

*ANNUAL FINANCIAL REPORT*

of the

**ALIEF MONTESSORI  
COMMUNITY SCHOOL**

For the Years Ended  
June 30, 2022 and 2021

(This page intentionally left blank.)

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **TABLE OF CONTENTS**

June 30, 2022 and 2021

	<u>Page</u>	<u>Exhibit</u>
<b>Certificate of Board</b>	1	
<b>Independent Auditors' Report</b>	3	
<b><u>Financial Statements</u></b>		
Statements of Financial Position	9	A-1
Statements of Activities	11	A-2
Statements of Functional Expenses	13	A-2a
Statements of Cash Flows	15	A-3
Notes to Financial Statements	17	
<b><u>Supplementary Information</u></b>		
Supplemental Statement of Activities	26	B-1
Schedule of Expenses	29	C-1
Schedules of Capital Assets and Real Property Interest Ownership	31	D-1
Budgetary Comparison Schedule	33	E-1
Use of Funds Report – Select State Allotment Programs	35	J-4
<b><u>Compliance</u></b>		
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 <i>Government Auditing Standards</i>	39	
Schedule of Findings and Questioned Costs	41	F-1
Summary Schedule of Prior Year Audit Findings	43	G-1

(This page intentionally left blank.)

**ALIEF MONTESSORI COMMUNITY SCHOOL**  
**CERTIFICATE OF BOARD**

Alief Montessori Community School  
Name of Charter Holder

76-0555382  
Federal Employer ID Number

Alief Montessori Community School  
Name of Charter School

Harris  
County

101-815  
Co. Dist. Number

We, the undersigned, certify that the attached financial and compliance report of the above named Charter Holder was reviewed and (check one)  approved \_\_\_\_\_ disapproved for the year ended June 30, 2022 at a meeting of the governing body of the Charter Holder on the 11th day of November, 2022.

Paula Palomino  
Signature of Board Secretary

Nancy L. L.  
Signature of Board President

NOTE: If the governing body of the Charter Holder does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

(This page intentionally left blank.)



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Alief Montessori Community School:

### **Report on the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Alief Montessori Community School (the “Charter Holder”) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter Holder as of June 30, 2022, 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.

#### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter Holder and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter Holder’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting in error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Charter Holder's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter Holder's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial schedules noted as supplementary information in the table of contents are presented for purposes of additional analysis and are not required parts 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 financial schedules are 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 November 1, 2022 on our consideration of the Charter Holder'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 the Charter Holder's internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* in considering the Charter Holders internal control over financial reporting and compliance.



Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
November 1, 2022

(This page intentionally left blank.)

## ***FINANCIAL STATEMENTS***

(This page intentionally left blank.)

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **STATEMENTS OF FINANCIAL POSITION - EXHIBIT A-1**

June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,941,618	\$ 1,409,031
Investments	253,252	252,590
Due from state	695,002	690,720
Other receivables, net	347	2,835
Total current assets	3,890,219	2,355,176
Noncurrent assets:		
Property and equipment, net	9,963,882	10,304,327
Total noncurrent assets	9,963,882	10,304,327
	<b>Total Assets</b>	<b>\$ 13,854,101</b>
	<b>\$ 12,659,503</b>	
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and other liabilities	\$ 182,210	\$ 183,601
Deferred revenue	30,893	31,710
Total current liabilities	213,103	215,311
	<b>Total Liabilities</b>	<b>213,103</b>
	<b>215,311</b>	
Net assets:		
Without donor restrictions	10,900,350	11,134,616
With donor restrictions	2,740,648	1,309,576
	<b>Total Net Assets</b>	<b>13,640,998</b>
	<b>12,444,192</b>	
	<b>Total Liabilities and Net Assets</b>	<b>\$ 13,854,101</b>
	<b>\$ 12,659,503</b>	

See Notes to Financial Statements.

(This page intentionally left blank.)

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **STATEMENTS OF ACTIVITIES - EXHIBIT A-2**

For the Years Ended June 30, 2022 and 2021

	<b>2022</b>			<b>2021</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>Revenues</b>				
Local support:				
5740 Other revenues from local sources	\$ 162,799	\$ -	\$ 162,799	\$ 81,176
5760 Revenues-intermediate sources	2,500	-	2,500	-
Total local support	<u>165,299</u>	<u>-</u>	<u>165,299</u>	<u>81,176</u>
State program revenues:				
5810 Foundation school program act revenues	-	3,253,829	3,253,829	3,036,464
5820 State program revenues distributed by				
Texas Education Agency	-	69,370	69,370	45,113
Total state program revenue	<u>-</u>	<u>3,323,199</u>	<u>3,323,199</u>	<u>3,081,577</u>
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	-	689,973	689,973	457,097
5930 Federal revenues distributed by Texas government agencies	-	11,887	11,887	-
Total federal program revenue	<u>-</u>	<u>701,860</u>	<u>701,860</u>	<u>457,097</u>
Net assets released from restrictions:				
Restriction satisfied by payments	2,593,987	(2,593,987)	-	-
<b>Total Revenues</b>	<b>2,759,286</b>	<b>1,431,072</b>	<b>4,190,358</b>	<b>3,619,850</b>
<b>Expenses</b>				
Program services:				
Educational services	2,254,524	-	2,254,524	1,929,959
Support services:				
Administrative support services	739,028	-	739,028	557,094
<b>Total Expenses</b>	<b>2,993,552</b>	<b>-</b>	<b>2,993,552</b>	<b>2,487,053</b>
<b>Change in Net Assets</b>	<b>(234,266)</b>	<b>1,431,072</b>	<b>1,196,806</b>	<b>1,132,797</b>
Beginning net assets	11,134,616	1,309,576	12,444,192	11,311,395
<b>Ending Net Assets</b>	<b>\$ 10,900,350</b>	<b>\$ 2,740,648</b>	<b>\$ 13,640,998</b>	<b>\$ 12,444,192</b>

See Notes to Financial Statements.

(This page intentionally left blank.)

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## ***STATEMENTS OF FUNCTIONAL EXPENSES - EXHIBIT A-2a***

For the Years Ended June 30, 2022 and 2021

	<b>2022</b>			<b>2021</b>
	<b>Program Activities</b>		<b>Supporting Activities</b>	<b>Total</b>
	<b>Educational Services</b>	<b>General and Administrative</b>		
<b>Expenses</b>				
Salaries and wages	\$ 1,610,968	\$ 62,680	\$ 1,673,648	\$ 1,377,890
Benefits and payroll taxes	237,508	16,484	253,992	252,382
Total payroll expenses	1,848,476	79,164	1,927,640	1,630,272
Rental expenses	1,350	-	1,350	1,814
Contract labor	17,262	-	17,262	21,794
Maintenance and repairs	375	21,520	21,895	26,024
Utilities	-	70,679	70,679	67,896
Depreciation	-	352,245	352,245	193,326
Supplies	124,704	42,422	167,126	238,174
Food	96,004	-	96,004	88,984
Travel	600	275	875	2,164
Instructional materials	9,660	-	9,660	1,939
Insurance and bonding	-	38,423	38,423	39,116
Professional fees and dues	152,679	118,877	271,556	153,263
Other	3,414	15,423	18,837	22,287
Total nonpayroll expenses	406,048	659,864	1,065,912	856,781
<b>Total Expenses</b>	<b>\$ 2,254,524</b>	<b>\$ 739,028</b>	<b>\$ 2,993,552</b>	<b>\$ 2,487,053</b>

See Notes to Financial Statements.

(This page intentionally left blank.)

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **STATEMENTS OF CASH FLOWS - EXHIBIT A-3**

For the Years Ended June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities</b>		
Foundation school program payments	\$ 3,318,917	\$ 2,914,448
Grant payments	701,860	457,097
Miscellaneous sources	165,299	81,176
Payments to vendors for goods and services rendered	(715,058)	(1,467,903)
Payments to charter school personnel for services rendered	(1,925,969)	(1,627,132)
<b>Net Cash Provided by Operating Activities</b>	<b>1,545,049</b>	<b>357,686</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(662)	(1,598)
Purchase of capital assets	(11,800)	(3,394,002)
<b>Net Cash (Used) by Investing Activities</b>	<b>(12,462)</b>	<b>(3,395,600)</b>
	<b>Net Change in Cash and Cash Equivalents</b>	<b>(3,037,914)</b>
Beginning cash and cash equivalents	1,532,587	4,446,945
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 2,941,618</b>	<b>\$ 1,409,031</b>
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Change in net assets	\$ 1,196,806	\$ 1,132,797
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	352,245	193,326
(Increase) decrease in current assets:		
Due from state	(4,282)	(148,764)
Other receivables	2,488	4,251
Increase (decrease) in current liabilities:		
Accounts payable and other liabilities	(1,391)	(804,448)
Due to state	-	(18,365)
Deferred revenue	(817)	(1,111)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,545,049</b>	<b>\$ 357,686</b>

See Notes to Financial Statements.

(This page intentionally left blank.)

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **NOTES TO FINANCIAL STATEMENTS**

For the Years Ended June 30, 2022 and 2021

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements of Alief Montessori Community School (the “Charter Holder”) were prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

#### **Reporting Entity**

The Charter Holder is a not-for-profit organization incorporated in the State of Texas in 1998 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter Holder is governed by a board of directors comprised of ten members. The Board of Directors (the “Board”) is selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions, appoint the chief executive officer of the Charter Holder, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of the Charter Holder.

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

#### **Corporate Operations**

In 1998, the State Board of Education of the State of Texas granted the Charter Holder 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, Alief Montessori Community School was opened for the academic year beginning September 1998. The Charter Holder was organized to provide educational services to students in pre-kindergarten through eighth grade. The Charter Holder’s Board governs its programs, services, activities, and functions.

#### **Basis of Accounting and Presentation**

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

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:

**Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, Board-designated.

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

For the Years Ended June 30, 2022 and 2021

### **Contributions**

The Charter Holder accounts for contributions as without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is 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 donor restrictions are reclassified to without donor restrictions net assets and reported in the Statement of Activities as net assets released from restrictions.

### **Cash and Cash Equivalents**

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

### **Capital Assets**

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the general purpose financial statements. Capital assets are defined by the Charter Holder as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from 5 to 30 years, using the straight-line method of depreciation. Expenditures for additions, major renewals, and improvements are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at acquisition value at the date of donation, which is then treated as cost.

### **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.

### **Income Taxes**

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

### **NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents held as of June 30, 2022 were as follows:

	<b>2022</b>	
	<b>Cost Basis</b>	<b>Market Value</b>
Cash on hand and in financial institutions	\$ 2,478,616	\$ 2,478,616
LOGIC	463,002	463,002
<b>Total</b>	<b>\$ 2,941,618</b>	<b>\$ 2,941,618</b>

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

For the Years Ended June 30, 2022 and 2021

Cash and cash equivalents held as of June 30, 2021 were as follows:

	<b>2021</b>	
	<b>Cost Basis</b>	<b>Market Value</b>
Cash on hand and in financial institutions	\$ 947,233	\$ 947,233
LOGIC	461,798	461,798
<b>Total</b>	<b>\$ 1,409,031</b>	<b>\$ 1,409,031</b>

Cash is held in both interest bearing and non-interest bearing demand accounts at financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limited amount of \$250,000. As of June 30, 2022 and 2021, the Charter Holder's cash balances were fully insured through a combination of FDIC and collateral pledge.

### **NOTE 3 – INVESTMENTS**

Investments are reported in the statement of financial position at fair value and realized and unrealized gains and losses are reported in the Statement of Activities.

Short-term investments are investments with an original maturity greater than 90 days that will mature within one year of the fiscal year end. Long-term investments are investments that will mature in greater than one year after the fiscal year end. Investments held as of June 30, 2022 are summarized as follows:

	<b>2022</b>		<b>Weighted Average Maturity (Years)</b>
	<b>Cost Basis</b>	<b>Market Value</b>	
Certificates of deposit	\$ 253,252	\$ 253,252	
<b>Total</b>	<b>\$ 253,252</b>	<b>\$ 253,252</b>	0.28

Investments held as of June 30, 2021 are summarized as follows:

	<b>2021</b>		<b>Weighted Average Maturity (Years)</b>
	<b>Cost Basis</b>	<b>Market Value</b>	
Certificates of deposit	\$ 252,590	\$ 252,590	
<b>Total</b>	<b>\$ 252,590</b>	<b>\$ 252,590</b>	0.20

### **NOTE 4 – CAPITAL ASSETS**

Capital assets at June 30, 2022 and 2021 were as follows:

	<b>2022</b>	<b>2021</b>
	<b>Cost Basis</b>	<b>Cost Basis</b>
Land	\$ 1,282,133	\$ 1,282,133
Buildings and improvements	10,401,856	10,390,056
Furniture and equipment	59,094	59,094
<b>Total</b>	<b>11,743,083</b>	<b>11,731,283</b>
Less accumulated depreciation	(1,779,201)	(1,426,956)
<b>Property and Equipment, Net</b>	<b>\$ 9,963,882</b>	<b>\$ 10,304,327</b>

Capital assets acquired with public funds received by the Charter Holder for the operation of the charter school constitute public property pursuant to Chapter 12 of the Texas Education Code.

Depreciation expense was \$352,245 and \$193,326 for the 2022 and 2021 fiscal years, respectively.

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **NOTES TO FINANCIAL STATEMENTS (*Continued*)**

For the Years Ended June 30, 2022 and 2021

### **NOTE 5 – PENSION PLAN OBLIGATIONS**

#### **Plan Description**

The Charter Holder contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, defined benefit pension plan with one exception: all risks and costs are not shared by the Charter Holder, but are the liability of the State of Texas (the “State”). Based on FASB Statement No. 87, a multiemployer plan is a pension plan to which two or more unrelated employers contribute, usually pursuant to one or more collective-bargaining agreements. Although TRS has no collective bargaining agreements, TRS is considered to be a multiemployer plan for the purposes of a not-for-profit charter holder due to various significant factors. These factors include: 1) charter holders are legally separate entities from the State and each other; 2) assets contributed by one participating entity may be used to provide benefits to employees of other participating employers since assets contributed by one entity are not segregated in a separate account or restricted to provide benefits only to employees of that entity; 3) upon withdrawal from TRS, the unfunded obligation or net pension liability of that entity will be passed along to the remaining other entities who contribute to TRS; and (4) there is not a 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 the State. 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 TRS 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; 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](http://www.trs.state.tx.us), under the TRS Publication Heading.

#### **Funding Policy and Funded Status**

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% of the member’s annual compensation and a State contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of TRS; (2) 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 31 years, the period would be increased by such action.

As of August 31, 2021, TRS’ total plan assets were \$201,807,002,496, accumulated benefit obligation (or total pension liability) was \$227,273,463,630, and TRS was 88.79% funded.

#### **Contributions**

State law provides for a member contribution rate of 8.0% for fiscal year 2022 and 7.7% for fiscal years 2021 and 2020 and a State contribution rate of 7.75% for fiscal year 2022 and 7.5% for fiscal years 2021 and 2020.

The Charter Holder’s employees’ contributions to TRS for the years ending June 30, 2022, 2021, and 2020 were \$126,979, \$104,184 and \$101,749, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the Charter Holder for salaries above the statutory minimum for the years ending June 30, 2022, 2021, and 2020 were \$12,696, \$8,840, and \$6,442, respectively, and were equal to the required contributions for each year.

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **NOTES TO FINANCIAL STATEMENTS (*Continued*)**

**For the Years Ended June 30, 2022 and 2021**

The Charter Holder made contributions for the Non-Old Age Survivor and Disability Insurance (Non-OASDI) for certain employees. The total amounts contributed for Non-OASDI for the fiscal years ending June 30, 2022, 2021, and 2020 were \$26,826, \$21,297, and \$19,821, respectively.

The Charter Holder also offers a 403(b) savings plan to all eligible employees. No matching employer contributions are required under this plan.

### **NOTE 6 – RETIREE HEALTH CARE PLAN**

#### **Plan Description**

The Charter Holder contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for TRS-Care is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us); by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701; or by calling 1-800-223-8778.

#### **Funding Policy**

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State and active public school employee contribution rates were 1.25% for fiscal years ended 2022, 2021, and 2020; and 0.65% of school payroll, with the Charter Holder contributing a percentage of payroll set at 0.75% for fiscal years ended 2022, 2021, and 2020. Per Texas Insurance Code, Chapter 1575, the school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2022, 2021, and 2020, the State’s contributions to TRS-Care were \$1,707, \$1,091, and \$990, respectively; the active member contributions were \$10,408, \$8,795, and \$8,589, respectively; and the Charter Holder’s contributions were \$12,010, \$10,148, and \$9,911, respectively; which equaled the required contributions each year.

### **NOTE 7 – HEALTH CARE COVERAGE**

During the year ended June 30, 2022, employees of the Charter Holder were covered by TRS Active-Care (the “Plan”) for health insurance benefits. The Charter Holder contributed \$466 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

### **NOTE 8 – WORKERS’ COMPENSATION INSURANCE**

During the year ended June 30, 2022, employees of the Charter Holder were covered by a workers’ compensation plan (the “Plan”). The Plan was authorized by Section 21.922, Texas Education Code. The contract between the Charter Holder and Employers Preferred Insurance Company is renewable on September 23, 2022 and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with State statutes, the Charter Holder was protected against unanticipated catastrophic individual or aggregate loss by Employers Preferred Insurance Company, commercial insurers licensed or eligible to do business in the State in accordance with the Texas Insurance Code. The specific retention is \$1,000,000 and the aggregate limit is \$1,000,000.

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

For the Years Ended June 30, 2022 and 2021

There is no liability incurred for the current or prior fiscal years.

### **NOTE 9 – DUE FROM STATE**

As of June 30, 2022 and 2021, the Charter Holder had earned the following revenues which were not received until after the fiscal year end:

	<b>2022</b>	<b>2021</b>
State Foundation Program	\$ 617,874	\$ 573,560
IDEA-B Formula	14,112	28,223
National School Lunch	6,915	-
Title I, Part A - Improving Basic Programs	-	31,486
Title II, Part A - Teacher and Principal Training	-	3,246
Title III, Part A - LEP	-	7,174
Title IV, Part A - Subpart 1	-	10,000
ESSER I	1,149	-
ESSER II	14,093	-
ESSER III	40,859	37,031
<b>Total</b>	<b>\$ 695,002</b>	<b>\$ 690,720</b>

### **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The Charter Holder 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 (TEA) 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 Holder have complex compliance requirements and, should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by the TEA or the grantor agency.

The last three years of informational tax returns, 2021, 2020, and 2019, filed with the IRS remain subject to examination.

### **NOTE 11 – STATE FOUNDATION PROGRAM REVENUE**

Charter schools in the State participate in the State Foundation Program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period and, at the close of the year, actual attendance is calculated by the TEA. The attendance reports are subject to audit by the TEA and final State Foundation Program earnings may be adjusted as a result of any such audit. During the years ended June 30, 2022 and 2021, the Charter Holder was paid \$3,253,829 and \$3,036,464, respectively, of State Foundation Program funds of which all was earned (before any possible TEA enrollment and attendance audit).

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **NOTES TO FINANCIAL STATEMENTS (*Continued*)**

For the Years Ended June 30, 2022 and 2021

### **NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2022 and 2021, the Charter Holder's net assets with donor restrictions consisted of the following:

	<b>2022</b>	<b>2021</b>
National School Lunch and Breakfast Program	\$ 13,147	\$ -
Student Success Initiative	1,345	-
State Instructional Materials	18,351	-
Unexpended federal/state program revenue	2,707,805	1,309,576
<b>Total</b>	<b>\$ 2,740,648</b>	<b>\$ 1,309,576</b>

### **NOTE 13 – LIQUIDITY AND AVAILABILITY**

The following represents the Charter Holder's financial assets available for general expenditure within one year of June 30, 2022 and 2021:

	<b>Fiscal Year</b>	
	<b>2022</b>	<b>2021</b>
Financial assets, at year end		
Cash and cash equivalents	\$ 2,941,618	\$ 1,409,031
Investments	253,252	252,590
Due from state	695,002	690,720
Other receivables	347	2,835
<b>Total Financial Assets</b>	<b>3,890,219</b>	<b>2,355,176</b>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	-
<b>Financial Assets Available to Meet General Expenditures Within One Year</b>	<b>\$ 3,890,219</b>	<b>\$ 2,355,176</b>

### **NOTE 14 – SHARED SERVICES ARRANGEMENTS**

The Charter Holder participates as a member in the Houston Charter Schools Co-op, which is a shared services arrangement (SSA), that provides special education services and programs to eligible students. SER-Niños Inc., the entity holding the Charter for SER-Niños Charter School, is the fiscal agent. The Charter Holder accounts for revenues and expenditures in this program and discloses them in these financial statements. The Charter Holder neither has joint ownership interest in fixed assets purchased by the fiscal agent or a net equity interest in the fiscal agent. The fiscal agent is not accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the Charter Holder. The Charter Holder received \$52,726 in services by being a member of this SSA.

### **NOTE 15 – CHARTER HOLDER OPERATIONS**

The Charter Holder operated one charter school, Alief Montessori Community School, and did not conduct any other charter or noncharter activities.

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **NOTES TO FINANCIAL STATEMENTS (*Continued*)**

For the Years Ended June 30, 2022 and 2021

### **NOTE 16 – BUDGET AMENDMENTS**

For the fiscal year ended June 30, 2022, the original budget was amended in excess of 10% for the reasons as follows:

<b>Data Code/ Function</b>	
<b>Revenues:</b>	
<b>5740</b>	
5740	More students enrolled which led to more revenue from supply fees and aftercare/morning care fees.
5760	Unexpected grant received from Marathon Oil.
5810	The 2020-2021 FSP funding report's final number was \$2,906,871. Anticipated lower than normal student count for 2022, therefore lowered the original FSP revenue outlook.
5820	More EMAT funding was made available. Also claimed the 2019 School Safety & Security Grant.
5920	The ESSER grants and additional NSLP fundings due to returning students contributed to the differences.
5930	Originally budgeted for the ESSER grants in 5930. Amendment to recognize in 5920. Only the TX Agriculture funds were recognized in 5930.
<b>Expenses:</b>	
12	The vendor raised service fees due to inflation.
13	Decrease in trainings due to all students returning to school.
21	Decrease in trainings due to all students returning to school.
23	Decrease in trainings due to all students returning to school.
35	Increase in food-related expenses from all students returning to school.
36	Plans for an indoor basketball court were delayed.
41	Less general administration expenses than expected.
51	Less repair/maintenance work than expected.
52	Less than expected need for security/monitoring services and equipment updates.

### **NOTE 17 – SUBSEQUENT EVENTS**

The Charter Holder has evaluated subsequent events through November 1, 2022.

## ***SUPPLEMENTARY INFORMATION***

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **SUPPLEMENTAL STATEMENT OF ACTIVITIES - EXHIBIT B-1**

For the Years Ended June 30, 2022 and 2021

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues</b>			
Local support:			
5740 Other revenues from local sources	\$ 162,799	\$ -	\$ 162,799
5760 Revenues-intermediate sources	2,500	-	2,500
Total local support	165,299	-	165,299
State program revenues:			
5810 Foundation school program act revenues	-	3,253,829	3,253,829
5820 State program revenues distributed by			
Texas Education Agency	-	69,370	69,370
Total state program revenue	-	3,323,199	3,323,199
Federal program revenues:			
5920 Federal revenues distributed by the Texas Education Agency	-	689,973	689,973
5930 Federal revenues distributed by Texas government agencies	-	11,887	11,887
Total federal program revenue	-	701,860	701,860
Net assets released from restrictions:			
Restriction satisfied by payments	2,593,987	(2,593,987)	-
	<b>Total Revenues</b>	<b>2,759,286</b>	<b>4,190,358</b>
<b>Expenses</b>			
11 Instruction	1,915,492	-	1,915,492
12 Instructional resources and media services	55,188	-	55,188
13 Curriculum development and instructional staff development	21,761	-	21,761
21 Instructional leadership	-	-	-
23 School leadership	101	-	101
35 Food services	236,191	-	236,191
36 Co-curricular/extracurricular activities	22,972	-	22,972
41 General administration	122,631	-	122,631
51 Plant maintenance and operations	609,475	-	609,475
52 Security and monitoring services	9,741	-	9,741
	<b>Total Expenses</b>	<b>2,993,552</b>	<b>2,993,552</b>
	<b>Change in Net Assets</b>	<b>(234,266)</b>	<b>1,431,072</b>
Beginning net assets	11,134,616	1,309,576	12,444,192
	<b>Ending Net Assets</b>	<b>\$ 10,900,350</b>	<b>\$ 2,740,648</b>

See Notes to Financial Statements.

<b>2021</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 81,176	\$ -	\$ 81,176
<hr/> <u>81,176</u>	<hr/> <u>-</u>	<hr/> <u>81,176</u>
- 3,036,464		3,036,464
<hr/> <u>-</u>	<hr/> <u>45,113</u>	<hr/> <u>45,113</u>
<hr/> <u>-</u>	<hr/> <u>3,081,577</u>	<hr/> <u>3,081,577</u>
- 457,097		457,097
<hr/> <u>-</u>	<hr/> <u>457,097</u>	<hr/> <u>457,097</u>
5,606,553	(5,606,553)	<hr/> <u>-</u>
<hr/> <u>5,687,729</u>	<hr/> <u>(2,067,879)</u>	<hr/> <u>3,619,850</u>
1,626,480	-	1,626,480
35,954	-	35,954
14,689	-	14,689
150	-	150
8,176	-	8,176
174,567	-	174,567
12,911	-	12,911
156,707	-	156,707
437,660	-	437,660
19,759	-	19,759
<hr/> <u>2,487,053</u>	<hr/> <u>-</u>	<hr/> <u>2,487,053</u>
3,200,676	(2,067,879)	1,132,797
7,933,940	3,377,455	11,311,395
<hr/> <u>\$ 11,134,616</u>	<hr/> <u>\$ 1,309,576</u>	<hr/> <u>\$ 12,444,192</u>

(This page intentionally left blank.)

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## ***SCHEDULE OF EXPENSES - EXHIBIT C-1***

For the Years Ended June 30, 2022 and 2021

<b>Expenses</b>	<b>Totals</b>	
	<b>2022</b>	<b>2021</b>
6100 Payroll costs	\$ 1,927,640	\$ 1,630,272
6200 Professional and contracted services	382,741	270,791
6300 Supplies and materials	270,755	326,577
6400 Other operating costs	412,416	259,413
<b>Total Expenses</b>	<b>\$ 2,993,552</b>	<b>\$ 2,487,053</b>

(This page intentionally left blank.)

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## ***SCHEDULES OF CAPITAL ASSETS AND REAL PROPERTY***

### ***INTEREST OWNERSHIP - EXHIBIT D-1***

**For the Year Ended June 30, 2022**

#### ***SCHEDULE OF CAPITAL ASSETS***

		Ownership Interest State
1510	Land purchase and investments	\$ 1,282,133
1520	Buildings and improvements	10,401,856
1539	Furniture and equipment	59,094
	<b>Total Property and Equipment</b>	<b>\$ 11,743,083</b>

#### ***SCHEDULE OF REAL PROPERTY INTEREST OWNERSHIP***

<b>Description</b>	<b>Property Address</b>	<b>Total Assessed Value</b>	<b>Ownership Interest State</b>
LT 4 BLK 63, Dairy Townsite	4219 J St, Houston, Texas 77072	\$ 67,631 *	\$ 67,631
N 108 FT of LT 1 BLOCK 63, Dairy Townsite	4203 J St, Houston, TX 77072	80,846 *	80,846
RES A BLK 1, School II, Alief Montessori Community	12013 6th St, Houston, TX 77072	478,040 **	478,040
LT 2 & TR A BLK 65, Dairy Townsite	12019 6th St, Houston, TX 77072	103,521 **	103,521
RES A BLK 1, Alief Montessori Community School No. 3	11929 6th St, Houston, TX 77072	98,073 **	98,073
LT 3 and 4 BLK 57, Townsite of Dairy	12010 6th St, Houston, TX 77072	358,535 **	358,535
RES A BLK 1, School, Alief Montessori Community	4215 H St, Houston TX 77072	51,295 **	51,295
RES A1 BLK 1, School, Alief Montessori Community	4215 H St, Houston TX 77072	209,475 **	209,475
		<b>\$ 1,447,416</b>	<b>\$ 1,447,416</b>

\* 2019 Assessed Value

\*\* 2022 Assessed Value

(This page intentionally left blank.)

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **BUDGETARY COMPARISON SCHEDULE - EXHIBIT E-1**

For the Year Ended June 30, 2022

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local support				
5740 Other revenues from local sources	\$ 101,000	\$ 152,089	\$ 162,799	\$ 10,710
5760 Revenue from intermediate sources	1,000	2,500	2,500	-
Total local support	<u>102,000</u>	<u>154,589</u>	<u>165,299</u>	<u>10,710</u>
State program revenues				
5810 Foundation school program revenues	2,774,991	3,204,721	3,253,829	49,108
5820 State program revenues distributed by Texas Education Agency	51,000	69,921	69,370	(551)
Total state program revenue	<u>2,825,991</u>	<u>3,274,642</u>	<u>3,323,199</u>	<u>48,557</u>
Federal program revenues				
5920 Federal revenues distributed by Texas Education Agency	513,903	696,115	689,973	(6,142)
5930 Federal revenues distributed by Texas government agencies	579,379	12,000	11,887	(113)
Total federal program revenue	<u>1,093,282</u>	<u>708,115</u>	<u>701,860</u>	<u>(6,255)</u>
	<b>Total Revenues</b>	<b>4,021,273</b>	<b>4,137,346</b>	<b>4,190,358</b>
				<b>53,012</b>
<b>Expenses</b>				
11 Instruction	1,793,288	1,939,146	1,915,492	23,654
12 Instructional resources and media services	50,213	57,213	55,188	2,025
13 Curriculum development and instructional staff development	41,137	22,043	21,761	282
21 Instructional leadership	6,000	-	-	-
23 School leadership	10,900	101	101	-
35 Food services	171,431	248,875	236,191	12,684
36 Co-curricular/extracurricular activities	308,000	24,000	22,972	1,028
41 General administration	282,000	128,060	122,631	5,429
51 Plant maintenance and operations	917,000	637,914	609,475	28,439
52 Security and monitoring services	83,600	10,300	9,741	559
	<b>Total Expenses</b>	<b>3,663,569</b>	<b>3,067,652</b>	<b>2,993,552</b>
				<b>74,100</b>
	<b>Change in Net Assets</b>	<b>\$ 357,704</b>	<b>\$ 1,069,694</b>	<b>1,196,806</b>
				<b>\$ 127,112</b>
Beginning net assets				<b>12,444,192</b>
				<b>\$ 13,640,998</b>

(This page intentionally left blank.)

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## **USE OF FUNDS REPORT**

### **SELECT STATE ALLOTMENT PROGRAMS - EXHIBIT J-4**

**For the Year Ended June 30, 2022**

<b>Data Codes</b>			<b>Responses</b>
<b>Section A: Compensatory Education Programs</b>			
AP1	Did your Charter Holder expend any state compensatory education program state allotment funds during the Charter Holder's fiscal year?		Yes
AP2	Does the Charter Holder have written policies and procedures for its state compensatory education program?		Yes
AP3	List the total state allotment funds received for state compensatory education programs during the Charter Holder's fiscal year.	\$	426,501
AP4	List the actual direct program expenditures for state compensatory education programs during the Charter Holder's fiscal year. (PICs 24, 26, 28, 29, 30, 34).	\$	383,987 *
<b>Section B: Bilingual Education Programs</b>			
AP5	Did your Charter Holder expend any bilingual education program state allotment funds during the Charter Holder's fiscal year?		Yes
AP6	Does the Charter Holder have written policies and procedures for its bilingual education program?		Yes
AP7	List the total state allotment funds received for bilingual education programs during the Charter Holder's fiscal year.	\$	122,543
AP8	List the actual direct program expenditures for bilingual education programs during the Charter Holder's fiscal year. (PICs 25, 35).	\$	135,181 *

\* Excludes ESSER expenditures.

(This page intentionally left blank.)

## ***COMPLIANCE***

(This page intentionally left blank.)



**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  
Alief Montessori Community School:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alief Montessori Community School (the "Charter Holder") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter Holder'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 the Charter Holder's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Holder'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 Charter Holder's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

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



Belt Harris Pechacek, LLP

*Certified Public Accountants*

Houston, Texas

November 1, 2022

**ALIEF MONTESSORI COMMUNITY SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - EXHIBIT F-1**  
For the Year Ended June 30, 2022

**I. SUMMARY OF AUDIT RESULTS**

*Financial Statements*

Type of audit report issued	Unmodified
Internal control over financial reporting:	
One or more material weakness(es) identified?	No
One or more significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

**II. FINANCIAL STATEMENT FINDINGS**

*None identified.*

(This page intentionally left blank.)

**ALIEF MONTESSORI COMMUNITY SCHOOL**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - EXHIBIT G-1**  
For the Year Ended June 30, 2022

**FINANCIAL STATEMENT FINDING**

***Significant Deficiency***

**2021-001. ANNUAL CLOSING PROCESS**

**Criteria**

In accordance with the Texas Education Agency's Financial Accountability System Resource Guide, procedures and policies should be in place to ensure that accounts are closed, adjusted, and reviewed on a timely basis.

**Condition**

Multiple adjustments were required at year end to correct misstated general ledger account balances.

**Cause**

While the Charter Holder reconciles cash on a monthly basis, it appears the year end closing process of the Charter Holder does not include procedures to monitor year end federal grant activity, accounts payable, accounts receivable, or accrued expenses.

**Effect**

The general ledger did not accurately reflect the Charter Holder's financial position and activity for the year as of the start of the audit.

**Recommendation**

The Charter Holder should review their annual financial closing procedures. The Charter Holder should consider developing a formal closing process at year end, including reviewing supporting documents to determine the accuracy of the general ledger.

**Management's Response**

Management will review existing procedures and modify as needed.

**Current Status**

Resolved.

(This page intentionally left blank.)