

**MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED AUGUST 31, 2020

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**MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY**

057-850

(Federal Employer Identification Number: 46-5137310)

CERTIFICATE OF BOARD

August 31, 2020

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Meadow Oaks Education Foundation dba Pioneer Technology & Arts Academy was reviewed and approved disapproved for the year ended August 31, 2020, at a meeting of the governing body of said charter school on the 28 day of January, 2021



Signature of Board Secretary



Signature of Board President

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Meadow Oaks Education Foundation dba Pioneer Technology & Arts Academy
Mesquite, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Meadow Oaks Education Foundation ("MOEF") dba Pioneer Technology & Arts Academy (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MOEF as of August 31, 2020, 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 financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021, on our consideration of MOEF'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 solely 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 effectiveness of MOEF's 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 MOEF's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Loney & Company", is written in a cursive style.

Houston, TX
January 28, 2021

MEADOW OAKS EDUCATION FOUNDATION

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 2,299,337
Grants Receivable	1,232,620
Other Receivables	29,669
TOTAL CURRENT ASSETS	<u>3,561,626</u>

PROPERTY AND EQUIPMENT

Building and Improvements	852,300
Furniture and Equipment	2,324,844
Vehicles	246,415
	<u>3,423,559</u>
Less: Accumulated Depreciation	(537,640)
	<u>2,885,919</u>

TOTAL ASSETS	<u>\$ 6,447,545</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 892,984
Accrued Payroll Liabilities	1,065,077
Other Liabilities	124,190
Current Portion Notes Payable	555,327
TOTAL CURRENT LIABILITIES	<u>2,637,578</u>

NONCURRENT LIABILITIES

Noncurrent portion of Notes Payable	442,664
TOTAL NONCURRENT LIABILITIES	<u>442,664</u>

TOTAL LIABILITIES	<u>3,080,242</u>
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NET ASSETS

Without Donor Restrictions	1,640,433
With Donor Restrictions	1,726,870
TOTAL NET ASSETS	<u>3,367,303</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,447,545</u>
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See accompanying notes to the financial statements.

MEADOW OAKS EDUCATION FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Local Support:			
Revenues from local sources	\$ 54,079	\$ 86,117	\$ 140,196
	<u>54,079</u>	<u>86,117</u>	<u>140,196</u>
State Program Revenues		12,517,887	12,517,887
Total State Program Revenues		<u>12,517,887</u>	<u>12,517,887</u>
Federal Program Revenues		1,688,041	1,688,041
Total Federal Program Revenues		<u>1,688,041</u>	<u>1,688,041</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	13,526,903	(13,526,903)	
Total Revenues	<u>13,580,982</u>	<u>765,142</u>	<u>14,346,124</u>
EXPENSES			
Program Services			
Instruction and Instructional-Related Services	6,856,472		6,856,472
Instructional and School Leadership	577,308		577,308
Ancillary Services	119,530		119,530
Support Services- Student (Pupil)	591,181		591,181
Total Program Services	<u>8,144,491</u>		<u>8,144,491</u>
Support Services			
Administrative Support Services	365,411		365,411
Support Services- Non-Student Based	3,606,527		3,606,527
Debt Service	8,903		8,903
Total Support Services	<u>3,980,841</u>		<u>3,980,841</u>
Total Expenses	<u>12,125,332</u>		<u>12,125,332</u>
CHANGE IN NET ASSETS	<u>1,455,650</u>	<u>765,142</u>	<u>2,220,792</u>
NET ASSETS, beginning of year	<u>184,783</u>	<u>961,728</u>	<u>1,146,511</u>
NET ASSETS, end of year	<u>\$ 1,640,433</u>	<u>\$ 1,726,870</u>	<u>\$ 3,367,303</u>

See accompanying notes to the financial statements.

MEADOW OAKS EDUCATION FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2020

	Program Expense	Management and General	Total
Expenses			
Salaries	\$ 5,965,301	\$ 231,740	\$ 6,197,041
Employee benefits	538,005	8,711	546,716
Payroll taxes	91,055	2,740	93,795
Professional fees	549,960	639,167	1,189,127
Utilities		432,440	432,440
Occupancy		1,716,116	1,716,116
Travel	85,606	9,506	95,112
Interest expense		9,111	9,111
Insurance		107,981	107,981
Depreciation and amortization		320,445	320,445
Supplies	846,044	412,667	1,258,711
Miscellaneous expenses	57,074	38,229	95,303
Repairs and Maintenance	11,446	51,988	63,434
	<u>\$ 8,144,491</u>	<u>\$ 3,980,841</u>	<u>\$ 12,125,332</u>

See accompanying notes to the financial statements.

MEADOW OAKS EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 2,220,792
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	320,445
(Increase) decrease in grants receivable	259,846
(Increase) decrease in other receivables	(29,669)
Increase (decrease) in accounts payable	104,851
Increase (decrease) accrued payroll liabilities	757,370
Increase (decrease) other liabilities	<u>(388,265)</u>
Total Adjustments	<u>1,024,578</u>

CASH PROVIDED BY OPERATING ACTIVITIES 3,245,370

CASH FLOWS FROM INVESTING ACTIVITIES

Cash paid for purchases of fixed assets (1,944,839)

CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES (1,944,839)

CASH FLOWS FROM FINANCING ACTIVITIES

Loan payments to related parties	(375,000)
Principal payments on notes payable	<u>519,063</u>

CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES 144,063

NET INCREASE (DECREASE) IN CASH 1,444,594

CASH AT BEGINNING OF YEAR 854,743

CASH AT END OF YEAR \$ 2,299,337

Supplemental Disclosures

CASH PAID DURING THE YEAR FOR:

INTEREST \$ 9,111

See accompanying notes to the financial statements.

MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

A. Organization:

Meadow Oaks Education Foundation dba Pioneer Technology & Arts Academy (“MOEF”) is a nonprofit organization incorporated in the State of Texas on March 18, 2014 and exempt from federal income taxes pursuant to Section 501 (c)(3) of the Internal Revenue Code. In 2015, the State Board of Education of the State of Texas granted the corporation an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code.

Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, MOEF was opened in the fall of 2016. The charter school was organized to empower and engage students to reach their full potential as global leaders who will enhance their communities and the world through creativity, collaboration and innovation. MOEF’s programs, services, activities and functions are governed by the corporation’s board of directors.

The charter holder MOEF only operates a charter school and does not conduct any other charter or non-charter activities.

B. Summary of Significant Accounting Policies:

BASIS OF PRESENTATION

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

CLASSIFICATION OF NET ASSETS

Net assets of MOEF are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of MOEF. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

On occasion, the governing board may designate a portion of net assets without donor restrictions for a specific purpose. Designated net assets are not governed by donor-imposed restrictions and may be reversed by the governing board at any time.

MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

B. Summary of Significant Accounting Policies: (Continued)

SUPPORT AND REVENUE

Support and revenue are recorded based on the accrual method.

CASH DONATIONS AND DONATED SERVICES

Cash donations are considered to be available for unrestricted use unless specifically restricted by the donor. No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such donations. Nevertheless, a substantial number of volunteers have donated their time in connection with the program service and administration of the organization.

CONTRIBUTIONS

In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 605 Revenue Recognition*, contributions received are recorded as with donor restrictions and without donor restrictions support depending on the existence or nature of any donor restrictions. MOEF's policy is to report donor-restricted support that is satisfied in the year of receipt as donor-restricted and then fully released in the same year.

PROPERTY AND EQUIPMENT

Property and equipment purchased by MOEF are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All assets acquired with a value in excess of \$5,000 or acquired under budgeted capital asset line items within grant applications are recorded as fixed assets. Depreciation is provided on the straight-line method based upon estimated useful lives of the assets. Gains or losses from retirement or sale of property and equipment are reflected in income for the period. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

PLEDGES AND ACCOUNTS RECEIVABLE

Contributions are recognized when the donor makes a promise to give to MOEF, which is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

No provision has been made for uncollectible promises to give and accounts receivable as of the statement of financial position date, given that none have been identified.

MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

B. Summary of Significant Accounting Policies: (Continued)

FUNCTIONAL EXPENSES

Expenses are charged to each program based on direct expenditures incurred. Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff, or other reasonable methods for allocating the organization's multiple function expenditures.

INCOME TAXES

MOEF qualifies as a tax-exempt organization under section 501 (c) (3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

CASH AND CASH EQUIVALENTS

MOEF considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in non-interest-bearing demand accounts at national financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per account. As of August 31, 2020, MOEF has not incurred any losses on amounts held in depository accounts in excess of federally insured limits.

ESTIMATES

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

FUNCTIONAL EXPENSES

Expenses are charged to each program based on direct expenditures incurred. Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff, or other reasonable methods for allocating the charter school's multiple functional expenditures.

C. Pension Plan Obligations:

Plan Description

MOEF 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. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public-school systems of Texas.

MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

C. Pension Plan Obligations: (Continued)

The plan 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 Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2020 provided the following information:

Pension <u>Fund</u>	Total Plan Assets <u>2020</u>	Total Pension Liability <u>2020</u>	Percent <u>Funded</u>
TRS	\$ 184,361,871,000	\$ 218,974,205,000	75.54%

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 constitution requires the legislature to establish a member 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. State law provides for a member contribution rate of 7.7% for fiscal year 2020, and a state contribution rate of 7.5% for fiscal year 2020. The charter school’s employee contributions to the system for the year ended August 31, 2020 were \$420,153, equal to the required contributions for the year.

Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum were contributed at a rate of 7.5% totaling \$14,643 for the year ended August 31, 2020. The charter school’s contributions into this plan do not represent more than 5% of the total contributions to the plan. MOEF’s surcharge contribution was \$15,869.

MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

D. Liquidity and Availability of Financial Assets:

The following reflects MOEF's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,299,337
Grants and other receivables	1,262,289
Total financial assets	<u>3,561,626</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions as to time or use	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,561,626</u>

MOEF manages its liquid assets conservatively within standard depository bank accounts at national banks. Cash is managed to provide sufficient funds for meeting program expenditures of the charter school. Excess cash is invested in short-term investments such as certificates of deposit that have maturity dates of less than three months.

E. Budget:

The official school budget is prepared for adoption for required Governmental Fund Types. The annual budget is adopted on a basis consistent with generally accepted accounting principles and is formally adopted by the Board of Directors.

F. Commitments and Contingencies:

MOEF 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. MOEF is economically dependent on these charter school funds.

G. Health Care Coverage:

During the year ended August 31, 2020, employees of MOEF were covered by a health insurance plan. The school contributed up to \$225 per month per employee (depending upon coverage selected) to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer.

MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

H. Related Parties:

MOEF has established business relationships with PNC Partners, Ltd. (“PNC”), a partnership organized in the state of Texas, and SSS Education Foundation (“SSS”), a non-profit corporation organized in the state of Texas for purposes of supporting educational organizations in the acquisition of affordable educational facilities. MOEF’s Superintendent retains an equity financial interest in PNC and sits on the board of SSS. A second member of MOEF’s board also sits on the board of SSS.

Historically, PNC has provided startup capital to MOEF under multiple agreements. At August 31, 2020, MOEF was no longer indebted to PNC. PNC also serves as a lessor in several properties leased by MOEF as educational facilities. In the year ended August 31, 2020, MOEF incurred expenses related to education expenses leased from PNC totaling \$1,716,116.

MOEF was also indebted to the Superintendent for \$2,000 at August 31, 2020.

I. Note Payable:

MOEF’s obligations under notes payable consist of the following:

Note payable to the U.S. Small Business Administration in the amount of \$150,000. The note is dated June 13, 2020. The note payable carries a rate of interest of 2.75%, and is payable in 348 equal installments of \$641 beginning June 13, 2021. The date of maturity is June 13, 2049. The note is secured by all assets.	\$ 150,000
Note payable to equipment finance organization. The note is dated August 19, 2019. The note payable carries a rate of interest of 7.5% and is payable in 42 equal monthly installments of \$4,683 beginning September 19, 2019. The date of maturity is February 19, 2023. The note is secured by transport vehicles.	131,595
Note payable to equipment finance organization. The note is dated August 6, 2018. The note payable carries a rate of interest of 7.98%, and is payable in 54 equal monthly installments of \$1,634 beginning September 6, 2018. The date of maturity is December 6, 2022. The note is secured by transport vehicles.	44,296
Note payable to major bank under the Paycheck Protection Program (see footnote J for additional details).	670,100
Note payable to Superintendent. The note is dated August 29, 2019, and is intended to provide operating cash. The note payable does not carry a rate of interest, and is payable in full in a single sum of \$375,000 on or before September 30, 2019.	<u>2,000</u>
The balance at August 31, 2020 is	997,991
Less: Current portion of notes payable	<u>(442,664)</u>
Notes payables, net of current portion	<u>\$ 555,327</u>

MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

I. Note Payable: (Continued)

Future maturities of notes payable over the next five years are as follows:

Year Ending August 31,	Principal	Interest	Total
2021	\$ 442,664	\$ 20,470	\$ 463,134
2022	372,559	12,313	384,872
2023	40,620	6,121	46,741
2024	3,648	4,087	7,735
2025	3,750	3,762	7,512
Thereafter	134,750	52,089	186,839
Total	\$ 997,991	\$ 98,842	\$ 1,096,833

J. Paycheck Protection Program (PPP) Loan:

MOEF was approved for and received a loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The loan is dated April 17, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures that consist primarily of payroll, as well as other expenses described under the legislation. No determination has been made as to whether, or to what extent, MOEF will be eligible for forgiveness and the loan is currently accounted for in accordance with ASC 470. The loan bears interest at a rate of 1.00% and is deferred for the first six months of the loan after which time the interest is added to the unpaid principal balance. The loan is payable in monthly installments beginning seven months from the date of the loan and matures in twenty-four months from the date of the loan. The loan may be repaid at any time with no prepayment penalty. If the loan is ultimately forgiven, MOEF will recognize a contribution in accordance with ASC 958-605 and reflect the forgiven loan balance in its operating revenues in the year of forgiveness.

K. Net Assets with Donor Restrictions:

Net assets with donor restrictions at August 31, 2020 are restricted as follows:

Subject to expenditure for specified purposes:

State-financed general charter school activities	\$ 1,726,870
Total restricted funds	\$ 1,726,870

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Texas Education Agency-Federal	\$ 1,668,041
SBA EIDL EIDL	10,000
Texas Education Agency-State	11,848,862
Total restrictions released	\$ 13,526,903

MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

L. Operating Lease Commitment:

MOEF leases facilities under non-cancelable operating leases. The minimum annual lease commitment is as follows:

<u>Twelve months ending August 31,</u>	<u>Amount</u>
2021	\$ 2,003,136
2022	2,039,950
2023	2,077,501
2024	2,103,051
2025	<u>2,129,112</u>
Total	<u>\$ 11,421,344</u>

Operating lease expense amounted to \$1,716,116 for the year ended August 31, 2020.

M. Legal Contingencies:

MOEF has initiated three lawsuits against the Dallas Central Appraisal District seeking to overturn the appraisal district's denial of tax exemptions for real estate it leases, or has previously leased, from a private entity. The lawsuits seek to eliminate \$171,000 in tax assessments levied against the private entity. An unfavorable ruling in each of these lawsuits would not result in direct monetary liability for MOEF, but may become payable by MOEF to the lessor under the terms of the lease agreements.

N. Evaluation of Subsequent Events:

MOEF has evaluated subsequent events through January 28, 2021, the date which the financial statements were available to be issued.

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Meadow Oaks Education Foundation dba Pioneer Technology & Arts Academy
Mesquite, Texas

We have audited the financial statements of Meadow Oaks Education Foundation dba Pioneer Technology & Arts Academy ("MOEF") as of and for the year ended August 31, 2020, and our report thereon dated January 28, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules for Individual Charter School are presented on pages 16 to 19 for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Houston, TX
January 28, 2021

MEADOW OAKS EDUCATION FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Local Support:			
5740 Other Revenues from Local Sources	\$ 54,079	\$ -	\$ 54,079
5750 Revenue from Cocurricular Activities		86,117	86,117
Total Local Support	<u>54,079</u>	<u>86,117</u>	<u>140,196</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues		12,035,797	12,035,797
5820 State Program Revenues Distributed by Texas Education Agency		482,090	482,090
Total State Program Revenues		<u>12,517,887</u>	<u>12,517,887</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Department of Education		1,670,498	1,670,498
5920 Federal Revenues Distributed by US Department of Agriculture		7,543	7,543
5940 Federal Revenues Distributed by Directly by Federal Government		10,000	10,000
Total Federal Program Revenues		<u>1,688,041</u>	<u>1,688,041</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	13,526,903	(13,526,903)	
Total Revenues	<u>13,580,982</u>	<u>765,142</u>	<u>14,346,124</u>
EXPENSES			
11 Instruction	6,398,505		6,398,505
13 Curriculum Development and Instructional Staff Development	457,967		457,967
21 Instructional Leadership	5,006		5,006
23 School Leadership	572,301		572,301
31 Guidance, Counseling and Evaluating Services	283,232		283,232
33 Health Services	3,173		3,173
34 Student (Pupil) Transportation	1,484		1,484
35 Food Services	268,359		268,359
36 Cocurricular/Extracurricular Activities	34,933		34,933
41 General Administration	365,411		365,411
51 Plant Maintenance and Operations	3,314,814		3,314,814
52 Security and Monitoring Services	83,571		83,571
53 Data Processing Services	208,143		208,143
61 Community Services	119,530		119,530
71 Debt Service	8,903		8,903
Total Expenses	<u>12,125,332</u>		<u>12,125,332</u>
CHANGE IN NET ASSETS			
	1,455,650	765,142	2,220,792
NET ASSETS, beginning of year	<u>184,783</u>	<u>961,728</u>	<u>1,146,511</u>
NET ASSETS, end of year	<u>\$ 1,640,433</u>	<u>\$ 1,726,870</u>	<u>\$ 3,367,303</u>

See accompanying notes to the financial statements.

MEADOW OAKS EDUCATION FOUNDATION

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2020

EXPENSES

6100 Payroll Costs	\$ 6,837,552
6200 Professional and Contracted Services	3,401,117
6300 Supplies and Materials	1,258,710
6400 Other Operating Costs	618,842
6500 Debt	9,111
Total Expenses	<u>\$ 12,125,332</u>

See accompanying notes to the financial statements.

MEADOW OAKS EDUCATION FOUNDATION

SCHEDULE OF CAPITAL ASSETS

FOR THE YEAR ENDED AUGUST 31, 2020

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$	\$ 2,299,337	\$
1520 Building and Improvements		677,156	175,144
1531 Vehicles		246,415	
1539 Furniture and Equipment		253,608	2,071,236
Total Capital Assets	\$	\$ 3,476,516	\$ 2,246,380

See accompanying notes to the financial statements.

MEADOW OAKS EDUCATION FOUNDATION

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 15,806	\$ 290,000	\$ 54,079	\$ (235,921)
5750 Revenue from Cocurricular Activities			86,117	86,117
Total Local Support	15,806	290,000	140,196	(149,804)
State Program Revenues:				
5810 Foundation School Program Act Revenues	12,350,000	12,375,000	12,035,797	(339,203)
5820 State Program Revenues Distributed by Texas Education Agency			482,090	482,090
Total State Program Revenues	12,350,000	12,375,000	12,517,887	142,887
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Department of Education	1,120,000	1,469,000	1,688,041	219,041
Total Federal Program Revenues	1,120,000	1,469,000	1,688,041	219,041
Total Revenues	13,485,806	14,134,000	14,346,124	212,124
EXPENSES				
11 Instruction	5,250,000	6,665,000	6,398,505	266,495
13 Curriculum Development and Instructional Staff Development	598,892	467,000	457,967	9,033
21 Instructional Leadership	582,307	7,000	5,006	1,994
23 School Leadership	801,943	580,000	572,301	7,699
31 Guidance, Counseling and Evaluating Servics	191,505	290,500	283,232	7,268
32 Social Work Services	93,294			
33 Health Services	39,767	4,000	3,173	827
34 Student (Pupil) Transportation	81,301	2,000	1,484	516
35 Food Services	192,890	270,000	268,359	1,641
36 Cocurricular/Extracurricular Activities	637,825	40,400	34,933	5,467
41 General Administration	1,129,000	395,000	365,411	29,589
51 Plant Maintenance and Operations	1,044,000	3,270,000	3,314,814	(44,814)
52 Security and Monitoring Services	50,000	81,000	83,571	(2,571)
53 Data Processing Services	913,771	228,000	208,143	19,857
61 Community Services	181,474	132,000	119,530	12,470
71 Debt Service	451,000	83,100	8,903	74,197
Total Expenses	12,238,969	12,515,000	12,125,332	389,668
CHANGE IN NET ASSETS	1,246,837	1,619,000	2,220,792	601,792
NET ASSETS, beginning of year	1,146,511	1,146,511	1,146,511	
NET ASSETS, end of year	\$ 2,393,348	\$ 2,765,511	\$ 3,367,303	\$ 601,792

See accompanying notes to the financial statements.

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

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

To the Board of Directors of
Meadow Oaks Education Foundation dba Pioneer Technology & Arts Academy
Mesquite, Texas

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 Meadow Oaks Education Foundation dba Pioneer Technology & Arts Academy ("MOEF") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MOEF's internal control over financial reporting (internal control) as a basis for designing 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 MOEF's internal control. Accordingly, we do not express an opinion on the effectiveness of MOEF'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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MOEF'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Loney & Company". The signature is written in dark ink and is positioned above the typed text of the firm's name.

Houston, TX
January 28, 2021

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

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
Meadow Oaks Education Foundation dba Pioneer Technology & Arts Academy
Mesquite, Texas

Report on Compliance for Each Major Federal Program

We have audited Meadow Oaks Education Foundation dba Pioneer Technology & Arts Academy ("MOEF") (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MOEF's major federal programs for the year ended August 31, 2020. MOEF'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MOEF'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 MOEF'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 each major federal program. However, our audit does not provide a legal determination of MOEF's compliance.

Opinion on Each Major Federal Program

In our opinion, MOEF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

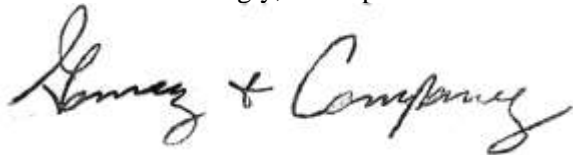
Report on Internal Control over Compliance

Management of MOEF 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 MOEF'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 MOEF'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Houston, TX
January 28, 2021

MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. There is one significant deficiency that is not a material weakness in internal control over the major federal award. Item 2020-001.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses on internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major federal programs.
6. The audit did disclose an audit finding which is required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance and is reported in this Schedule.
7. Major programs:
 - U.S. Department of Education
 - Passed – Through Texas Education Agency
 - Charter Schools
 - CFDA Number 84.282
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Meadow Oaks Education Foundation does not qualify as a low-risk auditee.

MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2020

<u>Current Year Findings</u>	<u>Questioned Cost</u>
2020-001 Financial Reporting of Liabilities	\$-0-

Criteria:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management implement policies and procedures that allow for the proper assessment of all financial obligations at a reporting date.

Condition:

During the audit, we noted MOEF failed to properly reflect all its debt and trade accounts payable at fiscal year-end.

Cause:

Management has not implemented policies or procedures for properly recognizing obligations to vendors as of the date individual obligations are incurred. A formal process for reviewing and accruing liabilities at year-end is also lacking. In addition, management did not have a formal process for comprehensively reviewing debt balances as of the reporting date.

Effect:

The errors associated with management's failure to properly present trade accounts payable and debt resulted in an understatement of trade payables of approximately \$646,000 and an understatement of debt of approximately \$998,000.

Recommendation:

We recommend that management implement policies and procedures for reviewing all of its financial obligations at each financial reporting date and a system of review that compensates for any initial oversight.

Views of Responsible Officials and Planned Corrective Actions:

In the past, we have not accrued payables if they are delivered during the end of the school year but not paid through school ADA money until the start of the next school year. We will make internal changes in our receiving process and accounts payable recording to accrue expenses based on the date of delivery of items to the school instead of when the payment is made to the vendor. We see this as a minor adjustment and we will make sure school accounting will start doing this immediately.

Effective Date: 1/28/2021

Responsible Party: Shubham Pandey, Superintendent CEO

Estimated Completion Date: 2/28/2021

MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2020

Findings Relating to the Financial Statements

No audit findings were noted as per governmental auditing standards and 2 CFR Section 200.516(a) for the year ended August 31, 2019.

MEADOW OAKS EDUCATION FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed - Through Texas Education Agency:			
Idea - B Formula	84.027A	186600010578506000	\$ 1,972
Idea - B Formula	84.027A	206600010578506000	81,007
Idea - B Preschool	84.173A	206610010578506000	51
Title I, Part A, School Improvement	84.010A	20610101057850	57,571
Charter School	84.282	185901057110012	620,117
Charter School	84.282	185901057110013	586,243
Supporting Effective Instruction State Grants	84.367A	20694501057850	20,608
Title III, Part A, English Language Acquisitions and Language Enhancement	84.365A	20671001057850	3,426
Total U.S. Department of Education			<u>1,370,995</u>
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency:			
Federal Food Service Reimbursement			
School Breakfast	10.553	52402001	218
School Breakfast	10.553	71401901	3,540
School Breakfast	10.553	71402001	18,388
National School Lunch	10.555	52302001	193
National School Lunch	10.555	71301901	23,721
National School Lunch	10.555	71302001	115,192
Passed - Through Texas Department of Agriculture:			
USDA Commodity Food Distribution	10.555		<u>7,543</u>
Total U.S. Department of Agriculture			<u>168,795</u>
<u>U.S. Department of Labor</u>			
Passed - Through Texas Education Agency:			
WIOA Adult Program	17.258	183925027110010	73,909
WIOA Adult Program	17.258	183925027110011	<u>54,342</u>
Total U.S. Department of Labor			<u>128,251</u>
Total Expenditures of Federal Awards			<u>\$ 1,668,041</u>

MEADOW OAKS EDUCATION FOUNDATION
DBA PIONEER TECHNOLOGY & ARTS ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal award activity of Meadow Oaks Education Foundation dba Pioneer Technology & Arts Academy (“MOEF”) under programs of the federal government for the year ended August 31, 2020. The information in this 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 the operation of MOEF, it is not intended to and does not present the financial position, changes in net assets, or cash flows of MOEF.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

MOEF has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Subrecipients

MOEF did not provide federal awards to subrecipients.

NOTE 2 – OTHER SOURCES OF FEDERAL REVENUES AND UNEXPENDED FUNDS

Other sources of federal revenues totaled \$10,000 in emergency advance assistance. Certain federal funds were also unexpended at year end.

Reconciliation of Federal Revenues and (SEFA):

Total expenditure of federal awards per the SEFA:	\$ 1,668,041
Title IV, Part A Unexpended Funds	10,000
COVID-19 Economic Injury Disaster Loan Emergency Advance:	<u>10,000</u>
Total federal revenues per statement of activities	<u>\$ 1,688,041</u>