

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

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

Year Ended April 30, 2018

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

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April 30, 2018

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Economic Opportunities Advancement Corporation of Planning Region XI ("EOAC") and Waco Charter School ("School") (collectively, the "Organization"), which comprise the statements of financial position as of April 30, 2018, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free of 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of April 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining financial statements on pages 19 through 22 are presented for purposes of additional analysis and are not a required part of the basic combined financial statements of the Organization. Similarly, the accompanying schedule of expenditures of federal awards on pages 23 through 24 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 basic combined financial statements of the Organization. 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 combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 16, 2019, on our consideration of Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.



Houston, Texas
January 16, 2019

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

COMBINED STATEMENT OF FINANCIAL POSITION

APRIL 30, 2018

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 1,513,923
Grants/Contracts Receivable	1,296,978
Other Receivables	290,316
Inventory	2,338
Prepaid Expenses	56,267
Total Current Assets	3,159,822

Noncurrent Assets:

Property and Equipment:	
Buildings and Land	4,663,009
Construction in Progress	412,228
Equipment	517,503
Vehicles	463,582
Accumulated Depreciation	(2,742,665)
Total Noncurrent Assets	3,313,657

TOTAL ASSETS	6,473,479
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LIABILITIES AND NET ASSETS:

Current Liabilities:

Accounts Payable	\$ 844,965
Other Payables	61,621
Accrued Salaries	406,683
Accrued Annual Leave	197,293
Deferred Revenue	194,022
Long-Term Debt - Current Portion	10,581

Total Current Liabilities	1,715,165
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Noncurrent Liabilities:

Long-Term Debt	8,691
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Total Liabilities	1,723,856
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NET ASSETS:

Unrestricted	495,032
Temporarily Restricted	4,254,591
Total Net Assets	4,749,623

TOTAL LIABILITIES AND NET ASSETS	\$ 6,473,479
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The accompanying notes are an integral part of these combined financial statements.

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

**COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2018**

	Unrestricted	Temporarily Restricted	Total
<u>REVENUES AND GAINS:</u>			
Federal Grants	\$ -	\$ 20,804,430	\$ 20,804,430
State Grants	-	2,112,600	2,112,600
Miscellaneous Grants/Contracts	-	501,913	501,913
Interest Income	-	631	631
Other	1,736,974	-	1,736,974
In-Kind	-	2,415,755	2,415,755
Net Assets Released from Restrictions:			
Satisfaction of Program Requirements	26,006,283	(26,006,283)	-
Total Revenues and Gains	<u>27,743,257</u>	<u>(170,954)</u>	<u>27,572,303</u>
<u>EXPENSES AND LOSSES:</u>			
Program Services:			
Child Care and Development	\$ 19,059,868	\$ -	\$ 19,059,868
Community/Emergency Services	3,808,341	-	3,808,341
Weatherization	650,124	-	650,124
Housing	4,913	-	4,913
School	2,276,006	-	2,276,006
Supporting Services:			
Fundraising	22,921	-	22,921
Management and General	1,342,286	-	1,342,286
Total Expenses and Losses	<u>27,164,459</u>	<u>-</u>	<u>27,164,459</u>
Change in Net Assets	578,798	(170,954)	407,844
NET ASSETS, BEGINNING OF YEAR	<u>(83,766)</u>	<u>4,425,545</u>	<u>4,341,779</u>
NET ASSETS, END OF YEAR	<u>\$ 495,032</u>	<u>\$ 4,254,591</u>	<u>\$ 4,749,623</u>

The accompanying notes are an integral part of these combined financial statements.

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
OF PLANNING REGION XI**

(A Texas Nonprofit Corporation)

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED APRIL 30, 2018

	Program Services		
	Child Care and Development	Community/ Emergency Services	Weatherization
EXPENSES:			
Salaries & Wages	\$ 5,056,174	\$ 336,633	\$ 86,420
Administrative Salaries	671,207	81,660	10,574
Fringe Benefits	1,545,954	140,200	17,955
Administrative Fringe Benefits	119,599	21,247	2,243
Contractual Services	78,917	2,482	108
Travel/Transportation	99,570	5,512	7,389
Supplies and Materials	377,808	55,671	257,736
Food	303,244	-	-
Postage/Freight	5,349	1,370	1,303
Printing & Reproduction	65	2,948	-
Professional Services	61,289	4,523	522
Telephone	43,398	8,150	1,865
Insurance	69,145	1,161	271
Training	79,443	1,545	-
Labor	397	123	148,947
Space and Utilities	385,355	59,056	12,884
Publications, Dues, and Fees	240	979	-
Equipment Lease	-	1,050	2,571
Repairs & Maintenance	321,789	4,535	911
Direct Services	7,138,492	3,065,243	58,337
Other	91,782	-	510
Administrative Costs	17,083	14,253	39,578
Fundraising	-	-	-
Interest	-	-	-
In-Kind	2,415,754	-	-
Depreciation	177,814	-	-
TOTAL EXPENSES	\$ 19,059,868	\$ 3,808,341	\$ 650,124

The accompanying notes are an integral part of these combined financial statements.

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**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED APRIL 30, 2018**

<u>Program Services</u>		<u>Supporting Services</u>		
<u>Housing</u>	<u>School</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
\$ -	\$ 1,139,593	\$ -	\$ 180,803	\$ 6,799,623
-	-	1,702	-	765,143
-	313,629	-	1,107,584	3,125,322
-	-	293	-	143,382
-	223,815	-	-	305,322
-	27,249	-	6,376	146,096
-	111,618	391	376	803,600
-	91,290	-	-	394,534
-	-	-	-	8,022
-	-	-	-	3,013
-	112,922	-	146	179,402
-	-	-	3,155	56,568
-	13,454	-	-	84,031
-	-	-	-	80,988
-	-	-	-	149,467
-	65,026	-	2,700	525,021
-	2,241	-	1,405	4,865
-	10,292	-	6,906	20,819
-	31,672	-	-	358,907
4,913	-	-	12,119	10,279,104
-	948	1,032	18,945	113,217
-	-	-	1,771	72,685
-	-	19,503	-	19,503
-	1,955	-	-	1,955
-	-	-	-	2,415,754
-	130,302	-	-	308,116
<u>\$ 4,913</u>	<u>\$ 2,276,006</u>	<u>\$ 22,921</u>	<u>\$ 1,342,286</u>	<u>\$ 27,164,459</u>

The accompanying notes are an integral part of these combined financial statements.

**ECONOMIC OPPORTUNITIES ADVANCEMENT CORPORATION
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**COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 407,844
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and amortization	308,116
Changes in:	
Receivables	69,636
Inventory	2,003
Prepaid Expenses	56,736
Accounts Payable	(146,985)
Other Payables	(294,658)
Accrued Expenses	(19,155)
Deferred Revenue	<u>(35,627)</u>
Total adjustments	<u>(59,934)</u>
Net Cash Provided by Operating Activities	<u>347,910</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisitions of Property and Equipment	<u>(427,301)</u>
Net Cash Used in Investing Activities	<u>(427,301)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of Debt	<u>(20,941)</u>
Net Cash Used in Financing Activities	<u>(20,941)</u>

Net Decrease in Cash (100,332)

Cash Balance, April 30, 2017 1,614,255

CASH BALANCE, APRIL 30, 2018 \$ 1,513,923

The accompanying notes are an integral part of these combined financial statements.

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OF PLANNING REGION XI**
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**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2018**

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 McLennan, Bosque, Ellis, Navarro, Limestone, Freestone, Hill, and Falls. 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 as of April 30, 2018 are included in the accompanying combined financial statements. Complete financial statements for the School year ended August, 31 2018 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

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**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2018**

of America (“U.S. GAAP”), codified by the Financial Accounting Standards Board (FASB) into Accounting Standards Codification (ASC).

Combined Financial Statements Presentation

The Organization is required by accounting principles generally accepted in the United States of America to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as defined below:

Unrestricted net assets – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization. Unrestricted net assets may be designated for any specific purpose by action of the Board of Directors.

Temporarily restricted net assets – These are resources that are subject to donor-imposed stipulations that may be met, either by actions of the Organization and/or the passage of time. This classification includes contributions and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets – These are resources that are subject to donor-restrictions requiring that the principal be held in perpetuity and any income thereon be used by the Organization. The Organization did not have any permanently restricted net assets as of April 30, 2018.

In addition, the Organization is required by FASB ASC Topic 958-205, *financial statements of Not-for-Profit Organizations*, to present statements of functional expenses and cash flows.

When both restricted and unrestricted resources are available for use, it is Organization’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.

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YEAR ENDED APRIL 30, 2018**

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 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 and Cash Equivalents

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. The value of cash equivalents included in cash and cash equivalents as of April 30, 2018 was \$0.

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 April 30, 2018 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 April 30, 2018.

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

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**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2018**

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.

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 state personal leave based on the number of days worked, up to a maximum of 5 workdays annually. Accrued, unused personal leave for full-time school employees carries over from school year to school year and may be transferrable to another school district in Texas, depending on the policies of the specific district involved. 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 two hundred (200) hours. As of April 30, 2018, the liabilities for person leave benefits was \$197,293 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 temporarily or permanently restricted net assets depending on the nature of the restrictions.

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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 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 Organization's combined financial statements relate primarily to the calculation of the liability under an interest rate swap contract; 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. A substantial number of volunteers have donated significant amounts of their time to Organization's program services and fundraising efforts. Donations of services are classified as "In-kind" donations and are generally reflected on the combined financial statements as income with an identical offset to expense. 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 donee.

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 April 30, 2018, 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.

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

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YEAR ENDED APRIL 30, 2018

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.

Tax years 2015 - 2017 remain open to examination by the taxing jurisdictions to which the Organization is subject, and these periods have not been extended beyond the applicable statute of limitations.

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, 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 Organization's 2021 annual 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 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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2018**

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 child care arrangements.

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 4 years of age.

Tenant Based Rental Assistance – Provide rental assistance for eligible households through the Texas Department of Housing and Community Affairs HOME Program.

Waco Charter School – Provide quality education for every student 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 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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2018**

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 April 30, 2018 which was subject to custodial credit risk was \$1,715,788, exceeded the FDIC insured limit by \$853,511. At April 30, 2018, due to a clerical error by Extraco, the securities were not pledged to secure the balance, however subsequent to yearend, the bank provided the necessary pledges to fully insure the bank balances. Management believes that this credit risk exposure was mitigated by the financial strength of the banking institutions in which the deposits were held, as well as EOAC's tri-lateral agreement with Bank of America and Extraco.

During the year ended April 30, 2018, the Organization recognized revenues of \$8,426,969 from the United states Department of Health and Human Services, which comprises 57% \$7,366,015 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 April 30,</u>	
2019	\$ 248,712
2020	152,575
2021	141,002
2022	141,002
2023	149,000
Thereafter	663,005
Total	<u>\$ 1,495,296</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2018**

5. NOTES PAYABLE

Notes payable to a bank at April 30, 2018 consisted of the following:

The future maturities of Organization's bonds and notes payable as of April 30, 2018 was as follows:

<u>Payable to</u>	<u>Collateral</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Bank of America	Unsecured	7.77%	7/10/2019	\$ 19,272
<u>Year ending April 30,</u>				
2019		\$ 19,272		
Total		<u>\$ 19,272</u>		

For the year ended April 30, 2018 , the Organization recorded interest expense of \$1,955. No interest expense was capitalized for the year ended April 30, 2018.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets amounting to \$4,254,591, as of April 30, 2018, and summarized below, represent contributions to the Organization, which the donors have restricted for use in future periods:

Purpose Restrictions:		
Child Care Services	\$	38,576
Head Start Program		1,554,096
Weatherization Program		56,139
Home Program		21,361
Waco Charter School		<u>2,552,752</u>
Total temporarily restricted net assets	\$	<u>4,254,591</u>

7. 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, 2018.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2018**

8. 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 is twice a year, April and October, with participation beginning in July and January, respectively. The Organization made contributions to the 403(b) plan for the year ending April 30, 2018 in the amount of \$138,566, equal to the required contributions for each year.

9. HEALTH CARE COVERAGE

The organization maintains a self-insured health benefits plan, which provides medical benefits to employees electing coverage under the plan. The Organization maintains a reserve for incurred but not reported medical claims and claim development. The reserve is an estimate based on historical experience and other assumptions, some of which are subjective. The organization adjusts its self-insured medical benefits reserve as the Organization's loss experience changes due to medical inflation, changes in the number of plan participants, changes in the plan and changes in the demographics of the organization. The Organization insured medical benefits reserve \$30,000 was at April 30, 2018, which is reflected in other payables on the Combined Statement of Financial Position.

10. 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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2018**

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.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 16, 2019, 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
APRIL 30, 2018**

<u>ASSETS:</u>	Payroll	EOAC	CSBG	CCS	CCS	Head Start
Current Assets:	Fund 08	Fund 15	Fund 20	Vendor Fund 30	Operating Fund 31	Fund 50
Cash and Cash Equivalents	\$ 1,081	\$ 123,861	\$ 206,436	\$ 52,270	\$ 48,324	\$ -
Grants/Contracts Receivable	-	-	-	509,175	63,699	537,511
Other Receivables	-	210,544	48,240	-	-	-
Due From Other Funds	1,242	-	-	-	-	-
Inventory	-	-	-	-	-	-
Prepaid Expenses	-	-	17,410	4,079	4,531	26,077
Other Assets	-	-	-	-	-	-
Total Current Assets	<u>2,323</u>	<u>334,405</u>	<u>272,086</u>	<u>565,524</u>	<u>116,554</u>	<u>563,588</u>
Noncurrent Assets:						
Property and Equipment:						
Buildings and Land	-	-	-	-	-	2,670,824
Construction in Progress	-	-	-	-	-	-
Equipment	-	-	-	-	-	338,580
Vehicles	-	-	-	-	-	410,452
Accumulated Depreciation	-	-	-	-	-	(1,890,508)
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,529,348</u>
TOTAL ASSETS	<u>2,323</u>	<u>334,405</u>	<u>272,086</u>	<u>565,524</u>	<u>116,554</u>	<u>2,092,936</u>
<u>LIABILITIES AND NET ASSETS:</u>						
Current Liabilities:						
Accounts Payable	\$ 282	\$ 7,238	\$ 46,004	\$ 581,083	\$ 13,052	\$ 141,449
Other Payables	-	31,268	1,097	-	-	-
Due to Other Funds	4	73,608	44,004	-	70	43,145
Accrued Salaries	-	-	15,316	6,315	21,524	242,634
Accrued Annual Leave	-	-	33,966	8,982	30,207	107,365
Deferred Revenue	-	-	100,032	2,899	13,125	4,247
Long-Term Debt - Current Portion	-	-	-	-	-	-
Total Current Liabilities	<u>286</u>	<u>112,114</u>	<u>240,419</u>	<u>599,279</u>	<u>77,978</u>	<u>538,840</u>
Noncurrent Liabilities:						
Long-Term Debt	-	-	-	-	-	-
Total Liabilities	<u>286</u>	<u>112,114</u>	<u>240,419</u>	<u>599,279</u>	<u>77,978</u>	<u>538,840</u>
NET ASSETS:						
Unrestricted	2,037	222,291	-	(33,755)	-	-
Temporarily Restricted	-	-	31,667	-	38,576	1,554,096
Total Net Assets	<u>2,037</u>	<u>222,291</u>	<u>31,667</u>	<u>(33,755)</u>	<u>38,576</u>	<u>1,554,096</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,323</u>	<u>\$ 334,405</u>	<u>\$ 272,086</u>	<u>\$ 565,524</u>	<u>\$ 116,554</u>	<u>\$ 2,092,936</u>

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

**COMBINING STATEMENT OF FINANCIAL POSITION
YEAR ENDED APRIL 30, 2018**

HS Parent Policy Council Fund 59	WAP Fund 60	Annual Events Fund 70	HOME Fund 80	Special Fund 90	EOAC Total	Waco Charter School	Elimination Entry	Total
\$ 29,171	\$ 88,251	\$ 83,727	\$ 262	\$ 10,205	\$ 643,588	\$ 870,335		\$1,513,923
-	2	-	5,069	34,562	1,150,018	146,960		1,296,978
-	305	233	-	23,095	282,417	7,899		290,316
-	-	28,961	1,297	130,203	161,703	117,410	(279,113)	-
-	-	-	-	-	-	2,338		2,338
-	3,676	12	-	445	56,230	37		56,267
-	-	-	-	-	-	-		-
<u>29,171</u>	<u>92,234</u>	<u>112,933</u>	<u>6,628</u>	<u>198,510</u>	<u>2,293,956</u>	<u>1,144,979</u>	<u>(279,113)</u>	<u>3,159,822</u>
-	-	-	32,848	-	2,703,672	1,959,337		4,663,009
-	-	-	-	-	-	412,228		412,228
-	-	-	-	26,380	364,960	152,543		517,503
-	53,130	-	-	-	463,582	-		463,582
-	(53,130)	-	(18,070)	(6,595)	(1,968,303)	(774,362)		(2,742,665)
-	-	-	14,778	19,785	1,563,911	1,749,746	-	3,313,657
<u>29,171</u>	<u>92,234</u>	<u>112,933</u>	<u>21,406</u>	<u>218,295</u>	<u>3,857,867</u>	<u>2,894,725</u>	<u>(279,113)</u>	<u>6,473,479</u>
\$ -	\$ 384	\$ -	\$ 45	\$ 17,101	\$ 806,638	\$ 38,327		\$ 844,965
-	-	-	-	5,718	38,083	23,538		61,621
646	226	-	-	-	161,703	117,410	(279,113)	-
-	3,461	-	-	-	289,250	117,433		406,683
-	1,891	70	-	-	182,481	14,812		197,293
28,525	30,133	3,000	-	880	182,841	11,181		194,022
-	-	-	-	-	-	10,581		10,581
<u>29,171</u>	<u>36,095</u>	<u>3,070</u>	<u>45</u>	<u>23,699</u>	<u>1,660,996</u>	<u>333,282</u>	<u>(279,113)</u>	<u>1,715,165</u>
-	-	-	-	-	-	8,691		8,691
<u>29,171</u>	<u>36,095</u>	<u>3,070</u>	<u>45</u>	<u>23,699</u>	<u>1,660,996</u>	<u>341,973</u>	<u>(279,113)</u>	<u>1,723,856</u>
-	-	109,863	-	194,596	495,032	-		495,032
-	56,139	-	21,361	-	1,701,839	2,552,752		4,254,591
-	56,139	109,863	21,361	194,596	2,196,871	2,552,752		4,749,623
<u>\$ 29,171</u>	<u>\$ 92,234</u>	<u>\$ 112,933</u>	<u>\$ 21,406</u>	<u>\$ 218,295</u>	<u>\$3,857,867</u>	<u>\$ 2,894,725</u>	<u>\$ (279,113)</u>	<u>\$6,473,479</u>

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

**COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2018**

	EOAC			CCS		
	Payroll Fund 08	Health Plan Fund 15	CSBG Fund 20	CCS Vendor Fund 30	Operating Fund 31	Head Start Fund 50
REVENUES AND GAINS:						
Federal Grants	\$ -	\$ -	\$ 3,349,561	\$ 7,366,015	\$ 693,171	\$ 8,426,969
State Grants	-	-	-	-	-	-
Miscellaneous Grants/Contracts	-	-	372,255	-	-	-
Interest Income	37	4	-	-	-	-
Other	-	1,612,901	-	10,000	-	30
Transfer In	-	-	-	-	-	-
In-Kind	-	-	-	-	-	2,415,755
Net Assets Released from Restrictions:						
Satisfaction of Program Requirements	-	-	-	-	-	-
Total Revenues and Gains	37	1,612,905	3,721,816	7,376,015	693,171	10,842,754
EXPENSES AND LOSSES:						
Program Services:						
Child Care and Development	\$ -	\$ -	\$ -	\$ 7,376,015	\$ 683,171	\$ 11,000,682
Community/Emergency Services	-	-	3,808,341	-	-	-
Weatherization	-	-	-	-	-	-
Housing	-	-	-	-	-	-
School	-	-	-	-	-	-
Supporting Services:						
Fundraising	-	-	-	-	-	-
Transfer Out	-	-	-	-	-	-
Management and General	-	1,072,734	-	-	-	-
Total Expenses and Losses	-	1,072,734	3,808,341	7,376,015	683,171	11,000,682
Change in Net Assets	37	540,171	(86,525)	-	10,000	(157,928)
NET ASSETS, BEGINNING OF YEAR	2,000	(317,880)	118,192	(33,755)	28,576	1,712,024
NET ASSETS, END OF YEAR	\$ 2,037	\$ 222,291	\$ 31,667	\$ (33,755)	\$ 38,576	\$ 1,554,096

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

**COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2018**

HS Parent Policy Council Fund 59	WAP Fund 60	Annual Events Fund 70	HOME Fund 80	Special Fund 90	EOAC Total	Waco Charter School	Eliminating Entry	Total
\$ -	\$ 523,981	\$ -	\$ 4,481	\$ -	\$ 20,364,178	\$ 440,252		\$ 20,804,430
-	-	-	-	224,728	224,728	1,887,872		2,112,600
-	129,658	-	-	-	501,913	-		501,913
-	-	50	-	540	631	-		631
-	-	16,090	-	57,880	1,696,901	40,073		1,736,974
-	-	-	-	31,775	31,775	-	\$ (31,775)	-
-	-	-	-	-	2,415,755	-		2,415,755
-	-	-	-	-	-	-		-
-	-	-	-	-	-	-		-
-	653,639	16,140	4,481	314,923	25,235,881	2,368,197	(31,775)	27,572,303
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,059,868	\$ -		\$ 19,059,868
-	-	-	-	-	3,808,341	-		3,808,341
-	650,124	-	-	-	650,124	-		650,124
-	-	-	4,913	-	4,913	-		4,913
-	-	-	-	-	-	2,276,006		2,276,006
-	-	22,921	-	-	22,921	-		22,921
-	-	-	31,775	-	31,775	-	\$ (31,775)	-
-	-	-	-	269,552	1,342,286	-		1,342,286
-	650,124	22,921	36,688	269,552	24,920,228	2,276,006	(31,775)	27,164,459
-	3,515	(6,781)	(32,207)	45,371	315,653	92,191	-	407,844
-	52,624	116,644	53,568	149,225	1,881,218	2,460,561	-	4,341,779
\$ -	\$ 56,139	\$ 109,863	\$ 21,361	\$ 194,596	\$ 2,196,871	\$ 2,552,752	\$ -	\$ 4,749,623

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SINGLE AUDIT SECTION

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2018**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass Through Grantor or Grant Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Head Start	93.600	06CH7109/03	\$ 7,670,790
Passed Through the Texas Department of Housing and Community Affairs			
LIHEAP Weatherization	93.568	81170002661	431,828
LIHEAP Weatherization	93.568	81180002887	15,605
Comprehensive Energy Assistance Program	93.568	58180002787	555,599
Comprehensive Energy Assistance Program	93.568	58170002590	1,914,194
Comprehensive Energy Assistance Program	93.568	58160002568	200,445
Community Services Block Grant	93.569	61160002381	98,505
Community Services Block Grant	93.569	61170002631	480,247
Community Services Block Grant	93.569	61170002684	11,995
Community Services Block Grant	93.569	61180002931	1,123
Community Services Block Grant	93.569	61180002856	87,453
Total Passed Through the Texas Department of Housing and Community Affairs			<u>3,796,994</u>
Passed Through the Heart of Texas Workforce Development Board:			
CCDF Cluster:			
Child Care Services	93.575	13170102	3,396,835
Child Care Services	93.575	13180102	4,662,351
Total CCDF Cluster			<u>8,059,186</u>
Total Passed Through the Heart of Texas Workforce Development Board			<u>8,059,186</u>
Total U. S. Department of Health and Human Services			<u>19,526,970</u>
U. S. DEPARTMENT OF ENERGY			
Passed Through the Texas Department of Housing and Community Affairs:			
Weatherization Assistance for Low-Income Persons	81.042	56170002727	76,548
Total U. S. Department of Energy			<u>76,548</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the Texas Department of Housing and Community Affairs:			
HOME Investments Partnerships Program - Tenant Based Rental Assistance	14.239	1002245	4,481
Total Passed Through the Texas Department of Housing and Community Affairs			<u>4,481</u>
Total U. S. Department of Housing and Urban Development			<u>4,481</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through the Texas Education Agency:			
* National School Breakfast Program	10.553	71401701 □	45,005 ***
* School Lunch Program	10.555	71301701 □	120,789 ***
Total Child Nutrition Cluster*			<u>165,794</u>
Total Passed Through the Texas Education Agency			<u>165,794</u>
Passed Through the Texas Department of Agriculture:			
Fresh Fruit & Vegetable program	10.582	161-801	9,303 ***
USDA Commodities	10.565	161-801	11,131 ***
Child and Adult Care Food Program	10.558	75-G1007	736,294
Total U. S. Department of Agriculture			<u>922,522</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2018**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass Through Grantor or Grant Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency:			
ESEA Title I Part A	84.010A	S010A130043	173,970 ***
Title IV, Part A, Subpart 1	84.424	S424A170045	<u>10,000</u>
Total Passed Through Texas Education Agency			183,970
Passed Through Education Service Center, Region 12:			
* * IDEA-B Formula	84.027A	161-801	50,936 ***
* * IDEA-B Preschool	84.173A	161-801	<u>1,950 ***</u>
Total Special Education Cluster (IDEA)**			52,886
ESEA Title II Part A	84.367A	161-801	<u>17,168 ***</u>
Total Passed Through Education Service Center, Region 12			<u>70,054</u>
Total U.S. Department of Education			<u>254,024</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 20,784,545</u>

*** Waco Charter School

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2018**

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 April 30, 2018. 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 not to use the 10% de minimis indirect cost rate allowed under uniform guidance.

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

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 combined financial statements of the Organization, which comprise the combined statement of financial position as of April 30, 2018, and the related statement 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 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization'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 combined 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting, described in the

accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [Finding No. 2018-001]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization'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, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item Finding No. 2018-001.

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

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 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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Houston, Texas
January 16, 2019



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

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

Report on Compliance for Each Major Federal Program

We have audited the Organization compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Organization's major federal program for the year ended April 30, 2018. Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended April 30, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies.

The purpose of our 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.



Houston, Texas

January 16, 2019

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2018**

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? | Yes |
| 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) and the State of Texas Single Audit Circular? | No |

4. Identification of major programs:

<u>Federal - CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.575	Child Care and development Block Grant
93.568	Low Income Home Energy Assistance Program
10.558	Child and Adult Care Food Program

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B federal programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.520? | No |

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2018**

PART II: FINDINGS – FINANCIAL STATEMENT AUDIT

Finding No. 2018–001: Significant Deficiency in Internal Control Over Financial Reporting

Condition: During the course of our audit, we noted the following instances:

- a) As part of the audit process several entries were necessary to reconcile beginning balances and non-standard entries to adjust to conform with generally accepted accounting principles. Management has improved significantly, however control over financial reporting still needs improvement and our suggestions over non-standard entries would help remedy and improve financial reporting.

Criteria: Effective internal controls over financial reporting include proper recording of transactions, timely reconciliations of details to control accounts, and effective supervision and review processes that would assure the completeness and accuracy of financial information.

Effect: Improper recording of financial transactions, accounting errors, unreconciled accounts, and a non-systematic method of filing of grant agreements were noted.

Cause: Ineffective supervision and review processes in the financial area that would ensure the completeness and accuracy of financial information.

Recommendation: The Organization should review its supervision and review processes in the financial area, to ensure that these are adequate for the Organization’s financial reporting needs.

Views of Responsible Officials: Management agrees with this recommendation.

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

**CORRECTIVE ACTION PLAN
YEAR ENDED APRIL 30, 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The Chief Financial Officer and the auditor's plan to get together to go over the non-standard entries necessary to conform to generally accepted accounting principles.	March 1, 2019	Kristine Jackson, Chief Financial Officer

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CURRENT STATUS
YEAR ENDED APRIL 30, 2018**

Finding No. 2017-01: Material Weakness in Internal Control Over Financial Reporting

Condition: During the course of our audit, we noted the following instances:

- a) Fixed assets purchased were incorrectly recorded as net assets by \$216,807. The Organization debited accumulated depreciation and credited to fixed assets accounts rather than recorded depreciation expense for the year in the general ledger by \$148,064.
- b) The health insurance claims liability were not properly accrued for the end of year and related expenses were understated by \$308,458.
- c) We also noted that for a certain period during fiscal year 2017, program transactions recorded in the Organization's general ledger were not coded in the manner that would enable the production of accurate grant program expenditure reports from the Organization's accounting system, without additional manual analyses. Our audit also uncovered a number of accounting errors that the Organization has subsequently corrected.

Criteria: Effective internal controls over financial reporting include proper recording of transactions, timely reconciliations of details to control accounts, and effective supervision and review processes that would assure the completeness and accuracy of financial information.

Effect: Improper recording of financial transactions, accounting errors, unreconciled accounts, and a non-systematic method of filing of grant agreements were noted.

Cause: Ineffective supervision and review processes in the financial area that would ensure the completeness and accuracy of financial information.

Recommendation: The Organization should review its supervision and review processes in the financial area, to ensure that these are adequate for the Organization's financial reporting needs.

Views of Responsible Officials: Management agrees with this recommendation.

Status: The finding has been resolved in the current year audit.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CURRENT STATUS
YEAR ENDED APRIL 30, 2018**

Finding No. 2017-02:

U.S. DEPARTMENT OF AGRICULTURE

**Questioned
Costs**

Child and Adult Care Food Program – CFDA 10.558

\$3,696.18

Condition: During the course of our compliance test work we noted that in 7 of 19 payroll samples tested, 75% of their gross pay charged to the program were unsupported, totaled \$3,696.18.

Criteria: In accordance with 2 Code of Federal Regulations (CFR) 200.430(i) - *Uniform Administrative Requirements, Cost of Principles, and Audit Requirements for Federal Awards*, charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. The records must support the distribution of the employee's salary or wages amount cost objectives if the employee works on more than one federal awards.

Effect: Without adequate timekeeping and reporting controls, the Organization is at risk of being unable to fulfill the requirements of the grant, which could result unallowable costs to be charged to the program.

Cause: Failure to properly review and allocate of time based on the hours worked.

Recommendation: The Organization should develop and implement procedures and tools, to ensure and in accordance with contract terms.

Views of Responsible Officials: Management agrees with this recommendation.

Status: The finding has been resolved in the current year based on payroll testing in the current year audit.