements	\$ -	\$ 120,000	\$ -
1520 Buildings and Improvements	407,247	743,548	1,177,000
1539 Furniture and Equipment	30,536	117,157	4,850
Total Property and Equipment	<u>\$ 437,783</u>	<u>\$ 980,705</u>	<u>\$ 1,181,850</u>

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**Budgetary Comparison Schedule**  
**For the Year Ended August 31, 2019**

Data Control Codes	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 32,368	\$ 37,688	\$ 33,274	\$ (4,414)
5800	State Program Revenues	1,899,935	1,977,000	1,953,093	(23,907)
5900	Federal Program Revenues	321,093	379,135	330,077	(49,058)
	<b>Total Revenues</b>	<b>2,253,396</b>	<b>2,393,823</b>	<b>2,316,444</b>	<b>(77,379)</b>
<b>EXPENSES</b>					
Current:					
Instruction and Instructional Related Services:					
11	Instruction	1,090,972	1,193,595	1,138,051	55,544
12	Instructional Resources and Media Services	40,546	34,930	34,038	892
13	Curriculum and Staff Development	0	6,218	10,995	(4,777)
	<b>Total Instruction and Instructional Related Services</b>	<b>1,131,518</b>	<b>1,234,743</b>	<b>1,183,084</b>	<b>51,659</b>
Instructional and School Leadership:					
23	School Leadership	244,077	241,265	241,875	(610)
	<b>Total Instructional and School Leadership</b>	<b>244,077</b>	<b>241,265</b>	<b>241,875</b>	<b>(610)</b>
Support Services - Student (Pupil):					
31	Guidance, Counseling, and Evaluation Services	89,600	118,853	95,392	23,461
33	Health Services	1,500	4,000	3,995	5
	<b>Total Support Services - Student (Pupil)</b>	<b>91,100</b>	<b>122,853</b>	<b>99,387</b>	<b>23,466</b>
35	Food Services	188,753	217,496	217,215	281
	<b>Total Food Services</b>	<b>188,753</b>	<b>217,496</b>	<b>217,215</b>	<b>281</b>
Administrative Support Services:					
41	General Administration	187,180	188,680	214,887	(26,207)
	<b>Total Administrative Support Services</b>	<b>187,180</b>	<b>188,680</b>	<b>214,887</b>	<b>(26,207)</b>
Support Services - Nonstudent Based:					
51	Facilities Maintenance and Operations	211,325	242,325	264,736	(22,411)
52	Security and Monitoring Services	5,000	15,000	1,961	13,039
53	Data Processing Services	26,800	46,800	37,358	9,442
	<b>Total Support Services - Nonstudent Based</b>	<b>243,125</b>	<b>304,125</b>	<b>304,055</b>	<b>70</b>
	<b>Total Expenses</b>	<b>2,085,753</b>	<b>2,309,162</b>	<b>2,260,503</b>	<b>48,659</b>
	Change in Net Assets	167,643	84,661	55,941	(126,038)
	Net Assets, Beginning of Year	2,602,752	2,602,752	2,602,752	-
	<b>Net Assets, End of Year</b>	<b>\$ 2,770,395</b>	<b>\$ 2,687,413</b>	<b>\$ 2,658,693</b>	<b>\$ (126,038)</b>



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**Statement of Financial Position Combining Schedule**  
**For the Year Ended August 31, 2019**

<u>ASSETS:</u>	Without Donor Restrictions Net Assets (199)	ESEA Title I Part A (211)	Idea Part B, Formula (224)	Idea Part B, Preschool (225)	National School Breakfast and Lunch (240)	ESEA Title II, Part A (255)	Federally Funded Special Revenue Funds (289)	State Instructional Materials Fund (410)	Foundation School Program and other State Aid (420)	State Funded Special Revenue Funds (429)	Net Assets With Donor Restrictions (863)	Elimination Entry	Total
<b>Current Assets:</b>													
Cash and Cash Equivalents	\$ 10,674	\$ 20,401	\$ -	\$ -	\$ 47,427	\$ -	\$ -	\$ -	\$ 637,906	\$ -	\$ 173,887		\$ 890,295
Grants/Contracts Receivable	-	9,671	15,963	-	10,225	12,200	10,000	-	111,492	-	-		169,551
Other Receivables	-	-	-	-	16,884	-	-	-	9,563	-	-		26,447
Due From Other Funds	-	-	-	-	-	-	-	-	216,845	-	-	(216,845)	-
Inventory	-	-	-	-	2,217	-	-	-	-	-	-		2,217
<b>Total Current Assets</b>	<b>10,674</b>	<b>30,072</b>	<b>15,963</b>	<b>-</b>	<b>76,753</b>	<b>12,200</b>	<b>10,000</b>	<b>-</b>	<b>975,806</b>	<b>-</b>	<b>173,887</b>	<b>(216,845)</b>	<b>1,088,510</b>
<b>Noncurrent Assets:</b>													
Property and Equipment:													
Buildings and Land	-	-	-	-	-	-	-	-	2,447,795	-	-		2,447,795
Equipment	-	-	-	-	4,850	-	-	-	147,693	-	-		152,543
Accumulated Depreciation	-	-	-	-	-	-	-	-	(862,117)	-	-		(862,117)
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,850</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,733,371</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,738,221</b>
<b>TOTAL ASSETS</b>	<b>10,674</b>	<b>30,072</b>	<b>15,963</b>	<b>-</b>	<b>81,603</b>	<b>12,200</b>	<b>10,000</b>	<b>-</b>	<b>2,709,177</b>	<b>-</b>	<b>173,887</b>	<b>(216,845)</b>	<b>2,826,731</b>
<b>LIABILITIES AND NET ASSETS:</b>													
<b>Current Liabilities:</b>													
Accounts Payable	\$ 2,416	\$ 549	\$ -	\$ -	\$ 5,205	\$ -	\$ -	\$ -	\$ 35,388	\$ -	\$ 1,560		\$ 45,118
Due to Other Funds	2,111	29,523	15,963	-	1,616	11,937	10,000	13,318	-	-	132,377	(216,845)	-
Accrued Salaries	-	-	-	-	2,967	-	-	-	68,181	-	39,949		111,097
Accrued Annual Leave	-	-	-	-	3,211	-	-	-	2,474	-	1		5,686
Deferred Revenue	-	-	-	-	-	263	-	-	5,874	-	-		6,137
<b>Total Current Liabilities</b>	<b>4,527</b>	<b>30,072</b>	<b>15,963</b>	<b>-</b>	<b>12,999</b>	<b>12,200</b>	<b>10,000</b>	<b>13,318</b>	<b>111,917</b>	<b>-</b>	<b>173,887</b>	<b>(216,845)</b>	<b>168,038</b>
<b>Total Liabilities</b>	<b>4,527</b>	<b>30,072</b>	<b>15,963</b>	<b>-</b>	<b>12,999</b>	<b>12,200</b>	<b>10,000</b>	<b>13,318</b>	<b>111,917</b>	<b>-</b>	<b>173,887</b>	<b>(216,845)</b>	<b>168,038</b>
<b>NET ASSETS:</b>													
Without Donor Restrictions	6,147	-	-	-	-	-	-	(13,318)	1,035,827	-	-	-	1,028,656
With Donor Restrictions	-	-	-	-	68,604	-	-	-	1,561,433	-	-	-	1,630,037
<b>Total Net Assets</b>	<b>6,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,604</b>	<b>-</b>	<b>-</b>	<b>(13,318)</b>	<b>2,597,260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,658,693</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,674</b>	<b>\$ 30,072</b>	<b>\$ 15,963</b>	<b>\$ -</b>	<b>\$ 81,603</b>	<b>\$ 12,200</b>	<b>\$ 10,000</b>	<b>\$ -</b>	<b>\$ 2,709,177</b>	<b>\$ -</b>	<b>\$ 173,887</b>	<b>\$ (216,845)</b>	<b>\$ 2,826,731</b>

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**Statement of Activities Combining Schedule**  
**For the Year Ended August 31, 2019**

	Without Donor Restrictions Net Assets (199)	ESEA Title I Part A (211)	Idea Part B, Formula (224)	Idea Part B, Preschool (225)	National School Breakfast and Lunch (240)	ESEA Title II, Part A (255)	Federally Funded Special Revenue Funds (289)	State Instructional Materials Fund (410)	Foundation School Program and other State Aid (420)	Total
Local and Intermediate Sources	\$ 4,509	\$ -	\$ -	\$ -	\$ 9,780	\$ -	\$ -	\$ -	\$ 18,985	\$ 33,274
State Program Revenues										
Foundation School Program	-	-	-	-	-	-	-	-	1,923,093	1,923,093
Other State Aid	-	-	-	-	-	-	-	30,000	-	30,000
Federal Program Revenues										
ESEA Title I, Part A	-	68,497	-	-	-	11,495	-	-	-	79,992
ESEA Title II, Part A Teacher/Principal Training	-	-	-	-	-	-	-	-	-	-
Child Nutrition	-	-	-	-	176,025	-	-	-	-	176,025
USDA Donated Commodities	-	-	-	-	12,055	-	-	-	-	12,055
Summer School LEP	-	-	-	-	-	-	10,000	-	1,252	11,252
IDEA-B Formula	-	-	50,753	-	-	-	-	-	-	50,753
IDEA-B Preschool	-	-	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions: Satisfaction of Program Requirements	-	-	-	-	-	-	-	-	-	-
<b>Total Revenues and Gains</b>	<b>4,509</b>	<b>68,497</b>	<b>50,753</b>	<b>-</b>	<b>197,860</b>	<b>11,495</b>	<b>10,000</b>	<b>30,000</b>	<b>1,943,330</b>	<b>2,316,444</b>
Program Services:										
Instruction	\$ -	\$ 68,497	\$ -	\$ -	\$ -	\$ 11,495	\$ 10,000	\$ 30,000	\$ 1,063,092	\$ 1,183,084
Instructional Resources and Media Services	1,168	-	-	-	-	-	-	-	240,707	241,875
Curriculum and Staff Development	-	-	-	-	-	-	-	-	-	-
School Leadership	-	-	-	-	-	-	-	-	-	-
Support Services - Student (Pupil)										
Guidance, Counseling, and Evaluation Services	-	-	50,753	-	217,215	-	-	-	48,634	316,602
Health Services	-	-	-	-	-	-	-	-	-	-
Food Service	-	-	-	-	-	-	-	-	-	-
Cocurricular	-	-	-	-	-	-	-	-	-	-
General Administration	2,126	-	-	-	-	-	-	-	212,761	214,887
Facilities Maintenance and Operations	-	-	-	-	-	-	-	-	264,972	264,972
Support Services - Non-Student Based										
Security and Monitoring Services	-	-	-	-	-	-	-	-	-	-
Data Processing Services	-	-	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-	-	-	39,083	39,083
<b>Total Expenses and Losses</b>	<b>3,294</b>	<b>68,497</b>	<b>50,753</b>	<b>-</b>	<b>217,215</b>	<b>11,495</b>	<b>10,000</b>	<b>30,000</b>	<b>1,869,249</b>	<b>2,260,503</b>
Change in Net Assets	1,215	-	-	-	(19,355)	-	-	-	74,081	55,941
Beginning Net Assets	4,932	-	-	-	87,959	-	-	(13,318)	2,523,179	2,602,752
Ending Net Assets	\$ 6,147	\$ -	\$ -	\$ -	\$ 68,604	\$ -	\$ -	\$ (13,318)	\$ 2,597,260	\$ 2,658,693

## **COMPLIANCE AND INTERNAL CONTROLS**



**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  
Waco Charter School

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 Waco Charter School (the "School"), which comprise the statement of financial position as of August 31, 2019, 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 January 14, 2020.

***Internal Control Over Financial Reporting***

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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 instance 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 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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houston, Texas  
January 14, 2020

**WACO CHARETER SCHOOL**  
(A Texas Nonprofit Organization)

**Summary Schedule of Findings and Responses**  
**Year Ended August 31, 2019**

**SECTION 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 weakness identified?	No
b) Significant deficiencies identified, which are not considered to be material weaknesses?	No
c) Noncompliance material to financial statements noted?	No

**WACO CHARTER SCHOOL**  
(A Texas Nonprofit Organization)  
**Summary Schedule of Findings and Responses**  
**Year Ended August 31, 2019**

**SECTION 2:**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None reported

**WACO CHARTER SCHOOL**  
(A Texas Nonprofit Organization)  
**Summary Schedule of Findings and Responses**  
**Year Ended August 31, 2019**

**FINDINGS - STATE COMPLIANCE AND REPORTING REQUIREMENTS**

None reported



**WACO CHARTER SCHOOL**  
(A Texas Nonprofit Organization)

**Summary Schedule of Prior Year Findings and Current Status**  
**Year Ended August 31, 2019**

**Finding No. 2018-01: *Compliance on Board Training***

**Condition:** During the course of our audit, we noted that 6 of 13 members of the School's board of directors did not obtain a minimum of 6 (continuing) and or 12 (new board members) instructional hours of training in the current fiscal year as required by the State of Texas legislation described below.

**Criteria:** Texas Administrative Code (TAC) Title 19 Rule 100.1102 specifies the minimum requirements of board training that every member of the governing body of a charter holder or a member of the governing body of a charter school must complete, delivered by a course provider registered under TAC Title 19 Rule 100.1107 (relating to Course Providers). The timelines for completing such training course is also specified in that Rule.

**Effect:** Noncompliance with state laws may be considered a violation of the contract for charter.

**Recommendation:** We recommend that the School follow its current policy requiring its board members to meet the minimum training requirements required by TEA.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with this recommendation and believes that the training requirements would have been met if its current policy had been properly followed. Although the board attended several trainings on Saturday's, some of those trainings were not recorded properly and/or did not result in actual training certificates. It is our belief that with proper documentation we would have met our obligations regarding board trainings. The Executive Director and Board Secretary will maintain records of all board members training. These records will be logged in a spreadsheet and reviewed quarterly at the board meeting. Board Members will then verify all training has been accounted for and provide the board secretary with any corrections.

**Status:** The finding has been resolved sufficiently by management.