

ANNUAL FINANCIAL REPORT

of

**ALIEF MONTESSORI
COMMUNITY SCHOOL**

For the Years Ended
June 30, 2023 and 2022

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ALIEF MONTESSORI COMMUNITY SCHOOL

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June 30, 2023 and 2022

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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, 2023 at a meeting of the governing body of the Charter Holder on the 15 day of Nov, 2023


Signature of Board Secretary


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.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Alief Montessori Community School:

Report on the Audit of 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, 2023 and June 30, 2022, 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, 2023 and June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits. 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 from 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 and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 and the schedule of expenditures of federal awards 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 14, 2023 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 Holder's internal control over financial reporting and compliance.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 14, 2023

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FINANCIAL STATEMENTS

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ALIEF MONTESSORI COMMUNITY SCHOOL

STATEMENTS OF FINANCIAL POSITION - EXHIBIT A-1

June 30, 2023 and 2022

	2023	2022
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 4,083,948	\$ 2,941,618
Investments	500,000	253,252
Due from state	761,506	695,002
Other receivables, net	-	347
Total current assets	5,345,454	3,890,219
Noncurrent assets:		
Property and equipment, net	9,838,183	9,963,882
Total noncurrent assets	9,838,183	9,963,882
Total Assets	\$ 15,183,637	\$ 13,854,101
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and other liabilities	\$ 399,840	\$ 182,210
Deferred revenue	35,864	30,893
Total current liabilities	435,704	213,103
Total Liabilities	435,704	213,103
Net assets:		
Without donor restrictions	10,938,584	10,900,350
With donor restrictions	3,809,349	2,740,648
Total Net Assets	14,747,933	13,640,998
Total Liabilities and Net Assets	\$ 15,183,637	\$ 13,854,101

See Notes to Financial Statements.

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ALIEF MONTESSORI COMMUNITY SCHOOL

STATEMENTS OF ACTIVITIES - EXHIBIT A-2

For the Years Ended June 30, 2023 and 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 199,988	\$ -	\$ 199,988	\$ 162,799
5760 Revenues-intermediate sources	39,250	-	39,250	2,500
Total local support	239,238	-	239,238	165,299
State program revenues:				
5810 Foundation school program act revenues	-	3,394,060	3,394,060	3,253,829
5820 State program revenues distributed by the Texas Education Agency	-	29,480	29,480	69,370
Total state program revenue	-	3,423,540	3,423,540	3,323,199
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	-	908,893	908,893	689,973
5930 Federal revenues distributed by Texas government agencies	-	15,370	15,370	11,887
Total federal program revenue	-	924,263	924,263	701,860
Net assets released from restrictions:				
Restriction satisfied by payments	3,279,102	(3,279,102)	-	-
Total Revenues	3,518,340	1,068,701	4,587,041	4,190,358
Expenses				
Program services:				
Educational services	2,647,494	-	2,647,494	2,254,524
Support services:				
Administrative support services	832,612	-	832,612	739,028
Total Expenses	3,480,106	-	3,480,106	2,993,552
Change in Net Assets	38,234	1,068,701	1,106,935	1,196,806
Beginning net assets	10,900,350	2,740,648	13,640,998	12,444,192
Ending Net Assets	\$ 10,938,584	\$ 3,809,349	\$ 14,747,933	\$ 13,640,998

See Notes to Financial Statements.

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ALIEF MONTESSORI COMMUNITY SCHOOL

STATEMENTS OF FUNCTIONAL EXPENSES - EXHIBIT A-2a

For the Years Ended June 30, 2023 and 2022

<u>Expenses</u>	2023			2022
	Program Activities	Supporting Activities	Total	Total
	Educational Services	General and Administrative		
Salaries and wages	\$ 1,767,688	\$ 114,293	\$ 1,881,981	\$ 1,673,648
Benefits and payroll taxes	309,819	19,702	329,521	253,992
Total payroll expenses	2,077,507	133,995	2,211,502	1,927,640
Rental expenses	-	-	-	1,350
Contract labor	17,127	1,575	18,702	17,262
Maintenance and repairs	3,000	29,254	32,254	21,895
Utilities	-	58,966	58,966	70,679
Depreciation	-	353,425	353,425	352,245
Supplies	180,037	58,906	238,943	167,126
Food	115,619	-	115,619	96,004
Travel	9,753	783	10,536	875
Instructional materials	10,170	-	10,170	9,660
Insurance and bonding	-	52,868	52,868	38,423
Professional fees and dues	229,522	118,919	348,441	271,556
Other	4,759	23,921	28,680	18,837
Total nonpayroll expenses	569,987	698,617	1,268,604	1,065,912
Total Expenses	\$ 2,647,494	\$ 832,612	\$ 3,480,106	\$ 2,993,552

See Notes to Financial Statements.

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ALIEF MONTESSORI COMMUNITY SCHOOL

STATEMENTS OF CASH FLOWS - EXHIBIT A-3

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Foundation school program payments	\$ 3,357,036	\$ 3,318,917
Grant payments	924,263	701,860
Miscellaneous sources	239,238	165,299
Payments to vendors for goods and services rendered	(697,549)	(715,058)
Payments to charter school personnel for services rendered	(2,206,184)	(1,925,969)
Net Cash Provided by Operating Activities	1,616,804	1,545,049
Cash Flows from Investing Activities		
Purchase of investments	(500,000)	(662)
Sale of investments	253,252	-
Purchase of capital assets	(227,726)	(11,800)
Net Cash (Used) by Investing Activities	(474,474)	(12,462)
Net Change in Cash and Cash Equivalents	1,142,330	1,532,587
Beginning cash and cash equivalents	2,941,618	1,409,031
Ending Cash and Cash Equivalents	\$ 4,083,948	\$ 2,941,618
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in net assets	\$ 1,106,935	\$ 1,196,806
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	353,425	352,245
(Increase) decrease in current assets:		
Due from state	(66,504)	(4,282)
Other receivables	347	2,488
Increase (decrease) in current liabilities:		
Accounts payable and other liabilities	217,630	(1,391)
Deferred revenue	4,971	(817)
Net Cash Provided by Operating Activities	\$ 1,616,804	\$ 1,545,049

See Notes to Financial Statements.

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ALIEF MONTESSORI COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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, 2023 and 2022

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 net assets without donor restrictions 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.

Budget

The official budget is prepared for adoption for all funds. The annual budget is adopted on a basis consistent with generally accepted accounting principles and is formally adopted by the Board.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents held as of June 30, 2023 were as follows:

	<u>2023</u>	
	<u>Cost Basis</u>	<u>Market Value</u>
Cash on hand and in financial institutions	\$ 2,273,014	\$ 2,273,014
LOGIC	1,810,934	1,810,934
Total	<u>\$ 4,083,948</u>	<u>\$ 4,083,948</u>

ALIEF MONTESSORI COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2023 and 2022

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

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

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, 2023 and 2022, the Charter Holder has a pledge and security agreement to collateralize public funds in excess of FDIC coverage.

LOGIC

The Charter Holder invests in the Local Government Investment Cooperative (LOGIC), which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member board of directors comprised of employees, officers, or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. The co-administrators of the day-to-day administration of LOGIC are First Southwest Company and J.P. Morgan Investment Management, Inc. LOGIC is rated at 'AAA' or equivalent rating from at least one nationally recognized rating agency. LOGIC seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

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, 2023 are summarized as follows:

	2023		Weighted Average Maturity (Years)
	Cost Basis	Market Value	
Certificates of deposit	\$ 500,000	\$ 500,000	0.01
Total	\$ 500,000	\$ 500,000	

Investments held as of June 30, 2022 are summarized as follows:

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

ALIEF MONTESSORI COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2023 and 2022

NOTE 4 – CAPITAL ASSETS

Capital assets at June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,282,133	\$ 1,282,133
Construction in progress	215,053	-
Buildings and improvements	10,401,856	10,401,856
Furniture and equipment	71,767	59,094
Total	<u>11,970,809</u>	<u>11,743,083</u>
Less accumulated depreciation	<u>(2,132,626)</u>	<u>(1,779,201)</u>
Property and Equipment, Net	<u>\$ 9,838,183</u>	<u>\$ 9,963,882</u>

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 \$353,425 and \$352,245 for the 2023 and 2022 fiscal years, respectively.

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, 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

ALIEF MONTESSORI COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2023 and 2022

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, 2022, TRS' total plan assets were \$184,185,617,196, accumulated benefit obligation (or total pension liability) was \$243,553,045,455, and TRS was 75.62% funded.

Contributions

State law provides for a member contribution rate of 8.0% for fiscal years 2023 and 2022 and a rate of 7.7% for fiscal year 2021 along with a State contribution rate of 8.0% for fiscal years 2023, 7.75% for fiscal year 2022, and 7.5% for fiscal year 2021.

The Charter Holder's employees' contributions to TRS for the years ending June 30, 2023, 2022, and 2021 were \$138,529, \$126,979 and \$104,184, 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, 2023, 2022, and 2021 were \$28,462, \$12,696, and \$8,840, respectively, and were equal to the required contributions for each year.

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, 2023, 2022, and 2021 were \$30,896, \$26,826, and \$21,297, 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; 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 2023, 2022, and 2021; and 0.65% of school payroll, with the Charter Holder contributing a percentage of payroll set at 0.75% for fiscal years ended 2023, 2022, and 2021. 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, 2023, 2022, and 2021, the State's contributions to TRS-Care were \$4,316, \$1,707, and \$1,091, respectively; the active member contributions were \$11,259, \$10,408, and \$8,795, respectively; and the Charter Holder's contributions were \$12,991, \$12,010, and \$10,148, respectively; which equaled the required contributions each year.

ALIEF MONTESSORI COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2023 and 2022

NOTE 7 – HEALTH CARE COVERAGE

During the year ended June 30, 2023, 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 AND LIABILITY INSURANCE

During the year ended June 30, 2023, employees of the Charter Holder were covered by a workers’ compensation plan and employers liability insurance (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, 2023 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.

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

NOTE 9 – DUE FROM STATE

As of June 30, 2023 and 2022, the Charter Holder had earned the following revenues which were not received until after the fiscal year end:

	<u>2023</u>	<u>2022</u>
State Foundation Program	\$ 566,367	\$ 617,874
IDEA-B Formula	35,789	14,112
National School Lunch and Breakfast Program	-	6,915
Title I, Part A - Improving Basic Programs	10,166	-
Title II, Part A - Teacher and Principal Training	2,247	-
Title III, Part A - LEP	3,481	-
ESSER I	-	1,149
ESSER II	11,655	14,093
ESSER III	131,801	40,859
Total	<u>\$ 761,506</u>	<u>\$ 695,002</u>

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, 2022, 2021, and 2020, filed with the IRS remain subject to examination.

ALIEF MONTESSORI COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2023 and 2022

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, 2023 and 2022, the Charter Holder was paid \$3,394,060 and \$3,253,829, respectively, of State Foundation Program funds of which all was earned (before any possible TEA enrollment and attendance audit).

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023 and 2022, the Charter Holder's net assets with donor restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
National School Lunch and Breakfast Program	\$ 11,800	\$ 13,147
Dyslexia Funding Support Grant	1,400	1,345
State Instructional Materials	18,722	18,351
State Foundation Program	3,777,427	2,707,805
Total	<u>\$ 3,809,349</u>	<u>\$ 2,740,648</u>

NOTE 13 – LIQUIDITY AND AVAILABILITY

The following represents the Charter Holder's financial assets available for general expenditure within one year of June 30, 2023 and 2022:

	<u>Fiscal Year</u>	
	<u>2023</u>	<u>2022</u>
Financial assets, at year end		
Cash and cash equivalents	\$ 4,083,948	\$ 2,941,618
Investments	500,000	253,252
Due from state	761,506	695,002
Other receivables	-	347
Total Financial Assets	<u>5,345,454</u>	<u>3,890,219</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	-
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 5,345,454</u>	<u>\$ 3,890,219</u>

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 \$51,764 in services by being a member of this SSA.

ALIEF MONTESSORI COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2023 and 2022

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.

NOTE 16 – BUDGET AMENDMENTS

For the fiscal year ended June 30, 2023, the original budget was amended in excess of 10% for the reasons as follows:

Data Code/ Function

Revenues:

- | | |
|------|---|
| 5740 | The interest rate of 2022-2023 was higher than previous year, resulting in more interest. |
| 5760 | In 2022-2023, the Charter Holder was awarded a few local grants from the community for the first time. |
| 5810 | When the Charter Holder opened the initial budget in 2022-2023 in May, the due from amount that was anticipated to come in in September and October was not recorded because there was no information at that time. |
| 5820 | State funding increased due to more State initiated programs. |
| 5920 | The NSLP funding increased due to more students eating breakfast and lunch leading to higher claim amounts per month. |

Expenses:

- | | |
|----|--|
| 11 | The Charter Holder hired more teachers, interventionists, and have more education programs to accommodate the various needs of students. |
| 13 | Due to the increase in new teachers and to stay up to date on assessment requirements, the Charter Holder sent more teachers and staff to Region IV and Montessori training than anticipated originally. |
| 21 | The Charter Holder has decided to allocate Instructional Leadership expenses elsewhere. |
| 23 | The principal and assistant principal provided more supervision and training to teacher assistants. |
| 35 | Inflation has caused the cost of lunch and breakfast to rise greater than anticipated. |
| 36 | The Charter Holder's music instructor decided not to teach the program and the Charter Holder was unable to find a replacement for school year 2022-2023. |
| 51 | As an effort to stay in compliance with city and State code, the Charter Holder decided to renovate their kitchen. Due to inflation, the cost was higher than anticipated. |
| 52 | Enhancing security of the School premise has never been more important. The Charter Holder therefore allocated more expenses to updating their security measures. |

NOTE 17 – SUBSEQUENT EVENTS

The Charter Holder has evaluated subsequent events through November 14, 2023.

SUPPLEMENTARY INFORMATION

ALIEF MONTESSORI COMMUNITY SCHOOL
SUPPLEMENTAL STATEMENTS OF ACTIVITIES - EXHIBIT B-1
For the Years Ended June 30, 2023 and 2022

		2023		
		Without Donor Restrictions	With Donor Restrictions	Total
Revenues				
Local support:				
5740	Other revenues from local sources	\$ 199,988	\$ -	\$ 199,988
5760	Revenues-intermediate sources	39,250	-	39,250
	Total local support	<u>239,238</u>	<u>-</u>	<u>239,238</u>
State program revenues:				
5810	Foundation school program act revenues	-	3,394,060	3,394,060
5820	State program revenues distributed by the Texas Education Agency	-	29,480	29,480
	Total state program revenue	<u>-</u>	<u>3,423,540</u>	<u>3,423,540</u>
Federal program revenues:				
5920	Federal revenues distributed by the Texas Education Agency	-	908,893	908,893
5930	Federal revenues distributed by Texas government agencies	-	15,370	15,370
	Total federal program revenue	<u>-</u>	<u>924,263</u>	<u>924,263</u>
Net assets released from restrictions:				
	Restriction satisfied by payments	3,279,102	(3,279,102)	-
	Total Revenues	<u>3,518,340</u>	<u>1,068,701</u>	<u>4,587,041</u>
Expenses				
11	Instruction	2,252,029	-	2,252,029
12	Instructional resources and media services	47,255	-	47,255
13	Curriculum development and instructional staff development	68,447	-	68,447
23	School leadership	953	-	953
35	Food services	254,262	-	254,262
36	Co-curricular/extracurricular activities	15,218	-	15,218
41	General administration	188,383	-	188,383
51	Plant maintenance and operations	636,658	-	636,658
52	Security and monitoring services	16,901	-	16,901
	Total Expenses	<u>3,480,106</u>	<u>-</u>	<u>3,480,106</u>
	Change in Net Assets	38,234	1,068,701	1,106,935
Beginning net assets		10,900,350	2,740,648	13,640,998
	Ending Net Assets	<u>\$ 10,938,584</u>	<u>\$ 3,809,349</u>	<u>\$ 14,747,933</u>

See Notes to Financial Statements.

2022

Without Donor Restrictions	With Donor Restrictions	Total
\$ 162,799	\$ -	\$ 162,799
2,500	-	2,500
<u>165,299</u>	<u>-</u>	<u>165,299</u>
-	3,253,829	3,253,829
-	69,370	69,370
<u>-</u>	<u>3,323,199</u>	<u>3,323,199</u>
-	689,973	689,973
-	11,887	11,887
<u>-</u>	<u>701,860</u>	<u>701,860</u>
2,593,987	(2,593,987)	-
<u>2,759,286</u>	<u>1,431,072</u>	<u>4,190,358</u>
1,915,492	-	1,915,492
55,188	-	55,188
21,761	-	21,761
101	-	101
236,191	-	236,191
22,972	-	22,972
122,631	-	122,631
609,475	-	609,475
9,741	-	9,741
<u>2,993,552</u>	<u>-</u>	<u>2,993,552</u>
(234,266)	1,431,072	1,196,806
11,134,616	1,309,576	12,444,192
<u>\$ 10,900,350</u>	<u>\$ 2,740,648</u>	<u>\$ 13,640,998</u>

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ALIEF MONTESSORI COMMUNITY SCHOOL

SCHEDULES OF EXPENSES - EXHIBIT C-1

For the Years Ended June 30, 2023 and 2022

		Totals	
		2023	2022
Expenses			
6100	Payroll costs	\$ 2,211,502	\$ 1,927,640
6200	Professional and contracted services	458,364	382,741
6300	Supplies and materials	359,732	270,755
6400	Other operating costs	450,508	412,416
	Total Expenses	\$ 3,480,106	\$ 2,993,552

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ALIEF MONTESSORI COMMUNITY SCHOOL
SCHEDULES OF ASSETS AND REAL PROPERTY
INTEREST OWNERSHIP - EXHIBIT D-1
For the Year Ended June 30, 2023

SCHEDULE OF ASSETS

	Ownership Interest		
	Local	State	Federal
1110 Cash and cash equivalents	\$ 1,030,935	\$ 3,104,269	\$ (51,256)
1120 Investments	-	500,000	-
1510 Land purchase and investments	-	1,282,133	-
1520 Buildings and improvements	-	10,401,856	-
1539 Furniture and equipment	-	71,767	-
1580 Construction in progress	-	137,983	77,070
Total Cash and Cash Equivalents, Investments, and Capital Assets	\$ 1,030,935	\$ 15,498,008	\$ 25,814

SCHEDULE OF REAL PROPERTY INTEREST OWNERSHIP

Description	Property Address	Total Assessed Value*	Ownership Interest State
RES A BLK 1, Alief Montessori Community School No. 3 Amend	4203 J St, Houston, TX 77072	\$ 4,087,830	\$ 4,087,830
RES A BLK 1, School II, Alief Montessori Community	12013 6th St, Houston, TX 77072	492,211	492,211
LT 2 & TR A BLK 65, Dairy Townsite	12019 6th St, Houston, TX 77072	108,458	108,458
LT 3 BLK 57, Dairy Townsite	12010 6th St, Houston, TX 77072	288,008	288,008
LT4 BLK 57, Dairy Townsite	12014 6th St, Houston, TX 77072	128,495	128,495
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
		\$ 5,365,772	\$ 5,365,772

*2023 Assessed Value (Harris Central Appraisal District)

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ALIEF MONTESSORI COMMUNITY SCHOOL

BUDGETARY COMPARISON SCHEDULE - EXHIBIT E-1

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Local support				
5740 Other revenues from local sources	\$ 148,500	\$ 206,000	\$ 199,988	\$ (6,012)
5760 Revenue from intermediate sources	2,500	39,800	39,250	(550)
Total local support	<u>151,000</u>	<u>245,800</u>	<u>239,238</u>	<u>(6,562)</u>
State program revenues				
5810 Foundation school program revenues	2,627,991	3,406,991	3,394,060	(12,931)
5820 State program revenues distributed by Texas Education Agency	69,000	29,586	29,480	(106)
Total state program revenue	<u>2,696,991</u>	<u>3,436,577</u>	<u>3,423,540</u>	<u>(13,037)</u>
Federal program revenues				
5920 Federal revenues distributed by Texas Education Agency	615,504	907,909	908,893	984
5930 Federal revenues distributed by Texas government agencies	-	15,300	15,370	70
Total federal program revenue	<u>615,504</u>	<u>923,209</u>	<u>924,263</u>	<u>1,054</u>
Total Revenues	<u>3,463,495</u>	<u>4,605,586</u>	<u>4,587,041</u>	<u>(18,545)</u>
<u>Expenses</u>				
11 Instruction	1,870,337	2,259,079	2,252,029	7,050
12 Instructional resources and media services	50,213	47,213	47,255	(42)
13 Curriculum development and instructional staff development	19,801	68,648	68,447	201
21 Instructional leadership	3,370	-	-	-
23 School leadership	10,000	1,000	953	47
35 Food services	189,431	257,690	254,262	3,428
36 Co-curricular/extracurricular activities	33,500	16,100	15,218	882
41 General administration	185,500	186,000	188,383	(2,383)
51 Plant maintenance and operations	405,000	685,600	636,658	48,942
52 Security and monitoring services	11,500	17,500	16,901	599
Total Expenses	<u>2,778,652</u>	<u>3,538,830</u>	<u>3,480,106</u>	<u>58,724</u>
Change in Net Assets	<u>\$ 684,843</u>	<u>\$ 1,066,756</u>	1,106,935	<u>\$ 40,179</u>
Beginning net assets			13,640,998	
Ending Net Assets			<u>\$ 14,747,933</u>	

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ALIEF MONTESSORI COMMUNITY SCHOOL

USE OF FUNDS REPORT

SELECT STATE ALLOTMENT PROGRAMS - EXHIBIT J-4

For the Year Ended June 30, 2023

<u>Data Codes</u>		<u>Responses</u>
Section A: Compensatory Education Programs		
AP1	Did the 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.	\$ 465,378
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).	\$ 482,681 *
Section B: Bilingual Education Programs		
AP5	Did the 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.	\$ 132,029
AP8	List the actual direct program expenditures for bilingual education programs during the Charter Holder's fiscal year. (PICs 25, 35).	\$ 160,386 *

* Excludes ESSER expenditures.

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FEDERAL AWARDS AND COMPLIANCE

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**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, 2023 and June 30, 2022, 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 14, 2023.

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 a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023.001.

Charter Holder’s Response to Findings

Government Auditing Standards requires us to perform limited procedures on the Charter Holder’s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Charter Holder’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 14, 2023



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

To the Board of Directors of
Alief Montessori Community School:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Alief Montessori Community School's (the "Charter Holder") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Charter Holder's major federal programs for the year ended June 30, 2023. The Charter Holder's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Charter Holder 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 June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Charter Holder and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Charter Holder's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Charter Holder's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Charter Holder's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Charter Holder's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Charter Holder's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Charter Holder's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Charter Holder's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023.001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards require the auditor to perform limited procedures on the Charter Holder's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Charter Holder's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023.001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires us to perform limited procedures of the Charter Holder's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Charter Holder's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 14, 2023

ALIEF MONTESSORI COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - EXHIBIT F-1
For the Year Ended June 30, 2023

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

What were the results of the auditors' determination of whether the financial statements were prepared in accordance with generally accepted accounting principles?	Unmodified
Is a 'going concern' emphasis-of-matter paragraph included in the auditors' report?	No
Is a significant deficiency in internal control disclosed?	No
Is a material weakness in internal control disclosed?	No
Is a material noncompliance disclosed?	No

Federal Programs

Does the auditors' report include a statement that the financial statements include departments, agencies, or other organizational units expending federal awards which are not included in this audit?	No
Is a significant deficiency in internal control over major programs disclosed?	Yes
Is a material weakness in internal control over major programs disclosed?	No
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	Yes
What is the dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
Did the auditee qualify as low-risk auditee?	No

Major Program Information and Audit Findings

Identification of major programs:

Assistance Listing (AL) Number(s)	Name of Federal Program or Cluster	Number of Audit Findings
84.425D, 84.425U	ESSER	1

Type of audit report issued on compliance for major programs	Unmodified
--	------------

II. FINANCIAL STATEMENT FINDINGS

None identified.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2023-001. PREVAILING WAGE REQUIREMENT

Significant Deficiency in Compliance and Internal Controls Over Compliance

Federal Agency: U.S. Department of Education

Federal Program: ESSER III (ARP)

Passed Through: State Department of Education

AL #: 84.425U

Criteria

All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor. Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination.

Condition

The Charter Holder did not include in the solicitations for proposals, or the construction contract the Wage Rate Requirement clauses. As a result, the general contractor did not submit to the Charter Holder the required certified payroll reports for each week in which work was performed under the contract.

Cause

The request for proposals (RFP) and contract between the Charter Holder and the general contractor did not include the Wage Rate Requirements from the Davis-Bacon Act because the RFP was issued in November 2022 and the contract was awarded in March 2023. The Charter Holder requested for a grant budget amendment in February 2023 after learning that ESSER funds could be used for HVAC improvements with the prior approval from the Texas Education Agency (TEA). The amended grant budget was approved in March 2023 by TEA to use ESSER III funds for the HVAC project in the amount of \$68,190, which was a component of a construction project which was already underway. The Charter Holder was unaware of the Wage Rate Requirements for construction projects that are federally funded. In addition, the Charter Holder did not have sufficient controls in place over the Wage Rate Requirements to ensure those charged with project/grant administration complied.

Effect

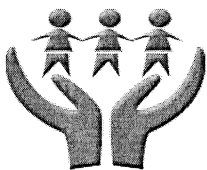
Noncompliance with the requirements of 29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction.

Recommendation

The Charter Holder should contact the TEA to determine any remedial steps related to this finding. For future construction projects that are funded with federal funds, the Charter Holder should ensure compliance with all Wage Rate Requirements.

Views of Responsible Officials

See Corrective Action Plan.



Alief Montessori Community School
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Website: www.amcsmontessori.org

Corrective Action Plan

Finding 2023.001 PREVAILING WAGE REQUIREMENTS

Contact person: Delia Presillas, Superintendent and Principal

Corrective action planned:

The Charter Holder will contact TEA to clarify if there is non-compliance with ESSER III funding requirements, and if needed, to determine any remedial steps related to this finding. For future construction projects or components thereof, the Charter Holder will not use federal funds. Had the Charter Holder been notified either during ESSER III training or the approval process that this project component would require provisions from the Davis-Bacon Act, Wage Rate Requirements, ESSER III funding would not have been requested. Based on the Charter Holder's financial condition, we would have been more than able to fully fund the minor HVAC remodeling with our local fund. The general contractor is aware of the Davis-Bacon Act requirements for federally funded projects, however, during the planning stage of the project, the RFP was not designed to include provisions on Wage Rate Requirements because the Charter Holder originally planned to utilize its local funds to cover the total construction cost.

Anticipated completion date:

By December 01, 2023 - contact TEA to clarify non-compliance and if needed, determine remedial steps.

Ongoing: Future construction projects will not use federal funds.

A handwritten signature in cursive script, appearing to read "Delia Presillas". The signature is written in black ink and is positioned above a horizontal line.

Delia Presillas, Superintendent and Principal

ALIEF MONTESSORI COMMUNITY SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - EXHIBIT G-1
For the Year Ended June 30, 2023

None noted.

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ALIEF MONTESSORI COMMUNITY SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT H-1
For the Year Ended June 30, 2023

(1) Federal Grantor/Pass-Through Grantor/Program or Cluster Title	(2) Federal AL Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education</i>			
ESEA Title I, Part A	84.010A	23610101101815	\$ 131,933
Title III, Part A-ELA	84.365A	23671001101815	27,790
Title II, Part A, Supporting Effective Instruction	84.367A	23694501101815	17,448
LEP Summer School	84.369A	69552102	5,836
COVID-19 Education Stabilization Fund ESSER II	84.425D	21521001101815	99,421
COVID-19 ESSER III	84.425U	21528001101815	339,522
Title IV, Part A, Subpart 1	84.424A	23680101101815	10,000
<i>Passed Through Ser-Ninos Charter School</i>			
Special Education (IDEA) Cluster:			
IDEA B, Formula Grant*	84.027A	101-815	51,764
TOTAL U.S. DEPARTMENT OF EDUCATION			683,714
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program*	10.553	806780706	45,590
National School Lunch*	10.555	806780706	172,701
<i>Direct Programs</i>			
USDA Commodities	10.569	N/A	6,888
Supply Chain Assistance Grant*	10.555	N/A	14,742
COVID-19 State Pandemic Electronic Benefit Transfer			
Administrative Costs	10.649	N/A	628
TOTAL U.S. DEPARTMENT OF AGRICULTURE			240,549
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 924,263

* Indicates clustered program under OMB Compliance Supplement

The accompanying notes are an integral part of this schedule.

ALIEF MONTESSORI COMMUNITY SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the Charter Holder. The information in the SEFA 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* (the “Uniform Guidance”). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These 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 SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3: INDIRECT COST RATE

The Charter Holder has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: DONATED PERSONAL PROTECTIVE PPE (UNAUDITED)

During the emergency period of COVID-19, federal agencies and recipients of federal assistance funds donated personal protective equipment (PPE) to non-federal entities. In connection with that donation, the recipient must disclose the estimated value of the donated PPE, but such amounts are not included in the SEFA. The Charter Holder did not receive any PPE donations funded by federal assistance funds during the reporting year.