



ÉTOILE ACADEMY
CHARTER SCHOOL

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2019

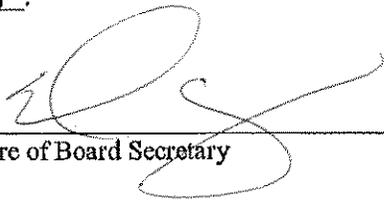
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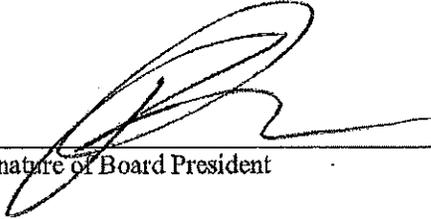
**ETOILE ACADEMY CHARTER SCHOOL
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 81-4291553
COUNTY DISTRICT NUMBER 101-872**

CERTIFICATE OF THE BOARD

We, the undersigned, certify that the attached Financial and Compliance Report of Etoile Academy Charter School was reviewed and (check one) approved disapproved for the year ended June 30, 2019, at a meeting of the governing body of the charter holder on the 17th day of October, 2019.



Signature of Board Secretary



Signature of Board President



Armstrong, Vaughan & Associates, P. C.

Deborah F. Fraser Phil S. Vaughan Nancy L. Vaughan

Certified Public Accountants

Kimberly J. Roach

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Etoile Academy Charter School
Houston, Texas

Report on the Financial Statements

We have audited the accompanying statement of financial position of Etoile Academy Charter School as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 Etoile Academy Charter School as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information (consisting of the schedule of expenses, schedule of capital assets and budgetary comparison schedule and notes) is presented for the purposes of additional analysis and is not a required part of the financial statements. The Supplementary 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 other 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 Supplementary Information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019 on our consideration of Etoile Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Etoile Academy Charter School's internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.

September 20, 2019

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

ETOILE ACADEMY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 39,180
Accounts Receivable:	
Texas Education Agency	121,522
Prepaid Expenses	<u>13,850</u>
<i>Total Current Assets</i>	<u>174,552</u>

Other Assets:

Security Deposit	34,636
Property and Equipment, net	<u>262,356</u>
<i>Total Other Assets</i>	<u>296,992</u>

TOTAL ASSETS \$ 471,544

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 16,213
Wages Payable	<u>14,393</u>
<i>Current Liabilities</i>	<u>30,606</u>

Other Liabilities:

Deferred Rent	<u>218,656</u>
<i>Total Liabilities</i>	<u>249,262</u>

Net Assets:

Without Donor Restrictions	<u>222,282</u>
<i>Total Net Assets</i>	<u>222,282</u>

TOTAL LIABILITIES AND NET ASSETS \$ 471,544

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

ETOILE ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE			
5700 Local Revenues	\$ 122,375	\$ 990	\$ 123,365
5800 State Revenues	-	632,128	632,128
5900 Federal Revenues	-	477,554	477,554
	<u>122,375</u>	<u>1,110,672</u>	<u>1,233,047</u>
Net Assets Released from Restrictions	1,110,672	(1,110,672)	-
TOTAL REVENUE	<u>1,233,047</u>	<u>-</u>	<u>1,233,047</u>
EXPENSES			
11 Instruction	472,698	-	472,698
13 Curriculum Development and Instructional Student Development	5,072	-	5,072
23 School Leadership	146,240	-	146,240
34 Student Transportation	58,400	-	58,400
35 Food Services	42,240	-	42,240
36 Extracurricular Activities	1,235	-	1,235
41 General Administration	178,174	-	178,174
51 Plant Maintenance	265,067	-	265,067
52 Security and Monitoring	6,023	-	6,023
53 Data Processing	22,147	-	22,147
61 Community Service	4,708	-	4,708
71 Debt Service	267	-	267
TOTAL EXPENSES	<u>1,202,271</u>	<u>-</u>	<u>1,202,271</u>
CHANGE IN NET ASSETS	30,776	-	30,776
NET ASSETS - BEGINNING OF YEAR	<u>191,506</u>	<u>-</u>	<u>191,506</u>
NET ASSETS - END OF YEAR	<u>\$ 222,282</u>	<u>\$ -</u>	<u>\$ 222,282</u>

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

ETOILE ACADEMY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Payroll and Benefits	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Debt Service	Totals
11 Instruction	\$ 273,642	\$ 51,031	\$ 146,213	\$ 1,812	\$ -	\$ 472,698
13 Curriculum and Instructional						
Student Development	-	2,250	316	2,506	-	5,072
23 School Leadership	73,046	20,312	52,397	485	-	146,240
34 Student Transportation	-	58,400	-	-	-	58,400
35 Food Services	-	42,240	-	-	-	42,240
36 Extracurricular Activities	-	-	1,235	-	-	1,235
41 General Administration	99,783	38,751	23,437	16,203	-	178,174
51 Plant Maintenance	-	213,270	25,505	26,292	-	265,067
52 Security and Monitoring	-	1,561	-	4,462	-	6,023
53 Data Processing	-	12,147	10,000	-	-	22,147
61 Community Service	-	4,708	-	-	-	4,708
71 Debt Service	-	-	-	-	267	267
TOTAL	<u>\$ 446,471</u>	<u>\$ 444,670</u>	<u>\$ 259,103</u>	<u>\$ 51,760</u>	<u>\$ 267</u>	<u>\$ 1,202,271</u>

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

ETOILE ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	
Cash Received from State and Federal Grantors	\$ 1,066,967
Cash Received from Others	123,365
Cash Paid to Employees for Services	(429,484)
Payments to Vendors for Goods and Services	(497,949)
Payments of Interest	(267)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>262,632</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	
Purchase of Property and Equipment	<u>(271,019)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(271,019)</u>
NET INCREASE (DECREASE) IN CASH	(8,387)
BEGINNING CASH AND CASH EQUIVALENTS	<u>47,567</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 39,180</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ 30,776
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	29,651
(Increase) Decrease in Assets:	
Accounts Receivable:	
Texas Education Agency	(42,715)
Prepaid Expenses	13,850
Security Deposit	(20,786)
Increase (Decrease) in Liabilities:	
Accounts Payable	16,213
Payroll Deductions and Withholdings	2,594
Wages Payable	14,393
Deferred Rent	218,656
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 262,632</u>

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

ETOILE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Etoile Academy, Inc. (“Etoile”) is a Texas nonprofit corporation that operates an open-enrollment charter school (Etoile Academy Charter School), serving fifth grade in Houston, Texas. The State Board of Education of the State of Texas approved the open-enrollment charter, pursuant to Chapter 12 of the Texas Education Code (“TEC”). Etoile is governed by a Board of Directors consisting of no fewer than three members. The Board of Directors has the authority to make decisions, appoint the chief executive officer, and has the primary accountability for the fiscal affairs of the Academy.

Etoile receives the majority of its funding from the Texas Education Agency based on average daily attendance in the school it operates. Since this includes funding from local, state, and federal government sources, Etoile must comply with the requirements of the entities providing those funds.

Etoile does not currently conduct any non-charter activities.

Basis of Accounting and Presentation

The general-purpose financial statements of Etoile were prepared in conformity with accounting principles generally accepted in the United States. The *Financial Accounting Standards Board* is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when they are incurred.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Without Donor Restrictions – net assets that are not subject to grantor or donor-imposed stipulations.

With Donor Restrictions – net assets subject to grantor or donor-imposed stipulations that may be met either by actions of Etoile and/or passage of time or may be required to remain in perpetuity.

Cash and Cash Equivalents

For financial statement purposes, Etoile considers all highly liquid investment instruments with an original maturity of three months or less to be cash.

Contributions

Etoile accounts for contributions as with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Promises to give are recognized when communication of the promise is made if the gift is unconditional. Conditional promises to give are not recognized until the conditions are met.

ETOILE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2019

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Capital Assets

Capital assets are defined by Etoile as assets with a useful life greater than one year and an individual cost of more than \$5,000. Such assets are recorded at historical cost (or fair value if donated) and are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation. Useful lives are estimated to be 3-to-5 years for furniture and equipment. Leasehold improvements are amortized over the lesser of the life of the lease or the expected useful life. Current leases are for ten years.

Operating Leases

Leases with significant landlord incentives or escalated rent payments are expensed on the statement of activities on the straight-line basis over the life of the lease. Differences between the payments paid and incentives received to the straight-line expense are recorded on the statement of financial position as deferred rent.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

Etoile records expenses in accordance with the Texas Education Agency's chart of accounts outlined in the Financial Accountability System Resource Guide. Indirect expenses are generally recorded as administrative expenses. Administrative expenses include the office of the superintendent, legal and accounting fees.

Income Taxes

Etoile Academy Charter School is a not-for-profit organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, except to the extent that it has unrelated business income. As such, no provision for income taxes has been made in the financial statements. The organizations generally are no longer subject to income tax examination by Federal authorities for years prior to June 30, 2016.

Subsequent Events

Subsequent events were considered through September 20, 2019, which is the date the financial statements were available to be issued.

ETOILE ACADEMY CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 2019

NOTE 2 -- ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2019 consisted of funding from the following programs:

Texas Education Agency	
Foundation School Program	\$ 101,590
Charter School Start-up	12,878
Title I	3,535
IDEA B	2,930
National School Breakfast and Lunch	589
Total Accounts Receivable	\$ 121,522

NOTE 3 -- CAPITAL ASSETS

Capital assets at June 30, 2019 were as follows:

Leasehold Improvements	\$ 252,223
Furniture and Equipment	39,784
Total Property and Equipment	292,007
Less: Accumulated Depreciation	(29,651)
Property and Equipment - Net	\$ 262,356

Capital assets acquired with public funds received by Etoile for the operation of the open-enrollment charter school constitute public property pursuant to Charter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets. Should the charter school be closed for any reason, these assets may revert to the Texas Education Agency. Depreciation expense was \$29,651 for the year ended June 30, 2019.

NOTE 4 -- NET ASSETS WITH RESTRICTIONS

All restricted donations and grants were released from restriction as of June 30, 2019. Releases of net assets with donor restrictions during the year ending June 30, 2019 were as follows:

Foundation School Program	\$ 630,758
Charter School Start-up Program	410,468
National School Lunch Program	38,517
Every Student Succeeds Act	19,553
IDEA-B	10,016
Other State Programs	1,360
Total Released from Restriction	\$ 1,110,672

ETOILE ACADEMY CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 2019

NOTE 5 -- PENSION PLAN OBLIGATION

The charter school contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the charter school, but are the liability of the State of Texas. Charters are legally separate entities from the State and there is no withdrawal penalty for leaving TRS. 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 primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by 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 website, www.trs.state.tx.us, under the TRS Publications Heading.

The plan financial statements for the year ending August 31, 2018 reported a plan net position of \$155 billion with a total pension liability of \$210 billion. Net position of the plan represented 74% of the total pension liability.

Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. The following table presents contribution rates and amounts:

Year Ending <u>June 30,</u>	<u>Member</u>	<u>State</u>	<u>Employer</u>
<i>Rates</i>			
2019	7.70%	6.80%	1.50%
<i>Amounts</i>			
2019	\$ 30,072	\$ 26,557	\$ 11,314

The employer is also required to contribute additional amounts in certain circumstances such as salaries funded through certain private and federal grants, new members, and 1.5% of all covered salaries to TRS if the Charter does not participate in social security.

NOTE 6 -- RETIREE HEALTH PLAN – OTHER POST EMPLOYMENT BENEFIT

TRS also offers retiree health insurance, called TRS-Care, a cost-sharing multiple-employer defined benefit postemployment health care plan. Qualified retirees (and their dependents) receive health insurance paid for by the plan. The statutory authority for the program is Texas Insurance Code, Chapter 1575. The State, employees and employers contribute a portion of covered payroll.

ETOILE ACADEMY CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 2019

NOTE 6 -- RETIREE HEALTH PLAN – OTHER POST EMPLOYMENT BENEFIT (CONT.)

The plan financial statements for the year ending August 31, 2018 reported a plan net position of \$799 billion with a total OPEB liability of \$51 billion. Net position of the plan represented 2% of the total OPEB liability.

Contribution requirements are not actuarially determined but are established each biennium by the Texas State Legislature. Contribution rates and amounts were as follows:

Year Ending June 30,	<u>Member</u>	<u>State</u>	<u>Employer</u>
<i>Rates</i>			
2019	0.65%	1.00%	0.75%
<i>Amounts</i>			
2019	\$ 2,538	\$ 3,905	\$ 3,088

NOTE 7 -- OPERATING LEASE

In 2018, Etoile leased a school site consisting of 13,850 square feet. The lease agreement is for 10 years through July 31, 2027. The lease included improvement incentives and escalated payments over the term. Etoile has expansion options in future years at the same rental rates with similar improvement incentives. In January 2019, the lease expanded to capture another 6,659 square feet to begin in August 2019. Improvement allowances of \$83,238 are expected. Rental expense for the year ending June 30, 2019 related to the lease was \$161,732 and scheduled payments were \$152,350. Future minimum lease payments as of June 30, 2019 and future rent expense are as follows:

Year Ending June 30,	Future Minimum Lease Payments	Rent Expense
2020	\$ 241,912	\$ 249,223
2021	265,762	263,780
2022	276,017	263,780
2023	286,272	263,780
2024	296,526	263,780
2025	306,780	263,780
2026	317,035	263,780
2027	327,289	263,780
2028	337,544	263,780
2029	28,200	21,982

NOTE 8 -- LINE OF CREDIT

Etoile has a line of credit for \$100,000 at a local bank. The agreement matures on July 10, 2019 and bears interest at the Wall Street Journal Prime Rate (5.5% at June 30, 2019). Subsequent to year end, the agreement was extended to October 10, 2019. The balance owed on the line of credit was \$0 at June 30, 2019.

ETOILE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2019

NOTE 9 -- COMMITMENTS AND CONTINGENCIES

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

NOTE 10 -- LIQUIDITY AND AVAILABILITY

Etoile is substantially supported by the State of Texas Foundation School Program (FSP) which is based on student enrollment. Most of the private philanthropy received is without restriction and can be used to support operations of the charter school. Thus, all of the current assets reported on the Statement of Financial Position (\$175 thousand) are available to fund the operations of the Organization. In addition, an initial FSP allotment of \$1.6 million will be available to fund the 2020 fiscal year. The Organization's goal is to build up over 60 days of cash. While this was not achieved in the first school year, management anticipates reaching this goal by the end of 2020 with economies of scale from increased enrollment.

NOTE 11 -- LITIGATION

Management is unaware of any pending or threatened litigation that would result in any significant financial impact.

SUPPLEMENTARY INFORMATION

ETOILE ACADEMY CHARTER SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

EXPENSES	
6100 Payroll	\$ 446,471
6200 Professional and Contracted Services	444,670
6300 Supplies and Materials	259,103
6400 Other Operating Costs	51,760
6500 Debt Service	<u>267</u>
Total Expenses	<u><u>\$ 1,202,271</u></u>

ETOILE ACADEMY CHARTER SCHOOL
SCHEDULE OF CAPITAL ASSETS
JUNE 30, 2019

	<u>Local</u>	<u>State</u>	<u>Federal</u>
1110 Cash	\$ 147,854	\$ (98,214)	\$ (10,460)
1510 Land and Improvements	-	-	-
1520 Buildings and Improvements	14,238	237,985	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	-	39,784
Total Property and Equipment	<u>\$ 162,092</u>	<u>\$ 139,771</u>	<u>\$ 29,324</u>

Note: Etoile utilizes a pooled cash system. Negative cash amounts reflected above represent short-term borrowings from locally sourced cash that will be repaid through granting agency reimbursements.

ETOILE ACADEMY CHARTER SCHOOL
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE				
5700 Local Support	\$ 31,000	\$ 131,000	\$ 123,365	\$ (7,635)
5800 State Funding	986,863	645,366	632,128	(13,238)
5900 Federal Funding	88,815	832,420	477,554	(354,866)
TOTAL REVENUE	<u>1,106,678</u>	<u>1,608,786</u>	<u>1,233,047</u>	<u>(375,739)</u>
EXPENSES				
11 Instruction	444,550	608,540	472,698	135,842
13 Curriculum Development and Instructional Student Development	-	19,257	5,072	14,185
23 School Leadership	73,250	213,676	146,240	67,436
33 Health Services	1,000	1,000	-	1,000
34 Student Transportation	50,000	85,000	58,400	26,600
35 Food Services	88,815	88,815	42,240	46,575
36 Extracurricular Activities	-	-	1,235	(1,235)
41 General Administration	178,571	237,671	178,174	59,497
51 Plant Maintenance	265,492	321,767	265,067	56,700
52 Security and Monitoring	-	-	6,023	(6,023)
53 Data Processing Services	5,000	30,000	22,147	7,853
61 Community Service	-	5,175	4,708	467
71 Debt Service	-	500	267	233
TOTAL EXPENSES	<u>1,106,678</u>	<u>1,611,401</u>	<u>1,202,271</u>	<u>409,130</u>
 CHANGE IN NET ASSETS	 -	 (2,615)	 30,776	 33,391
BEGINNING NET ASSETS	<u>191,506</u>	<u>191,506</u>	<u>191,506</u>	<u>-</u>
ENDING NET ASSETS	<u>\$ 191,506</u>	<u>\$ 188,891</u>	<u>\$ 222,282</u>	<u>\$ 33,391</u>

See Independent Auditor's Report.

ETOILE ACADEMY CHARTER SCHOOL
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

BUDGETARY VARIANCES

Expenses in the following functions exceeded the final budget:

36 Extracurricular Activities – The budget included expenses for items for sale in function 41 instead of function 36.

52 Security and Monitoring – The budget did not anticipate depreciation on security and access control in function 52.

The final budget in several functions changed more than 10% from the original budget. Because, this was the school's first year in operations, pupil projections were difficult. It was also difficult to anticipate the level of federal and private grants. As these grants were awarded during the year, budget amendments were made to spend these funds.

**COMPLIANCE AND
INTERNAL CONTROL**



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Etoile Academy Charter School (Etoile)
Houston, Texas

We have audited 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, the combined financial statements of Etoile, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 20, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

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



Armstrong, Vaughan & Associates, P.C.

September 20, 2019