

# **The East Austin Academia, Inc. dba East Austin College Prep**

Annual Financial Report  
(With Independent Auditors' Report Thereon)

August 31, 2015 and 2014



**The East Austin Academia, Inc.  
dba East Austin College Prep**

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## Independent Auditors' Report

To the Board of Directors  
of The East Austin Academia, Inc.  
dba East Austin College Prep

### Report on Financial Statements

We have audited the accompanying financial statements of The East Austin Academia, Inc. dba East Austin College Prep (the "Organization"), which comprise the statement of financial position as of August 31, 2015, 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 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 East Austin Academia, Inc. dba East Austin College Prep as of August 31, 2015, 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 Matter – 2014 Financial Statements*

The financial statements of The East Austin Academia, Inc. dba East Austin College Prep for the year ended August 31, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on December 12, 2014.

***Other Matter - Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Matter – Supplemental Schedules***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses, capital assets and budgetary comparison information on pages 22-24 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, except for the information in the budgetary comparison pertaining to specific budgetary amounts, 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, except for the information in the budgetary comparison pertaining to specific budgetary amounts, the information is fairly stated in all material respects in relation to the financial statements as a whole. Information contained in the budgetary comparison supplemental schedule pertaining to specific budgetary amounts was not subjected to the auditing procedures applied in the audit of the financial statements or any other additional procedures and, therefore, we do not express an opinion on that information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2016 on our consideration of The East Austin Academia, Inc. dba East Austin College Prep’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 the 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 East Austin Academia, Inc. dba East Austin College Prep’s internal control over financial reporting and compliance.

**PMB Helin Donovan, LLP**

*PMB Helin Donovan, LLP*

January 12, 2016  
Austin, Texas

**The East Austin Academia, Inc. dba East Austin College Prep**

Statements of Financial Position

As of August 31, 2015 and 2014

	Assets	
	2015	2014
Cash	\$ 838,328	\$ 497,318
Due from governments	756,502	775,940
Other receivables	18,026	10,582
Prepaid expenses	39,063	63,076
Capital assets, net	<u>116,122</u>	<u>152,801</u>
Total assets	<u>\$ 1,768,041</u>	<u>\$ 1,499,717</u>
	Liabilities and Net Assets	
Accounts payable	\$ 261,037	\$ 427,325
Payroll liabilities	441,856	205,241
Other accrued liabilities	<u>321,952</u>	<u>137,122</u>
Total liabilities	<u>1,024,845</u>	<u>769,688</u>
Net assets (deficit)		
Unrestricted	33,996	(356,838)
Temporarily restricted	<u>709,200</u>	<u>1,086,867</u>
Total net assets	<u>743,196</u>	<u>730,029</u>
Total liabilities and net assets	<u>\$ 1,768,041</u>	<u>\$ 1,499,717</u>

*Notes to financial statements form an integral part of theses statements.*

**The East Austin Academia, Inc. dba East Austin College Prep**  
**Statements of Activities**  
**Years Ended August 31, 2015 and 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Other Support</b>						
Local support:						
Revenues from Local Sources	\$ 664,086	\$ 283,735	\$ 947,821	\$ 364,174	\$ 178,292	\$ 542,466
Revenue from Cocurricular, Enterprising Service or Activities	23,900	16,322	40,222	41,831	6,038	47,869
Total local support	<u>687,986</u>	<u>300,057</u>	<u>988,043</u>	<u>406,005</u>	<u>184,330</u>	<u>590,335</u>
State program revenues:						
Per Capita and Foundation School Program Act Revenues	-	7,476,775	7,476,775	-	7,247,706	7,247,706
State Program Revenues Distributed by TEA	-	127,983	127,983	-	113,052	113,052
State Revenues from State of Texas (Other than TEA)	2,500	-	2,500	17,500	-	17,500
Total state program revenues	<u>2,500</u>	<u>7,604,758</u>	<u>7,607,258</u>	<u>17,500</u>	<u>7,360,758</u>	<u>7,378,258</u>
Federal program revenues:						
Title I, Part A-Improving Basic Programs	293,895	-	293,895	249,264	-	249,264
Title I, 1003 (A)-Priority and Focus School Grant	259,202	-	259,202	34,852	-	34,852
Title II, Part A-Teacher & Principal Training & Recruiting	45,803	-	45,803	59,253	-	59,253
Title III, Part A - LEP	34,989	-	34,989	23,599	-	23,599
IDEA-B Formula	92,713	-	92,713	67,727	-	67,727
Texas 21st Century Community Learning Centers	288,119	-	288,119	278,307	-	278,307
National School Lunch Program (NSLP)	131,941	-	131,941	313,593	-	313,593
School Breakfast Program (SBP)	245,226	-	245,226	99,223	-	99,223
Summer Feeding Program	7,042	-	7,042	4,922	-	4,922
Project START	47,650	-	47,650	331,632	-	331,632
RISE	298,246	-	298,246	-	-	-
Community "DREAM-Link"	489,546	-	489,546	390,735	-	390,735
LEAD	17,070	-	17,070	-	-	-
Project Fit to Excel	124,747	-	124,747	434,957	-	434,957
Total federal program revenues	<u>2,376,189</u>	<u>-</u>	<u>2,376,189</u>	<u>2,288,064</u>	<u>-</u>	<u>2,288,064</u>
Net assets released from restrictions:						
Restrictions satisfied by payments	8,282,482	(8,282,482)	-	7,185,868	(7,185,868)	-
Total Revenues and Other Support	<u>11,349,157</u>	<u>(377,667)</u>	<u>10,971,490</u>	<u>9,897,437</u>	<u>359,220</u>	<u>10,256,657</u>
<b>Expenses</b>						
Program Services:						
Instruction	4,837,723	-	4,837,723	4,427,849	-	4,427,849
Instructional Resources and Media Services	128,010	-	128,010	56,862	-	56,862
Curriculum Development and Instructional Staff Development	439,608	-	439,608	425,700	-	425,700
School Leadership	493,139	-	493,139	348,862	-	348,862
Guidance, Counseling and Evaluation Service	419,635	-	419,635	266,936	-	266,936
Health Services	331	-	331	668	-	668
Student Transportation	357,062	-	357,062	345,816	-	345,816
Food Services	679,061	-	679,061	597,250	-	597,250
Extracurricular Activities	97,875	-	97,875	82,834	-	82,834
Facilities Maintenance and Operations	1,885,829	-	1,885,829	1,824,773	-	1,824,773
Security and Monitoring Services	59,422	-	59,422	70,877	-	70,877
Data Processing Services	47,496	-	47,496	74,870	-	74,870
Community Services	723,311	-	723,311	324,979	-	324,979
Debt Services	-	-	-	2,963	-	2,963
Fund Raising	20,310	-	20,310	265,861	-	265,861
Support Services:						
General Administration	769,511	-	769,511	752,254	-	752,254
Total expenses	<u>10,958,323</u>	<u>-</u>	<u>10,958,323</u>	<u>9,869,354</u>	<u>-</u>	<u>9,869,354</u>
<b>Change in net assets</b>	<u>390,834</u>	<u>(377,667)</u>	<u>13,167</u>	<u>28,083</u>	<u>359,220</u>	<u>387,303</u>
<b>Net assets (deficit) at beginning of year</b>	<u>(356,838)</u>	<u>1,086,867</u>	<u>730,029</u>	<u>(384,921)</u>	<u>727,647</u>	<u>342,726</u>
<b>Net assets (deficit) at end of year</b>	<u>\$ 33,996</u>	<u>\$ 709,200</u>	<u>\$ 743,196</u>	<u>\$ (356,838)</u>	<u>\$ 1,086,867</u>	<u>\$ 730,029</u>

*Notes to financial statements form an integral part of these statements.*

**The East Austin Academia, Inc. dba East Austin College Prep**

Statements of Cash Flows  
As of August 31, 2015 and 2014

	2015	2014
<b>Cash Flows From Operating Activities</b>		
Foundation School Program payments	\$ 7,300,238	\$ 7,185,418
Grant payments	2,589,919	2,132,502
Other State Program payments	112,729	130,552
Miscellaneous sources	980,598	585,044
Payments to vendors for goods and services rendered	(5,873,386)	(5,285,171)
Payments for payroll and related costs	(4,752,760)	(4,398,916)
Net cash provided by operating activities	357,338	349,429
<b>Cash Flows From Investing Activities</b>		
Purchases of fixed assets	(16,328)	(5,884)
Net cash used in investing activities	(16,328)	(5,884)
<b>Cash Flows From Financing Activities</b>		
Payments on long-term debt, net	-	(277,164)
Net cash used in financing activities	-	(277,164)
<b>Net change in cash and cash equivalents</b>	341,010	66,381
<b>Cash and cash equivalents beginning of year</b>	497,318	430,937
<b>Cash and cash equivalents at end of year</b>	\$ 838,328	\$ 497,318
<b>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities</b>		
Change in net assets	\$ 13,167	\$ 387,303
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	53,007	48,131
Changes in assets and liabilities		
Due from governments and other sources	19,438	(217,850)
Other assets	16,569	(42,642)
Accounts payable	(166,288)	232,295
Other liabilities	421,445	(57,808)
Net cash provided by operating activities	\$ 357,338	\$ 349,429

*Notes to financial statements form an integral part of theses statements.*

# The East Austin Academia, Inc. dba East Austin College Prep

## Notes To Financial Statements

August 31, 2015 and 2014

### 1. Summary of Significant Accounting Policies

#### *Reporting Entity and Nature of Operations*

The East Austin Academia, Inc. dba East Austin College Prep (the “Organization”) is a not-for-profit organization created to be an innovative, tuition-free public school open to any 2nd-12th grader in Travis County. The Organization implements a results-focused rigorous college preparatory curriculum with an emphasis on the belief that with more time for learning all students will succeed. The Organization employs strategies to maintain a nurturing atmosphere, giving students the opportunity to develop strong leadership skills, a solid foundation in STEAM subjects (Science, Technology, Art, Engineering & Math), and discover talent through extracurricular programs. The Organization is a 501(c)(3) tax exempt nonprofit organization that successfully prepares all students for graduation and success in college and career, while also instilling a commitment to community service.

The Organization is governed by a Board of Directors comprised of four members. The Board of Directors is selected pursuant to the bylaws of the Organization and has the authority to make decisions, appoint the chief executive officer of the Organization, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Organization.

#### *Financial Statement Presentation*

The Organization reports 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.

#### *Unrestricted Net Assets*

Unrestricted net assets consist of net assets that are not subject to donor-imposed restrictions. Unrestricted net assets result from operating revenues, unrestricted contributions, unrestricted dividend and interest income, less expenses incurred in operations, to raise contributions and for administrative functions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

#### *Temporarily Restricted Net Assets*

Temporarily restricted net assets consist of net assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specific event. When the donor 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.

#### *Permanently Restricted Net Assets*

Permanently restricted net assets consist of net assets that are subject to donor-imposed stipulations to be maintained permanently. Generally, the donors of these net assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets at August 31, 2015 and 2014.



**The East Austin Academia, Inc. dba East Austin College Prep**

Notes To Financial Statements

August 31, 2015 and 2014

**1. Summary of Significant Accounting Policies (continued)**

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America.

Contributions, revenues, and expenses are recognized under the accrual method of accounting. Public support and revenue are considered to be available for unrestricted use, unless specifically restricted by the donor.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the 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. Actual results could differ from those estimates. Significant estimates include: the determination of the useful lives of long-lived assets, collectability of grants and receivables, and proper classification of functional expenses.

***Cash and Cash Equivalents***

For the purpose of the statement of cash flows, the Organization considers all cash, money market, and certificates of deposit with a maturity of less than 90 days to be cash equivalents.

***Due from Governments and Other Receivables***

The Organization has amounts due from governments and other entities at August 31, 2015 and 2014. The Organization considers the receivables to be fully collectible.

***Capital Assets***

Property, buildings and equipment are recorded at cost at the date of purchase and depreciated on a straight-line basis over their estimated useful lives, generally 3 to 10 years for furniture and equipment, 40 to 50 years for buildings, and over the term of the corresponding lease for leasehold improvements. The Organization's capitalization policy is to capitalize all capital assets over \$5,000.

The Organization expenses fixed assets purchased with federal funds, where title to real and personal property is held by the federal entity. Title to property and equipment acquired by a non-federal entity with federal awards vests with the non-federal entity until such time the Organization no longer needs the equipment for the program for which the assets were acquired.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Donated items are recorded at fair value as of the date of gift. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as

# The East Austin Academia, Inc. dba East Austin College Prep

## Notes To Financial Statements

August 31, 2015 and 2014

### 1. Summary of Significant Accounting Policies (continued)

#### *Capital Assets (continued)*

temporarily restricted support and reclassified to unrestricted support in the year the equipment is purchased and/or placed into service. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the assets are placed into service.

#### *Impairment of Long-Lived Assets*

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. The Organization did not recognize an impairment loss during the years ended August 31, 2015 and 2014.

#### *Grants and Contracts*

The Organization considers all government grants and contracts as exchange transactions rather than contributions. The Organization recognizes revenue from fee for service transactions as services are rendered and for grants as eligible expenditures are incurred. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as receivables.

#### *Contributions*

Contributions received (including unconditional promises to give) are recorded as unrestricted, temporarily restricted, or permanently restricted support in the period received depending on the existence and/or nature of any donor restrictions. Contributions received which are part of the Organization's ongoing major or central activities are recognized as revenue. Conditional promises to give to the Organization are recognized as the conditions upon which they depend are substantially met. Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received. Support that is not restricted by the donor is reported as an increase in unrestricted net assets in the reporting period in which the support is recognized. Donated assets are recorded at their estimated fair values at the date of receipt.

The Organization reports contributions as restricted support if the support is received with donor restrictions that limit the use of the donated assets. When and if a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted.

The Organization reports contributions of land, buildings, and equipment as unrestricted, unless explicit donor restrictions specify how the donated assets must be used. Gifts of assets with explicit restrictions that specify how the assets are to be used are accounted for as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

# The East Austin Academia, Inc. dba East Austin College Prep

## Notes To Financial Statements

August 31, 2015 and 2014

### 1. Summary of Significant Accounting Policies (continued)

#### *Personal Leave*

All regular employees are eligible to accrue state mandated personal leave immediately upon hire. Each eligible employee receives 5 days of state personal leave each school year. Regular part-time employees earn personal leave on a prorated basis depending on the part-time employees' regular schedule. All state personal leave to which the employee is entitled shall be earned after one month of service at full pay in the current school year. There is no limit on the accrual of unused state personal leave, and state personal leave may be transferred to and from other school campuses in Texas as permitted by law.

#### *Functional Classification of Expenses*

Expenses are categorized by function in the statement of activities as (1) program services, (2) general and administrative, or (3) fundraising expenses. Expenses specifically identifiable to a function are allocated entirely to that function. Expenses not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to the function.

#### *Federal Income Tax*

The Organization is a not-for-profit organization exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business activities. As such, no provision for federal income taxes has been made in the accompanying financial statements. There were no unrelated business activities for the years ended August 31, 2015 and 2014. The entity is no longer subject to U.S. federal tax examinations by tax authorities for years prior to 2011.

#### *Subsequent Events*

The Organization has evaluated subsequent events that occurred after August 31, 2015 through the date of this report on January 12, 2016. Any material subsequent events that occurred during this time have been properly recognized or disclosed in the financial statements.

### 2. Pension Plan Obligations

#### *Plan Description*

The Organization contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multi-employer defined benefit pension plan with one exception; all risks and costs are not shared by the Organization, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates under provisions of the Texas Constitution, Article XVI, Sec. 67, and the Texas Government code, Title 8, Chapters 804 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 the financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or 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.

**The East Austin Academia, Inc. dba East Austin College Prep**

Notes To Financial Statements

August 31, 2015 and 2014

**2. Pension Plan Obligations (continued)**

*Funding Policy*

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state contribution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. The Organization's employees' contributions to the System for the years ending August 31, 2015 and 2014 were \$264,402 and \$227,583 equal to the required contribution for the years.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for the fiscal year 2015. The Non-OASDI contribution for the year ending August 31, 2015 was \$59,194.

**3. Health Care Coverage**

During the year ended August 31, 2015 and 2014, employees of the Organization were covered by a Health Insurance Plan (the Plan). The Organization contributed \$325 per month per employee to the Plan in both 2015 and 2014. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

**4. Federal, State, and Local Government Assistance**

The Organization receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the Organization have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, Organization funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

**5. Capital Assets**

Fixed assets consist of the following:

	2015	2014
Buildings and improvements	\$ 334,499	\$ 334,499
Furniture and equipment	22,212	5,884
Less accumulated depreciation	<u>(240,589)</u>	<u>(187,582)</u>
	<u>\$ 116,122</u>	<u>\$ 152,801</u>

**The East Austin Academia, Inc. dba East Austin College Prep**

Notes To Financial Statements

August 31, 2015 and 2014

**5. Capital Assets (continued)**

Depreciation and amortization expense for the years ended August 31, 2015 and 2014, totaled \$53,007 and \$48,131, respectively.

**6. Restrictions on Net Assets**

Temporarily restricted net assets of \$709,200 and \$1,086,867 for the years ended August 31, 2015 and 2014, respectively, are restricted for the benefit of the students of the charter school, under the Foundation School Program, and for any activities supported by local grants.

**7. Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors, or by the change of restrictions specified by the donors. During the years ended August 31, 2015 and 2014, the Organization released \$8,282,482 and \$7,185,868, respectively, of temporarily restricted funds related to the Foundation School Program and local grants.

**8. Concentration of Credit Risk**

The Organization's management believes it has mitigated its concentrations of credit risk in bank accounts by maintaining deposits in several financial institutions, which may at times exceed amounts covered by the Federal Deposit Insurance Corporation ("FDIC"). The maximum loss that could result from this concentration risk is \$697,279 as of August 31, 2015, respectively, for the excess of the deposit liabilities reported by the banks over the amounts that would have been covered by the FDIC.

Management believes concentrations of credit risk in trade receivables are limited due to contracts with federal, state, and local government agencies and other nongovernmental agencies which management believes are of high credit quality. As of August 31, 2015 and 2014, the Organization had no significant concentrations of credit risk in its receivables.

**9. Concentration of Program Services**

The Organization receives a substantial amount of its revenue from federal and state governmental agencies. If there were a significant reduction in the quantity of students served or contracts renewed, programs and activities would require adjustments accordingly.

**10. Related Party Transactions**

The Organization paid rent and administration service fees of \$1,039,870 and \$982,323 for the years ended August 31, 2015 and 2014, respectively, to Southwest Key Programs, Inc. ("SWK"). SWK is a related party to the Organization as it is under common control of SWK. The Organization is considered an affiliate of SWK and the Organization's financial statements are also included in the consolidated financial statements of SWK. The Organization also had interest expenses of \$2,963 for the year ended August 31, 2014 related to a note payable to SWK which was paid off in March 2014. The Organization received a donation from SWK of \$120,000 in August 2015.

**The East Austin Academia, Inc. dba East Austin College Prep**

Notes To Financial Statements

August 31, 2015 and 2014

**10. Related Party Transactions (continued)**

The Organization paid food and food services of \$703,523 and \$603,832 for the years ended August 31, 2015 and 2014, respectively, to Southwest Key Café del Sol, LLC (the “Café”). The Café is considered an affiliate of SWK.

The Organization paid building maintenance, repair and remodeling projects of \$253,622 and \$176,337 for the years ended August 31, 2015 and 2014, respectively, to Southwest Key Green Energy and Construction, LLC (“Green Energy & Construction”). Green Energy & Construction is considered an affiliate of SWK.

The Organization paid building janitorial maintenance and supplies of \$351,178 for the year ended August 31, 2015 to Southwest Key Maintenance, LLC (“Maintenance”). Maintenance is considered an affiliate of SWK.

## Government Auditing Standards Report

**Independent Auditors' 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 The East Austin Academia, Inc.  
dba East Austin College Prep

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of The East Austin Academia, Inc. dba East Austin College Prep (the "Organization") which comprise the statement of financial position as of August 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2016.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

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





# PMB Helin Donovan

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

## *Purpose of this Report*

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

**PMB Helin Donovan, LLP**

*PMB Helin Donovan, LLP*

January 12, 2016

Austin, Texas

**Independent Auditors' Report on Compliance  
With Requirements Applicable to Each Major  
Program and on Internal Control Over Compliance  
In Accordance with OMB Circular A-133**

To the Board of Directors  
of The East Austin Academia, Inc.  
dba East Austin College Prep

***Report on Compliance for Each Major Federal Program***

We have audited the compliance of The East Austin Academia, Inc. dba East Austin College Prep (the "Organization") with the types of compliance requirements described in OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the Organization's major federal programs for the year ended August 31, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 and for each major federal program. However, our audit does not provide a legal determination of the 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 are applicable to each of its major federal programs for the year ended August 31, 2015.

***Report on Internal Control over Compliance***

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a 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 program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on

the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**PMB Helin Donovan, LLP**

*PMB Helin Donovan, LLP*

January 12, 2016  
Austin, Texas

**The East Austin Academia, Inc. dba East Austin College Prep**  
Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2015

Federal Grantor\Pass-Through Grantor\Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<b><i>Fund for Improvement of Education</i></b>			
Project START	84.215G	S215G120011-13	\$ 47,650
Community DREAM-Link - "Delivering Resources for an Enrichment and Academic Mission	84.215J	U215J100196 - 13 & 14	489,546
Project FIT to EXCEL	84.215F	Q215F110449-13	124,747
Reading to Improve Success in Education ("Project RISE")	84.215G	S215G140030	291,943
Indirect cost			6,303
			<u>298,246</u>
Project LEAD (Linking Education to Adolescent Development)	84.215E	S215E150016	16,710
Indirect cost			361
			<u>17,071</u>
<i>Total Fund for Improvement of Education</i>			<u>977,260</u>
Pass-through Texas Education Agency			
<b><i>Title I, Part A</i></b>			
Title I, Part A - Improving Basic Programs	84.010A	S010A140043	287,685
Indirect cost			6,210
			<u>293,895</u>
Title I, 1003 (A)-PRIORITY AND FOCUS SCHOOL GRANT	84.010A	S010A130043&S010A140043	253,725
Indirect cost			5,477
			<u>259,202</u>
<i>Total Title I, Part A</i>			<u>553,097</u>
<b><i>Special Education Cluster (IDEA)</i></b>			
IDEA - B Formula	84.027A	H027A140008&H027A130008	90,755
Indirect cost			1,958
<i>Total Special Education Cluster (IDEA)</i>			<u>92,713</u>
Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	S367A140041&S367A130041	44,835
Indirect cost			968
			<u>45,803</u>
Title III, Part A - Limited English Proficient	84.365A	S365A140043	34,250
Indirect cost			739
			<u>34,989</u>
Texas 21st Century Community Learning Centers	84.287C	SAS#A781-15 & S287C150044	288,118
Total U.S. Department of Education			<u>1,991,980</u>
<u>U.S. Department of Agriculture</u>			
<b><i>Child Nutrition Cluster</i></b>			
Passed Through Texas Education Agency:			
School Breakfast Program (SBP)	10.553	2014IN109946	134,053
National School Lunch Program (NSLP)	10.555	2014IN109946	250,156
<i>Total Special Education Cluster (IDEA)</i>			<u>384,209</u>
Total U.S. Department of Agriculture			<u>384,209</u>
Total Federal Awards			<u>\$ 2,376,189</u>

See notes to the Schedule of Expenditures of Federal Awards

**The East Austin Academia, Inc. dba East Austin College Prep**  
Notes to the Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2015

**1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activities of all federal financial assistance programs of The East Austin Academia, Inc. dba East Austin College Prep (the "Organization"). The Organization's structure is defined in note 1 to the financial statements.

**2. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting where grant revenues are recognized as expenditures are incurred.

**3. Relationship to Financial Statements**

Federal financial assistance funding from the U.S. Department of Education is reported in the Organization's financial statements for the year ended August 31, 2015 as federal program revenues.

**4. Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related federal financial reports filed with the grantor agencies due to timing differences.

**The East Austin Academia, Inc. dba East Austin College Prep**  
**Schedule of Findings and Questioned Costs**  
**Year Ended August 31, 2015**

**Summary of Auditors' Results**

***Financial Statements***

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered material weakness(es)?	None noted
Noncompliance material to the financial statements noted?	No

***Federal Awards***

Internal controls over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered material weakness(es)?	None noted
Type of auditor's report issued on compliance with major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Major programs:	CFDA 84.010A – Title I, Part A
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as a low-risk auditee?	Yes
<b>Financial Statement Findings</b>	None noted
<b>Federal Award Findings and Questioned Costs</b>	None noted
<b>Prior Year Findings</b>	None noted

## Supplementary Information

**The East Austin Academia, Inc. dba The East Austin College Prep Academy**  
Schedule of Expenses  
Year Ended August 31, 2015

<b>Expenses</b>	<u>2015</u>
6100- Payroll costs	\$ 4,995,791
6200- Professional and contractual services	4,184,941
6300- Supplies and Materials	778,070
6400- Other Operating Costs	<u>999,521</u>
	<u>\$ 10,958,323</u>

*See Independent Auditors' Report*



**The East Austin Academia, Inc. dba The East Austin College Prep Academy**  
 Schedule of Capital Assets  
 August 31, 2015

<u>Asset Classification</u>	2015		
	Local	State	Federal
1520 - Buildings and improvements	\$ -	\$ -	\$ 334,499
1539 - Furniture and Equipment		-	22,212
1570 - Accumulated depreciation	-	-	(240,589)
	\$ -	\$ -	\$ 116,122

*See Independent Auditors' Report*

**The East Austin Academia, Inc. dba The East Austin College Prep Academy**  
Schedule of Budgetary Comparison  
Year Ended August 31, 2015

	(Unaudited)	(Unaudited)		Final Budget Favorable (Unfavorable)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenue</b>				
Local support:				
5740 Other Revenues from Local Sources	\$ 274,456	\$ 547,104	\$ 947,821	\$ 400,717
5750 Revenue from Cocurricular, Enterprising Service or Activities	-	32,671	40,222	7,551
State program revenues:				
5810 Per Capita and Foundation School Program Act Revenues	7,876,729	7,393,138	7,476,775	83,637
5820 State Program Revenues Distributed by TEA	-	81,860	127,983	46,123
5830 State Revenues from State of Texas (Other than TEA)	-	2,500	2,500	-
Federal program revenues:				
5920 Federal Revenue Distributed by TEA	1,460,103	1,416,509	1,398,930	(17,579)
5940 Federal Revenue Distributed Directly from the Federal Government	909,976	919,976	977,259	57,283
<b>Total Revenue</b>	<u>10,521,264</u>	<u>10,393,758</u>	<u>10,971,490</u>	<u>577,732</u>
<b>Expenses</b>				
11 Instruction	4,877,102	4,710,169	4,837,723	(127,554)
12 Instructional Resources and Media Services	128,584	126,838	128,010	(1,172)
13 Curriculum Development and Instructional Staff Development	547,398	403,982	439,608	(35,626)
23 School Leadership	430,750	490,027	493,139	(3,112)
31 Guidance, Counseling and Evaluation Service	235,952	388,127	419,635	(31,508)
33 Health Services	2,000	331	331	-
34 Student Transportation	370,000	363,220	357,062	6,158
35 Food Services	623,637	690,919	679,061	11,858
36 Extracurricular Activities	119,698	86,534	97,875	(11,341)
41 General Administration	654,378	752,973	769,511	(16,538)
51 Facilities Maintenance and Operations	1,715,616	1,873,873	1,885,829	(11,956)
52 Security and Monitoring Services	63,600	59,971	59,422	549
53 Data Processing Services	60,760	47,562	47,496	66
61 Community Services	274,304	215,879	723,311	(507,432)
71 Debt Services	-	-	-	-
81 Fund Raising	-	260,469	20,310	240,159
<b>Total Expenses</b>	<u>10,103,779</u>	<u>10,470,874</u>	<u>10,958,323</u>	<u>(487,449)</u>
<b>Change in net assets</b>	417,485	(77,116)	13,167	90,283
<b>Net assets at beginning of year</b>	<u>730,029</u>	<u>730,029</u>	<u>730,029</u>	<u>-</u>
<b>Net assets at end of year</b>	<u>\$ 1,147,514</u>	<u>\$ 652,913</u>	<u>\$ 743,196</u>	<u>\$ 90,283</u>

See Independent Auditors' Report