

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION AND
SINGLE AUDIT REPORTS

AUGUST 31, 2018

(With Independent Auditor's Report Thereon)

Insight. Oversight. Foresight.SM

 **DoerenMayhew**
CPAs AND ADVISORS

Tejano Center for Community Concerns, Inc. & Raul Yzaguirre School for Success

Federal Employer Identification Number: 76-0377107

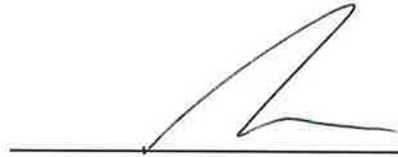
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Tejano Center for Community Concerns, Inc. & Raul Yzaguirre School for Success was reviewed and (Check one) approved disapproved for the year ended August 31, 2018, at a meeting of the governing body of the charter holder on the 20TH day of February, 2019.



Signature of Board Secretary

Ms. Margaret Dunlap



Signature of Board President

Mr. David Corpus

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.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tejano Center for Community Concerns, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Tejano Center for Community Concerns, Inc. (a nonprofit organization) ("TCCC"), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tejano Center for Community Concerns, Inc. as of August 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Tejano Center for Community Concerns, Inc. basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis are not a required part of the financial statements. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended August 31, 2018 as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis, and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2019 on our consideration of Tejano Center for Community Concerns, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tejano Center for Community Concerns, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tejano Center for Community Concerns, Inc.'s internal control over financial reporting and compliance.



Houston, Texas
February 27, 2019

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018**

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 1,508,915
Cash and cash equivalents- debt service	405,793
Grants receivable	397,711
Total current assets	<u>2,312,419</u>
Land, property and equipment	
Land	886,606
Buildings and improvements	27,367,198
Furniture, vehicles, and equipment	4,248,710
Accumulated depreciation	<u>(10,755,286)</u>
Total land, property and equipment, net	21,747,228
Construction in progress - housing program	276,941
Other receivables	95,331
Escrow fund- debt service reserve	<u>2,428,100</u>
Total assets	<u><u>\$ 26,860,019</u></u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	271,440
Accrued liabilities	746,370
Line of credit	240,000
Notes payable, current portion	260,504
Bonds payable, current portion	<u>405,000</u>
Total current liabilities	1,923,314
Long-term liabilities:	
Notes payable, net of current portion	229,372
Bonds payable, net of current portion, net of debt issuance cost	<u>21,617,850</u>
Total long term liabilities	<u>21,847,222</u>
Total liabilities	23,770,536
Net assets:	
Unrestricted	2,699,694
Permanently restricted	<u>389,789</u>
Total net assets	<u>3,089,483</u>
Total liabilities and net assets	<u><u>\$ 26,860,019</u></u>

See accompanying notes to financial statements.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Federal grants	\$ 119,276	\$ 3,202,379	\$ -	\$ 3,321,655
State grants	-	13,161,836	-	13,161,836
Other income	1,684,184	-	-	1,684,184
Net assets released from restrictions	16,364,215	(16,364,215)	-	-
Total revenues	18,167,675	-	-	18,167,675
Expenses:				
Program services:				
Charter school	12,690,356	-	-	12,690,356
Affordable housing/ homebuyer education	588,499	-	-	588,499
Child shelter/placing	601,586	-	-	601,586
Community services	115,619	-	-	115,619
Supporting services:				
Tejano commercial properties	2,781,761	-	-	2,781,761
Management and general	82,179	-	-	82,179
Total expenses	16,860,000	-	-	16,860,000
Changes in net assets	1,307,675	-	-	1,307,675
Net assets, beginning of year	1,409,725	-	389,789	1,799,514
Prior period adjustments	(17,706)	-	-	(17,706)
Net assets, beginning of year, restated	1,392,019	-	389,789	1,781,808
Net assets, end of year	<u>\$ 2,699,694</u>	<u>\$ -</u>	<u>\$ 389,789</u>	<u>\$ 3,089,483</u>

See accompanying notes to financial statements.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2018**

	Program Services				Supporting Services		Total
	Charter School	Affordable Housing/ Homebuyer Education	Child Shelter/ Placing	Community Services	Tejano Commercial Properties	Management and General	
Salaries and related expenses:							
Salaries and wages	\$ 7,362,515	\$ 99,583	\$ 97,535	\$ -	\$ -	\$ -	\$ 7,559,633
Employee benefits	1,108,566	18,085	2,673	-	-	-	1,129,324
Payroll taxes	176,193	12,477	12,579	-	-	-	201,249
Total salaries and related expenses	8,647,274	130,145	112,787	-	-	-	8,890,206
Operating expenses:							
Contract labor	677,638	229,902	292,666	112,245	48,682	16,377	1,377,510
Food	554,281	-	-	-	-	-	554,281
Insurance	264,035	27,609	(962)	-	9,518	-	300,200
Interest	7,730	-	-	-	2,132,513	-	2,140,243
Leases	272,958	-	-	-	-	-	272,958
Miscellaneous	341,701	(2,501)	121,128	3,374	58,218	65,802	587,722
Professional fees	574,731	184,097	48,100	-	51,874	-	858,802
Repairs and maintenance	11,226	-	-	-	-	-	11,226
Supplies	578,192	-	-	-	-	-	578,192
Telephone	146,242	7,374	8,072	-	315	-	162,003
Travel	14,187	-	-	-	-	-	14,187
Utilities	357,365	11,540	6,984	-	21,109	-	396,998
Total operating expenses	12,447,560	588,166	588,775	115,619	2,322,229	82,179	16,144,528
Depreciation	242,796	333	12,811	-	459,532	-	715,472
Total expenses	<u>\$ 12,690,356</u>	<u>\$ 588,499</u>	<u>\$ 601,586</u>	<u>\$ 115,619</u>	<u>\$ 2,781,761</u>	<u>\$ 82,179</u>	<u>\$ 16,860,000</u>

See accompanying notes to financial statements.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2018**

Operating activities:	
Changes in net assets	\$ 1,307,675
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation	715,472
Amortization of debt issuance costs	55,205
Disposal of assets	17,458
Impairment of land	45,068
Changes in operating assets and liabilities:	
Grants receivable	(105,123)
Other receivables	14,865
Prepaid expenses	13,539
Accounts payable	(39,900)
Accrued liabilities	(667,111)
	1,357,148
Net cash provided by operating activities	1,357,148
Investing activities:	
Construction in progress - housing program	(276,941)
Purchases of equipment	(98,597)
	(375,538)
Net cash used in investing activities	(375,538)
Financing activities:	
Proceeds from notes payable	410,000
Repayment of notes payable	(278,949)
Net repayments on line of credit	(10,000)
Replenish escrow fund	(23,371)
Repayment of bonds payable	(370,000)
	(272,320)
Net cash used in financing activities	(272,320)
Net increase in cash and cash equivalents	709,290
Cash and cash equivalents, beginning of year	799,625
Cash and cash equivalents, end of year	\$ 1,508,915
Supplemental disclosure of cash flow information -	
Interest paid during the year	\$ 2,048,812
Non-cash transaction -	
Capital expenditures in accounts payable	\$ 20,000

See accompanying notes to financial statements.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 1 - Organization

The Tejano Center for Community Concerns, Inc. (“TCCC”) was incorporated by the State of Texas in 1992 for the purpose of improving opportunities for Hispanic children and their families in Houston's Greater East End through the provision of housing and community development initiatives, as well as, educational, social, and health services. Throughout its history, TCCC has developed a number of local, state, and national partnerships including support from the corporate and foundation sectors, the Local Initiatives Support Corporation (LISC), Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks America), the National Council of La Raza, the City of Houston, Harris County and Baylor College of Medicine. TCCC is a certified Community Housing Development Organization (CHDO) and Community Development Organization (CDO) and a Department of Housing and Urban Development (HUD) designated Housing Counseling Agency. TCCC is led by a six-member Board of Directors comprised of community and business leaders having a strong vested interest in the neighborhoods TCCC serves. In 1996, TCCC opened the Raul Yzaguirre Schools for Success (“RYSS”) in Houston and several years later added a K-8 campus in Brownsville, Texas. The RYSS is a TEA designated Early College, PTECH and T-STEM K-12 charter district.

TCCC operates the following programs:

Charter School District

RYSS was one of the first 20 charter schools in the State of Texas and serves 1,330 students in grades Pre-K through 12. It was originally created for the purpose of addressing school dropout problems, school overcrowding and school violence. Today RYSS provides a TEA designated Early College, PTECH and T-STEM Academy.

During the 85th Texas Legislative Session, House Bill 22 was passed and stated in part that “The commissioner shall evaluate school district and campus performance and assign each district and campus an overall performance rating of A= Exemplary Performance, B= Recognized Performance, C= Acceptable Performance, D= In Need of Improvement or F= Unacceptable Performance.

Raul Yzaguirre Schools for Success Charter District was one of the 92 districts out of the 1,200 districts in Texas that received a Hurricane Harvey provision. Officially, RYSS did not receive a rating due to the Hurricane Harvey provision; however, the district was assigned a scaled score of 88 that fell solidly in the B= Recognized Performance category. Despite the hardships that our campuses, our staff, and our students endured as a result of Hurricane Harvey, the school community persevered and prevailed in achieving at a recognized performance level.

On December 12, 2018, TEA released the final 2018 academic accountability ratings and are available to the public on the Texas Education website.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 1 - Organization (Continued)

	<u>Component Score</u>	<u>Scaled Score</u>	<u>Rating</u>
Overall	-	88	Not Rated: Harvey Provision
Student achievement			
STAAR performance	-	80	B
College, career and military readiness	45	76	-
Graduation rate	96.4	90	-
School progress	-	87	B
Academic growth	74	87	B
Relative performance (Eco Dis: 98.1%)	48	86	B
Closing the Gaps	90	91	A

Affordable Housing/Homebuyer Education

This program develops and builds affordable housing for low-income families earning between 50 - 80% of the Houston Area Median Income. It provides pre-homeownership counseling and prepares the homebuyer households for mortgage approval. In addition, TCCC holds homebuyer classes every other Saturday of the month, as well as on scheduled weekdays.

Sunrise Orchard Apartments is TCCC's proposed permanent supportive housing development with fifty-two, one and two bedroom units serving homeless transitional aged youth which was approved by the Houston Housing Authority, which awarded fifty-two project based vouchers in support of the proposed population.

Harris County Community Services Department (HCCSD) approved the project for the loan amount of \$1,734,992 which includes \$50,000 for CHDO operations and \$1,684,992 in HOME Investment Partnerships (HOME) Program funds. The contract will provide for construction of the development and operating support of the project. During the year ended August 31, 2016, HCCSD increased its commitment to the project by \$500,000. Total future HCCSD funding for the Project is \$2,234,992. Additional commitments have been secured from the Corporation for Supportive Housing in the amount of \$1,019,000 and from the City of Houston in the amount of \$3,500,000. TCCC anticipated entering into a formal agreement with the City of Houston in January 2017. Additional funding was expected no later than March 31, 2017 through a tax credit allocation from the Texas Department of Housing Community Affairs, but the organization and funding partners determined to go a different route. While a significant amount of design work and construction approvals has already taken place, the project was placed on hold in the middle of 2017 because of a shortage of funding. An application was submitted for an increase in funding support to Harris County for CDBG-DR funds to close the funding gap. The project has a targeted closing date of spring 2019.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 1 - Organization (Continued)

Affordable Housing/Homebuyer Education (Continued)

Grant funds will be awarded to TCCC and then disbursed to the limited partnership to be created as per the state rules governing Low Income Tax Credit Program. Funding will be available on a reimbursement basis and will be managed by the limited partnership. No funding occurred in 2018.

Home Repair Program was revamped as a direct response to Hurricane Harvey in August of 2017. After TCCC canvassed hardest-hit service areas; a wide array of services was launched including, but not limited, to on-site disaster relief distributions and door-to-door distribution, which enabled agency to serve those without transportation, and disaster housing case management to connect and guide families to needed resources, including home repair. Through funding from Greater Houston United Way, TCCC conducted the stabilization and minor repairs of 12 homes, totaling \$150,000. The major contribution to our community has been through TCCC's participation in the Harvey Home Repair Collaborative (HHRC), led by Local Initiatives Support Corporation (LISC) and four other local non-profits to undertake the repair of 480 single-family homes for low-income families in the City of Houston and Harris County. Repairs include, Home Stabilization and Minor Home Repair and Full Repair. TCCC was awarded \$1,671,704 through the Harvey Home Repair Collaborative.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. TCCC's resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of TCCC and changes therein are classified and reported as follows:

- Unrestricted - Net assets that are not subject to donor-imposed stipulations and that may be designated for specific purpose by action of the Board of Directors.
- Temporarily restricted - Net assets subject to donor-imposed or grantor-imposed stipulations that may or will be met either by actions of TCCC and/or passage of time. The classification includes contributions, underwriting, grants and unconditional promises to give.
- Permanently restricted - Net assets subject to donor or grantor-imposed stipulations that must be maintained in perpetuity by TCCC.

Support that is restricted by the donor or grantor and is to be used in future periods or for a specific purpose is reported as an increase in temporarily restricted net assets in the reporting period in which the support is recognized.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Standard Financial Accounting System

For all Federal and state programs, RYSS used the net asset classes and codes specified by the Texas Education Agency in the Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.

Cash and Cash Equivalents

TCCC considers all cash and highly liquid investments with initial maturities of three months or less when purchased to be cash equivalents.

Escrow Fund

The escrow fund consists of restricted cash required by the bond agreements, and it will be used to pay down the bond liability (See Note 5).

Grants Receivable

Grants receivable represent payments due from contracts or grants awarded to TCCC that are expected to be collected within one year and are recorded at net realizable value. As of August 31, 2018, TCCC considers all grants receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Construction in Progress - Housing Program

Construction in progress includes land and development costs of residential projects undertaken by TCCC that are held for sale. Construction in progress is stated at cost unless the project is determined to be impaired, in which case the impaired project is written down to fair value. For the year ended August 31, 2018, no impairment of projects was considered necessary.

Property and Equipment

Property and equipment purchased by TCCC are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All purchases and donations that individually or as a group are in excess of \$5,000 are capitalized. Depreciation is provided on the straight-line method based upon estimated useful lives of the asset (ranging from three to fifty years). Depreciation expense for the year ended August 31, 2018 totaled \$715,472.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Capital assets acquired, improved, or maintained during the term of the open-enrollment charter and all property presently held by the charter holder for the operation of RYSS constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the supplemental schedule of capital assets.

Other Receivables

Other receivables consist of mortgage loans to individuals, such as homeowners, to facilitate neighborhood revitalization in the service areas in which TCCC operates. As of August 31, 2018, TCCC considers all other receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is equivalent to the amount by which the carrying amount of the assets exceeds the fair value of the assets. For the year ended August 31, 2018, an impairment of \$45,068 was made.

Contributions

Contributions are recognized when the donor makes a promise to give to TCCC that is, in substance, unconditional. Contributions that are temporarily restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Federal and state financial assistance is generally accounted for in temporarily restricted net assets.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. For the year ended August 31, 2018, TCCC reported all contributions as increases in unrestricted net assets because the contributions are either not restricted by the donors or the restriction expired during the year ended August 31, 2018 (See Note 8).

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 2 - Summary of Significant Accounting Policies (Continued)

Donated Services

Donated services are recognized at fair value when an unconditional commitment is received from the donor. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected in the financial statements during fiscal year 2018.

Functional Expense Allocation

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

Income Taxes

TCCC is exempt from income taxes under Section 501(c)(3) and Section 501(c)(4) of the U.S. Internal Revenue Code (the Code) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. TCCC has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code. However, TCCC is subject to taxes on unrelated business income when such activities exist. No provision for Federal income tax has been made in the financial statements.

TCCC accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of August 31, 2018, management believes there were no uncertain tax positions.

Fair Value Considerations

TCCC uses fair value to measure financial and certain nonmonetary financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. TCCC's financial instruments (primarily cash and cash equivalents, receivables, payables, and debt) are carried in the accompanying financial statements at amounts, which reasonably approximate fair value.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 3 - Prior Period Adjustments

The accompanying financial statements have been restated to correct errors made in 2017. During fiscal year ended August 31, 2018, TCCC discovered various accounts that were misstated, primarily related to accumulated depreciation, construction in progress and accrued liabilities. The effect of the restatements was to decrease net assets by \$17,706.

Note 4 - Line of Credit

TCCC has a \$250,000 revolving line of credit with a bank which expires on May 9, 2019. Bank advances on the credit line are payable on demand and accrues interest at a rate of 5.5% as of August 31, 2018. The credit line is unsecured. The total outstanding balance under the line of credit is \$240,000 as of August 31, 2018. A member of the Board of Directors was an officer at the bank.

Note 5 - Notes Payable

TCCC's obligations under notes payable consist of the following as of August 31, 2018:

	<u>Amount</u>
Note payable to a financial institution due including interest at 6.00% per year, unsecured, lump sum payable upon completion of Sunrise Orchard construction or maturing on December 31, 2020	\$ 210,000
Note payable to a bank in monthly installments of \$17,174 including interest at 5.5% per year, unsecured, payable on demand or maturing on August 17, 2019	200,000
Note payable to a financial institution in monthly installments of \$1,073 including interest at 5.0% per year, unsecured, payable on demand or maturing on September 1, 2021	38,773
Note payable to a bank in monthly installments of \$1,625 including interest at 5.6% per year, unsecured, payable on demand or maturing on August 17, 2019	<u>41,103</u>
Total notes payable	489,876
Less: current maturities	<u>(229,372)</u>
Total notes payable - non-current portion	<u>\$ 260,504</u>

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 5 - Notes Payable (Continued)

Minimum future principal payments are as follows:

Years Ended <u>August 31,</u>	<u>Amount</u>
2019	\$ 229,372
2020	240,504
2021	<u>20,000</u>
Total	<u>\$ 489,876</u>

Note 6 - Bonds Payable

On March 17, 2009, TCCC issued \$25,200,000 Tax Exempt Education Revenue Bonds (the "Bonds") through a conduit issuer, the Clifton Higher Education Finance Corporation (the "Issuer"), with original issue discount of \$595,473.

The Bonds consist of \$24,480,000 in Tax Exempt Education Revenue and Refunding Bonds, Series 2009A and \$720,000 Taxable Education Revenue Bonds, Series 2009B. The Bonds were issued pursuant to a Trust Indenture and Security Agreement (the "Agreement") dated February 1, 2009, by and between the Issuer and Wells Fargo Bank, National Association (Wells Fargo Bank), Houston, Texas with the proceeds to be used for the purposes of (i) financing and refinancing the costs of land acquisition and acquiring, constructing, equipping, and renovating certain "educational facilities" (defined in Chapter 53, Texas Education Code, as amended) in connection with charter school campuses, authorized by Chapter 12, Subchapter D. Texas Education Code as amended, located in Houston (Pre K - 12th grade) and Brownsville, Texas (Pre K - 6th grade), (ii) funding a debt service reserve fund, (iii) paying capitalized interest, and (iv) paying the costs of issuing the Bonds. The Bonds contain covenants that must be maintained by TCCC. At August 31, 2018, TCCC was in compliance with these covenants.

Proceeds of the Bonds were also used to repay TCCC's outstanding 2000 Bonds and refinance existing Wells Fargo Bank notes associated with the Brownsville campus. The Bonds are limited obligations of the Issuer payable solely out of the revenues received by the Issuer pursuant to the Agreement and the Taxable and Tax-Exempt Promissory Notes issued under the Agreement and Supplemental Master Trust Indenture No. 1 between TCCC and Wells Fargo Bank. In October 2013, the Bonds' Trustee changed from Wells Fargo Bank to UMB Bank National Association. TCCC paid the Taxable Education Revenue Bonds, Series 2009B in full.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 6 - Bonds Payable (Continued)

The Bonds mature February 15, 2017 through 2038 with the interest rate varying from 7.75% to 9.0%. Interest on the Bonds is due semiannually each February 15 and August 15 until maturity. The Bonds maturing on or after February 15, 2028, are subject to optional redemption prior to scheduled maturity, in whole or in part, on February 15, 2017, and on any date thereafter at par plus accrued interest. The amounts of the Bonds outstanding at August 31, 2018 were \$22,785,000.

As of August 31, 2018, the bond payable balance was \$22,022,850, net of the unamortized debt issuance costs \$406,567 and unamortized bond discount of \$355,583. The accumulated amortization of the bond discount was \$239,890 as of August 31, 2018 and the related amortization expense for the year ended August 31, 2018 was \$25,961 and is included in interest expense in the statement of functional expenses.

The Bonds had an original issuance cost of \$1,116,903. TCCC capitalized the cost and amortizes it over the life of the bonds. As of August 31, 2018, the accumulated amortization of the capitalized issuance cost was \$710,336. The amortization expense for the year ended August 31, 2018 was \$29,244 and is included in interest expense in the statement of functional expenses.

The Bonds will mature according to the following schedule:

<u>Years Ended</u> <u>August 31,</u>	<u>Amount</u>
2019	\$ 405,000
2020	440,000
2021	495,000
2022	545,000
2023	595,000
Thereafter	<u>20,305,000</u>
	22,785,000
Less unamortized debt issuance costs	406,567
Less bond discount	<u>355,583</u>
Total bonds, net of discount	22,022,850
Less current portion	<u>405,000</u>
Bonds payable, net of current portion	<u>\$ 21,617,850</u>

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 6 - Bonds Payable (Continued)

In 2009, TCCC issued \$24,480,000 Series 2009A Tax Exempt Education Revenue and Refunding Bonds and \$720,000 Series 2009B Taxable Education Revenue Bonds. In connection with the bond issuance, TCCC deposited funds with an escrow agent in the amount necessary to accomplish the future payments of the Bonds and school building construction. As of August 31, 2018, the balance of the escrow fund was \$2,833,893 which consists of money market funds.

The components of the escrow fund for August 31, 2018 are as follows:

	<u>2009A</u>
Debt service reserve	\$ 2,428,100
Debt service	<u>405,793</u>
Total escrow fund	<u>\$ 2,833,893</u>

Note 7 - Operating Lease Commitments

TCCC conducts its operations utilizing office equipment and housing property under non-cancelable operating leases, expiring in fiscal year 2023. Lease expense for the year ended August 31, 2018 totaled \$257,246. Minimum future lease commitments under operating leases are as follows:

<u>Years Ended</u>	
<u>August 31,</u>	<u>Amount</u>
2019	\$ 39,304
2020	18,960
2021	18,960
2022	18,960
Thereafter	<u>3,160</u>
Total	<u>\$ 99,344</u>

Note 8 - Net Assets Released From Restrictions

During the year ended August 31, 2018, net assets of \$16,364,215 were released from Texas Education Agency and other Federal and State grantors restrictions by satisfying restrictions.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 9 - Permanently Restricted Net Assets

Net assets with donor restrictions amounted to \$389,789 and were permanently restricted for use in building projects associated with a grant from NeighborWorks America. On January 27, 2009, the Board of Directors of TCCC approved a resolution authorizing TCCC to enter into an Investment and Grant Agreement (the "Grant Agreement") with NeighborWorks America. The Grant Agreement stipulates that permanently restricted capital funds shall be held in perpetuity and to be used for the following purposes:

- Making loans to individuals who cannot be adequately served by local financial institutions, such as homeowners desirous of improving their homes or potential homeowners who wish to purchase affordable housing, to facilitate neighborhood revitalization in the service areas in which TCCC operates.
- Making loans to owners of residential rental or mixed-use commercial/residential rental properties for acquisition, construction, rehabilitation, or development to facilitate neighborhood revitalization in the services areas in which TCCC operates.
- Making loans to individuals and/or equity investments to businesses that cannot be adequately served by local financial institutions for economic development activities to facilitate neighborhood revitalization in the services areas in which TCCC operates.
- Establishing and maintaining cash reserves and/or loan loss reserves that support the eligibility uses specified above.
- Funding capitalized pre-development costs associated with determining the feasibility of acquiring and developing specific real estate properties and/or specific economic development or commercial activities, including without limitation the operations of a business, designed to facilitate neighborhood revitalization in the service areas in which TCCC operates, is consistent with the requirements of accounting principles generally accepted in the United States of America or its applicable successor.
- Funding capitalized costs, as debt or equity, incurred for the acquisition, construction, rehabilitation or development of specific real estate properties and/or specific economic development or commercial activities including without limitation the operation of a business, designed to facilitate neighborhood revitalization in the service areas in which TCCC operates.

TCCC shall use its best efforts to develop supplemental private and public sources of funding in support of the permanently restricted revolving loan and capital projects fund. It is expected that these other sources of funds will exceed the amount of the NeighborWorks America grant.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 9 - Permanently Restricted Net Assets (Continued)

Loans may be made at flexible rates and terms without regard to loan-to-value ratios. Repayment of principal on loans made from permanently restricted capital grant funds and proceeds from capital projects funded from permanently restricted capital grant funds must be returned to the permanently restricted revolving loan and capital projects fund to ensure that the grant amount provided by the grant agreement, including all grant letters, is maintained intact.

Loans may be made at flexible rates and terms without regard to loan-to-value ratios. Repayment of principal on loans made from permanently restricted capital grant funds and proceeds from capital projects funded from permanently restricted capital grant funds must be returned to the permanently restricted revolving loan and capital projects fund to ensure that the grant amount provided by the grant agreement, including all grant letters, is maintained intact.

Interest on loans in excess of funds necessary to maintain the total amount of permanently restricted capital grant funds provided by NeighborWorks America may be transferred to another fund, such as the general operating fund, to be used for purposes of furthering the NeighborWorks America's mission.

Proceeds on capital projects, including without limitation specific real estate properties, businesses and/or economic development or commercial activities, in excess of funds necessary to maintain the total amount of permanently restricted capital grant funds provided by NeighborWorks America invested or otherwise used to fund such projects, may be transferred to another fund, such as the general operation fund, to be used for purposes of furthering the NeighborWorks America's mission.

Note 10 - Governmental Grants

TCCC is the recipient of government grants from various state, federal and local agencies.

State Grants for the year ended August 31, 2018 are as follows:

Texas Education Agency School Foundation and Per Capita entitlements	\$ 12,731,576
Educator Excellence Innovation Program	284,972
Textbook Allotment	47,086
Other	<u>98,202</u>
Total state grants	<u>\$ 13,161,836</u>

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 10 - Governmental Grants (Continued)

Federal grants for the year ended August 31, 2018 are as follows:

U.S. Department of Agriculture	\$ 997,269
U.S. Department of Defense	71,542
U.S. Department of Housing and Urban Development	29,273
U.S. Department of Justice	118,191
U.S. Department of Treasury	90,000
U.S. Department of Education	1,413,024
U.S. Department of Health and Human Services	<u>602,356</u>
 Total federal grants	 <u>3,321,655</u>
 Total state and federal grants	 <u>\$ 16,483,491</u>

Note 11 - Commitments and Contingencies

TCCC receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency.

The programs administered by TCCC 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 Texas Education Agency or the grantor agency. TCCC is subject to claims and lawsuits that arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of TCCC.

Note 12 - Pension Plan

TCCC participates in a cost-sharing multi-employer defined pension plan. The assets contributed by TCCC may be used for the benefits of other participating organizations. The multi-employer plan is administered by The Teacher Retirement System of Texas (TRS or System). TRS is a public employee retirement system (PERS) with a special funding situation.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 12 - Pension Plan (Continued)

The multi-employer defined pension plan is administered through a trust and has the following characteristics:

- Contributions from employers and the non-employer contributing entity to the pension plan and earnings on the plan are irrevocable,
- Pension plan assets are dedicated to providing pensions to plan members in accordance with benefit terms, and
- Pension plan assets are legally protected from the creditors of employers, the non-employer contributing entity, and the pension plan administrator. Plan assets are also legally protected from creditors of the plan members.

Benefits are established or amended primarily under the authority of the provisions of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The pension's board of trustees does not have the authority to establish or amend benefits. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals or exceeds 80 years. The benefit formula is 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to equal the annual standard annuity. For members who are grandfathered, the three highest annual salaries are used. Reduced service retirement is at age 55 with 5 years of credited service and any age below 50 with 30 years of credited service. A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met. The plan does not provide automatic cost of living adjustments (COLAs).

To be eligible for disability retirement, a member must have a physical or mental disability that precludes the member's continued performance of current duties, and the disability must be certified by the TRS Medical Board as probably permanent. Death and Survivor retirement benefits are available to the beneficiary of an active member. For more detail about benefits see the publicly available financial report that includes the financial statements and required supplementary information for the defined benefit plan. The report may be obtained by writing to TRS, 1000 red River Street, Austin, Texas 78701 or by downloading the report from the TRS website, www.trs.state.tx.us.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 12 - Pension Plan (Continued)

Contributions

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is also the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002, are covered by the System.

Contribution requirements are established or amended pursuant to the following state laws: (1) Article 16, section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year. Government Code section 821.006 prohibits benefit improvements, if as a result of the 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. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

As the non-employer contributing entity, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 12 - Pension Plan (Continued)

Contributions (Continued)

The contribution to the plan by contributor for the year ended August 31, 2018 were 7.7% for a member, 6.8% for non-employer contributing entity (state) and 6.8% for employers. There have been no changes that would affect the comparison of employer contributions from year to year.

Employers are also required to pay surcharges in the following cases:

- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5 percent of the applicable salary.
- When employing a retiree of the Teacher Retirement System, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

TCCC's contribution to TRS for the year ended August 31, 2018 was \$250,271, which includes \$94,412 in Non-OASDI participation surcharges.

Funding Status

The TRS net pension liability in the plan as of August 31, 2018 was as follows:

Total pension liability	\$ 209,611,328,793
Less: plan fiduciary net position	<u>154,568,901,833</u>
Net pension liability	<u>\$ 55,042,426,960</u>

The plan is 73.74% funded. The unfunded obligation gets passed along to the other charter schools and ISDs. This is not a withdrawal penalty for leaving the TRS System. TCCC does not operate under any collective bargaining agreement. TCCC contributions to the plan did not represent more than 5% of the total contributions to the plan.

Note 13 - Defined Contribution Plan

TCCC sponsors a defined contribution 403(b) plan for all employees. Employees may elect to defer a portion of their yearly compensation, up to statutory limits. TCCC does not contribute to the plan.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 14 - Concentration of Credit Risk

Financial instruments that are exposed to concentration of credit risk consist of cash and cash equivalents, escrow fund, grants receivable and other receivables. During the year ended August 31, 2018, TCCC had demand deposits in banking institutions that exceeded the Federal Deposit Insurance Corporation insurance amount and collateralized balance. The credit risk exposure to TCCC is mitigated by the financial strength of the banking institutions in which deposits are held. The escrow fund consists of money market accounts which are also with banking institutions with financial strength and no losses have been experienced in the past.

Approximately 91% of TCCC revenues are received from government contracts. Should the contracts not be renewed, program expenses would be reduced until other funding sources are obtained, or expenses will be eliminated completely. At August 31, 2018, 100% of grants receivable were from government contracts.

Note 15 - Subsequent Events

Management has evaluated subsequent events through February 27, 2019, the date which the financial statements were available to be issued. No matters were identified affecting the accompanying financial statements or related disclosures.

SUPPLEMENTARY INFORMATION

TEJANO CENTER FOR COMMUNITY CONCERNS, INC.
RAUL YZAGUIRRE SCHOOL FOR SUCCESS

SCHEDULE OF FINANCIAL POSITION
AUGUST 31, 2018

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 864,074
Grants receivable	317,957
	<hr/>
Total current assets	1,182,031
Property and equipment:	
Buildings and improvements	3,911,838
Furniture, vehicles, and equipment	2,595,348
Accumulated depreciation	(4,215,397)
	<hr/>
Total property and equipment, net	2,291,789
	<hr/>
Total assets	\$ 3,473,820
	<hr/> <hr/>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	210,938
Accrued liabilities	503,311
Line of credit	240,000
Notes payable, current portion	229,372
	<hr/>
Total current liabilities	1,183,621
Long-term liabilities:	
Due to agency	287,108
Notes payable, net of current portion	50,504
	<hr/>
Total long - term liabilities	337,612
	<hr/>
Total liabilities	1,521,233
	<hr/>
Net assets:	
Unrestricted	1,952,587
	<hr/>
Total liabilities and net assets	\$ 3,473,820
	<hr/> <hr/>

See independent auditor's report and accompanying notes to supplementary information.

**TEJANO CENTER FOR COMMUNITY CONCERNS, INC.
RAUL YZAGUIRRE SCHOOL FOR SUCCESS**

**SCHEDULE OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Local support:			
5740 Other revenues from local sources	\$ 237,463	\$ -	\$ 237,463
5750 Revenue from cocurricular, enterprising services or activities	<u>21,497</u>	<u>-</u>	<u>21,497</u>
Total local support	<u>258,960</u>	<u>-</u>	<u>258,960</u>
State program revenues:			
5810 Foundation school program act - revenues	-	12,731,576	12,731,576
5820 State program revenues distributed by Texas Education Agency	<u>-</u>	<u>430,260</u>	<u>430,260</u>
Total state program revenues	<u>-</u>	<u>13,161,836</u>	<u>13,161,836</u>
Federal program revenues:			
5920 Federal revenues distributed by the Texas Education Agency	-	2,391,493	2,391,493
5930 Federal revenues distributed by other State of Texas government agencies (other than Texas Education Agency)	-	18,797	18,797
5940 Federal revenues distributed directly from the Federal Government	<u>-</u>	<u>71,542</u>	<u>71,542</u>
Total federal program revenues	<u>-</u>	<u>2,481,832</u>	<u>2,481,832</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>15,643,668</u>	<u>(15,643,668)</u>	<u>-</u>
Other revenues:			
Debt forgiveness	<u>913,618</u>	<u>-</u>	<u>913,618</u>
Total revenues	<u>\$ 16,816,246</u>	<u>\$ -</u>	<u>\$ 16,816,246</u>

See independent auditor's report and accompanying notes to supplementary information.

**TEJANO CENTER FOR COMMUNITY CONCERNS, INC.
RAUL YZAGUIRRE SCHOOL FOR SUCCESS**

**SCHEDULE OF ACTIVITIES (CONTINUED)
YEAR ENDED AUGUST 31, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Expenses:			
11 Instruction	\$ 7,093,822	\$ -	\$ 7,093,822
12 Instructional resources/media services	77,378	-	77,378
13 Curriculum development and instructional staff development	2,474	-	2,474
21 Instructional leadership	57,781	-	57,781
23 School leadership	943,749	-	943,749
31 Guidance, counseling and evaluation services	-	-	-
32 Social work services	49,443	-	49,443
33 Health services	85,606	-	85,606
34 Student (pupil) transportation	148,953	-	148,953
35 Food services	825,224	-	825,224
36 Cocurricular/extracurricular activities	11,718	-	11,718
41 General administration	1,081,334	-	1,081,334
51 Plant maintenance and operations	4,444,693	-	4,444,693
52 Security and monitoring services	59,705	-	59,705
53 Data processing services	316,924	-	316,924
61 Community services	22,636	-	22,636
71 Debt services	2,127	-	2,127
81 Fundraising services	46,789	-	46,789
	<u>15,270,356</u>	<u>-</u>	<u>15,270,356</u>
Change in net assets	1,545,890	-	1,545,890
Net assets, beginning of year	<u>569,948</u>	<u>-</u>	<u>569,948</u>
Prior period adjustments	<u>(163,251)</u>	<u>-</u>	<u>(163,251)</u>
Net assets, beginning of year, restated	<u>406,697</u>	<u>-</u>	<u>406,697</u>
Net assets, end of year	<u><u>\$ 1,952,587</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,952,587</u></u>

See independent auditor's report and accompanying notes to supplementary information.

**TEJANO CENTER FOR COMMUNITY CONCERNS, INC.
RAUL YZAGUIRRE SCHOOL FOR SUCCESS**

**SCHEDULE OF CASH FLOWS
YEAR ENDED AUGUST 31, 2018**

Operating activities:	
Changes in net assets	\$ 1,545,890
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	242,796
Disposal of assets	17,458
Changes in operating assets and liabilities:	
Grants receivable	(25,369)
Due to agency	(626,508)
Prepaid expenses	13,039
Accounts payable	(90,591)
Accrued liabilities	<u>(840,703)</u>
Net cash provided by operating activities	<u>236,012</u>
Investing activities:	
Purchases of equipment	<u>(68,382)</u>
Net cash used in investing activities	<u>(68,382)</u>
Financing activities:	
Proceeds from notes payable	200,000
Repayments on notes payable	(279,718)
Net repayments on line of credit	<u>(10,000)</u>
Net cash used in financing activities	<u>(89,718)</u>
Net increase in cash and cash equivalents	77,912
Cash and cash equivalents, beginning of year	<u>786,162</u>
Cash and cash equivalents, end of year	<u><u>\$ 864,074</u></u>
Supplemental disclosure of cash flow information:	
Interest paid during the year	<u><u>\$ 7,730</u></u>
Non-cash transaction -	
Capital expenditures in accounts payable	<u><u>\$ 20,000</u></u>

See independent auditor's report and accompanying notes to supplementary information.

**TEJANO CENTER FOR COMMUNITY CONCERNS, INC.
RAUL YZAGUIRRE SCHOOL FOR SUCCESS**

**SCHEDULE OF EXPENSES
YEAR ENDED AUGUST 31, 2018**

Expenses:

6100 Payroll costs	\$ 8,647,274
6200 Professional and contracted services	4,620,160
6300 Supplies and materials	1,146,975
6400 Other operating costs	848,217
6500 Debt service	<u>7,730</u>
 Total expenses	 <u><u>\$ 15,270,356</u></u>

See independent auditor's report and accompanying notes to supplementary information.

**TEJANO CENTER FOR COMMUNITY CONCERNS, INC.
RAUL YZAGUIRRE SCHOOL FOR SUCCESS**

**SCHEDULE OF CAPITAL ASSETS
AUGUST 31, 2018**

	Ownership Interest			Total
	Local	State	Federal	
Capital assets:				
Building improvements	-	3,117,800	794,038	3,911,838
Furniture, vehicles, and equipment	69,978	1,875,319	650,051	2,595,348
Total capital assets	<u>\$ 69,978</u>	<u>\$ 4,993,119</u>	<u>\$ 1,444,089</u>	<u>\$ 6,507,186</u>

See independent auditor's report and accompanying notes to supplementary information.

**TEJANO CENTER FOR COMMUNITY CONCERNS, INC.
RAUL YZAGUIRRE SCHOOL FOR SUCCESS**

**BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2018**

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual Amounts	
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 32,403	\$ 32,403	\$ 237,463	\$ 205,060
5750 Revenue from cocurricular, enterprising services or activities	48,923	48,923	21,497	(27,426)
Total local support	81,326	81,326	258,960	177,634
State program revenues:				
5810 Foundation school program act revenues	12,675,768	12,375,768	12,731,576	355,808
5820 State program revenues Education Agency	909,605	909,605	430,260	(479,345)
Total state program revenues	13,585,373	13,285,373	13,161,836	(123,537)
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	1,357,642	1,337,098	2,391,493	1,054,395
5930 Federal revenues distributed by other State of Texas government agencies (other than Texas Education Agency)	-	-	18,797	18,797
5940 Federal revenues distributed directly from the Federal Government	74,306	74,306	71,542	(2,764)
Total federal program revenues	1,431,948	1,411,404	2,481,832	1,070,428
Other revenues:				
7959 Debt Forgiveness	-	-	913,618	913,618
Total revenues	\$ 15,098,647	\$ 14,778,103	\$ 16,816,246	\$ 2,038,143

See independent auditor's report and accompanying notes to supplementary information.

**TEJANO CENTER FOR COMMUNITY CONCERNS, INC.
RAUL YZAGUIRRE SCHOOL FOR SUCCESS**

**BUDGETARY COMPARISON SCHEDULE (CONTINUED)
YEAR ENDED AUGUST 31, 2018**

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual Amounts	
Expenses:				
11 Instruction	\$ 6,973,622	\$ 7,196,155	\$ 7,093,822	\$ 102,333
12 Instructional resources/ media services	87,001	88,001	77,378	10,623
13 Curriculum development and instructional staff development	11,850	16,550	2,474	14,076
21 Instructional leadership	80,089	59,545	57,781	1,764
23 School leadership	1,069,873	1,066,693	943,749	122,944
31 Guidance, counseling and evaluation services	8,000	8,000	-	8,000
32 Social work services	128,708	128,708	49,443	79,265
33 Health services	80,675	81,075	85,606	(4,531)
34 Student (pupil) transportation	147,647	147,647	148,953	(1,306)
35 Food services	313,662	347,162	825,224	(478,062)
36 Cocurricular/extracurricular activities	115,942	115,942	11,718	104,224
41 General administration	915,236	1,012,434	1,081,334	(68,900)
51 Plant maintenance and operations	3,763,275	3,776,912	4,444,693	(667,781)
52 Security and monitoring services	166,407	1,777,407	59,705	1,717,702
53 Data processing services	634,707	743,531	316,924	426,607
61 Community services	-	10,000	22,636	(12,636)
71 Debt services	1,161	1,161	2,127	(966)
81 Fundraising	-	-	46,789	(46,789)
Total expenses	<u>14,497,855</u>	<u>16,576,923</u>	<u>15,270,356</u>	<u>1,306,567</u>
Changes in net assets	600,792	(1,798,820)	1,545,890	3,344,710
Net assets, beginning of year	<u>1,272,866</u>	<u>3,716,878</u>	<u>406,697</u>	<u>(3,310,181)</u>
Net assets, end of year	<u>\$ 1,873,658</u>	<u>\$ 1,918,058</u>	<u>\$ 1,952,587</u>	<u>\$ 34,529</u>

See independent auditor's report and accompanying notes to supplementary information.

SINGLE AUDIT

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018**

<u>Federal Pass Through or State Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:			
Pass-through Texas Education Agency:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	71401701	\$ 20,766
School Breakfast Program	10.553	71401801	186,326
National School Lunch Program	10.555	71301701	75,468
National School Lunch Program	10.555	71301801	<u>606,269</u>
Total Child Nutrition Cluster			<u>888,829</u>
National School Lunch Program:			
Equipment Assitance Grant	10.579	6TX300355	88,378
Fresh Fruit and Vegetable Program	10.582	N/A	<u>20,062</u>
Total U.S. Department of Agriculture			<u>997,269</u>
U.S. Department of Defense:			
Direct Grant -			
Department of Defense Appropriation Act of 2003 - Junior ROTC	12.116	N/A	<u>71,542</u>
Total U.S. Department of Defense			<u>71,542</u>
U.S. Department of Housing and Urban Development:			
Pass-through National Council for La Raza:			
Housing Counseling Assistance Program	14.169	N/A	<u>29,273</u>
Total U.S. Department of Housing and Urban Development			<u>29,273</u>
U.S. Department of Justice:			
Pass-Through Texas Governor's Criminal Justice Division			
Victim's of Crime Act (VOCA)	16.575	N/A	<u>118,191</u>
Total U.S. Department of Justice			<u>118,191</u>
U.S. Department of Treasury:			
Pass-through NeighborWorks America:			
Affordable Housing/Home Buyer Education Program	21.010	N/A	<u>90,000</u>
Total U.S. Department of Treasury			<u>90,000</u>
U.S. Department of Education:			
Pass-Through Texas Education Agency:			
Title I Grants to Local Educational Agencies Cluster -			
Title I, Part A, Improving Basic Programs	84.010	18610101101806	<u>999,609</u>
Total Title I Grants to Local Educational Agencies Cluster			<u>999,609</u>
Special Education Cluster:			
IDEA B, Formula	84.027	186600011018066000	240,076
IDEA B, Preschool	84.173	186610011018066000	<u>1,300</u>
Total Special Education Cluster			<u>241,376</u>

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018**

<u>Federal Pass Through or State Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
Career and Technical Education - Basic Grants	84.048	18420006101806	22,434
English Language Acquisition Grants	84.365	18671001101806	54,073
Supporting Effective Instruction Grants	84.367	18694501101806	69,199
Student Support and Academic Enrichment Program	84.424	18680101101806	<u>26,333</u>
Total U.S. Department of Education			<u>1,413,024</u>
U.S. Department of Health and Human Services:			
Pass-Through Texas Department of Family and Protective Services - Foster Care - Title IV-E	93.658	230451219	<u>602,356</u>
Total Foster Care - Title IV-E			<u>602,356</u>
Total U.S. Department of Health & Human Services			<u>602,356</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,321,655</u></u>

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**NOTES TO SUPPLEMENTARY INFORMATION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the Federal program fund expenditures of all Federal award programs of Tejano Center for Community Concerns, Inc. ("TCCC") for the year ended August 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of TCCC's financial statements.

Basis of Presentation - Supplementary Information

The accompanying supplementary schedules as listed in the table of contents for the year ended August 31, 2018 are presented on the accrual basis of accounting.

Note 2 - Summary of Significant Accounting Policies

Expenditures on the schedules are reported on the accrual basis of accounting. Such expenditures of federal awards are recognized following the cost principles as found in the Uniform Guidance.

Note 3 - Relationship to TCCC's Financial Statement

Federal award expenditures, as reported in the schedule of expenditures of Federal awards, correspond with the amount reported as Federal grant revenues in TCCC's basic financial statements for the year ended August 31, 2018, since TCCC's policy is to recognize revenues as budgeted costs attributable to grants and contracts are incurred.

During 2018, TCCC charged RYSS rent totaling \$2,580,000. Rent income and expense between TCCC and RYSS are eliminated in TCCC's statement of activities, but the expense is included in RYSS's schedule of activities within plant maintenance and operations.

Note 4 - Relationship to Grantor Agency Financial Reports

Differences between amounts reflected in the financial reports filed with grantor agencies for the programs are due to different program year-ends, different methods of accounting (cash versus accrual basis), and estimates made by management.

For all Federal programs, RYSS used the net asset classes and codes specified by the Texas Education Agency in the Special Supplement to Financial Accounting and Reporting Nonprofit Charter School Chart of Accounts. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal financial assistance is generally accounted for in temporarily restricted net asset codes.

**TEJANO CENTER FOR
COMMUNITY CONERNS, INC.**

**NOTES TO SUPPLEMENTARY INFORMATION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018**

Note 5 - Reconciliation to Basic Financial Statements

The following reconciles Federal awards expenditures as included in the accompanying schedule to Federal grant revenue as reported in the basic financial statements of TCCC for the year ended August 31, 2018:

Federal awards expenditures per accompanying schedule	\$ 3,321,655
Total federal grants per basic financial statements	<u>3,321,655</u>
Difference	<u>\$ _____</u>

The following reconciles total expenses as included in the supplementary information for RYSS to financial statements of TCCC for the year ended August 31, 2018:

RYSS total expenses	\$ 15,172,786
Eliminated rent expense	<u>(2,580,000)</u>
TCCC total expenses - Charter School	<u>\$ 12,592,786</u>

Note 6 - Insurance Coverage

During the year ended August 31, 2018, TCCC maintained the following types of insurance:

- Commercial general liability including professional liability and property coverage includes \$1,000,000 each occurrence, \$3,000,000 general aggregate.
- Automobile liability coverage includes \$1,000,000 combined single limit.
- Follow form excess liability coverage includes \$1,000,000 each occurrence and annual aggregate.
- Professional liability coverage includes \$1,000,000 each occurrence, \$3,000,000 aggregate.
- Abuse liability coverage includes \$1,000,000 each occurrence, \$3,000,000 aggregate.
- Workers compensation coverage includes \$1,000,000 for each occurrence.

**TEJANO CENTER FOR
COMMUNITY CONERNS, INC.**

**NOTES TO SUPPLEMENTARY INFORMATION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018**

Note 7 - Indirect Cost

TCCC has not elected to use the 10% de minimis indirect cost rate for the year ended August 31, 2018.

Note 8 - Subrecipients

TCCC did not provide federal funds to subrecipients for the year ended August 31, 2018.

Note 9 - Loan Guarantee

TCCC did not have any loans or loan guarantee programs required to be reported on the schedule for the year ended August 31, 2018.

Note 10 - Budgetary Comparison Schedule Variances Greater Than 10%

The following are the explanations for variances greater than 10%:

RYSS implemented a budgetary restriction campaign due to low financial position. The cost cutting measures resulted in several budgetary variances that were greater than 10%. Although most of the functions show a favorable variance, there are a few that are unfavorable. Function 35 (Food Service) unfavorable variance is a direct result of Hurricane Harvey and larger than expected food cost as well as maintenance on the equipment. Function 51 (Maintenance) also was impacted by additional cost as a result of Hurricane Harvey and HVAC issues. The plan was to reduce spending in function 51 and that was not possible. Function 71 is a very small balance was not budgeted correctly for an interest payment.

These cost reductions resulted in an 8% positive variance to the amended budged numbers.

**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**

Board of Directors
of **Tejano Center for Community Concerns, Inc.**

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 Tejano Center for Community Concerns, Inc. (a nonprofit organization) ("TCCC"), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TCCC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TCCC's internal control. Accordingly, we do not express an opinion on the effectiveness of TCCC's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefor, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TCCC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance 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 2018-002.

TCCC's Response to Findings

TCCC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. TCCC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 TCCC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering TCCC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Houston, Texas
February 27, 2019

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

Board of Directors
of **Tejano Center for Community Concerns, Inc.**

Report on Compliance for Each Major Federal Program

We have audited Tejano Center for Community Concerns, Inc.'s ("TCCC") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of TCCC's major federal programs for the year ended August 31, 2018. TCCC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of TCCC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost of Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TCCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of TCCC's compliance.

Opinion on Each Major Federal Program

In our opinion, TCCC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to this matter.

TCCC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. TCCC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

Management of TCCC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TCCC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TCCC's internal control over compliance.

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

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

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



Houston, Texas
February 27, 2019

**TEJANO CENTER FOR
COMMUNITY CONERNS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018**

Section 1

Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial statements: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | Yes |

4. Identification of major programs:

CFDA Number
10.553/10.555
93.658

Name of Federal Programs
Child Nutrition Cluster
Foster Care- Title IV-E

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018**

Section 2

Financial Statement Findings

Material Weakness

2018-001: Financial Closing Procedures

Condition: The trial balance received required numerous adjustments.

Criteria: Internal controls should be in place to provide reasonable assurance that the financial closing procedures and reconciliations are done timely and accurately.

Cause: TCCC's review process of the financial close process for account reconciliations did not operate effectively.

Effect: TCCC's internal reporting process as of year-end resulted in material misstatements in several accounts including cash, accounts receivable, other assets, accumulated depreciation, accrued expenses, net assets, revenue and expenditures. The net impact of the adjustments amounted to \$377,400.

Recommendation: TCCC should ensure all accounts are reconciled as of year-end along with supporting documentation and reports. TCCC should also consider filling the vacant CFO or equivalent to ensure adequate and timely reporting of its financial statements.

Management's Response: For the Tejano Center for Community Concerns (TCCC) and its charter school district, the Raul Yzaguirre Schools for Success (RYSS), the impact of Hurricane Harvey in 2017 was significant. The storm forced many RYSS students to relocate from the surrounding flooded neighborhoods, thereby affecting the district's funding for operations. This was an unexpected loss in terms of programs, staffing, and facilities; and the recovery and stabilization, both within the school district and its community, became the organization's highest priority for the next several months so that those students and clients who remained could continue to be served.

The ongoing challenge to address the devastation of Hurricane Harvey was made more complex with the change in The Tejano Center's leadership that occurred just a few months prior to the storm. In May 2017 the CFO left the organization, and in July 2017, the long-time President and CEO retired and was replaced by the current interim President and CEO who immediately began a total review of The Tejano Center's operations to determine its financial and programmatic status. Layered on top of storm recovery efforts, the results of the review revealed significant long-term mismanagement that needed immediate attention. Changes in the organization's financial procedures, particularly regarding The Tejano Center's fiscal management of RYSS, got underway.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018**

To handle RYSS business functions that must adhere closely to local, state, and federal rules and regulations, The Tejano Center contracted with the Business Support Services Department of the Region 4 Education Service Center in August 2017 and that contract continues at present. In addition to Region 4's work on day-to-day business functions, consultant Kimber Fuccello was also hired in July 2018 to ensure more specific oversight and proper preparation of TCCC and RYSS financial documents. Ms. Fuccello, who specializes in financial services for charter schools, has worked onsite at The Tejano Center several times per month.

The Interim President and CEO has continued the initiative toward more responsible and transparent financial management within The Tejano Center. In October 2018, a change in independent auditing firms was made to provide a fresh review of required management practices.

A veteran department manager who had continued in his position to provide institutional memory in a period of change, made material misstatements in the reconciliation of several accounts. Reconciliation was not performed in a timely manner for a few months, but the task was complicated by the necessity of rechecking and redoing work that the manager had done. The department manager has been dismissed, and reconciliations are now conducted monthly and oversight is multi-level for timeliness and accuracy:

- For RYSS, Region 4 is reconciling and its CFO Robert Zingelmann is providing direct oversight along with Interim President and CEO until a CFO is hired.
- For The Tejano Center, the Finance Department staff is posting all checks and deposits and consultant Kimber Fuccello is reconciling all bank statements and providing oversight along with Interim President and CEO until a CFO is hired.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018**

Section 3

Federal Award Findings and Questioned Cost

2018-002: Grant funds were misappropriated

Condition and criteria: Supporting documentation was missing for 9 out of 60 disbursements selected for testing during the audit.

Effect: The unsupported disbursements are questioned costs.

Questioned Costs: Approximately \$50,000

Cause: TCCC's management discovered there was a misappropriation of funds that took place during fiscal year 2018 and made us aware of it during the audit fieldwork. The previous accounting manager allegedly purchased a set of checks and was falsifying the signatures to pay himself.

Recommendation: TCCC should consider filling the vacant CFO or equivalent to ensure adequate and timely oversight.

Management's Response:

In the fall of 2017, the Tejano Center for Community Concerns was engulfed in challenges that tested its ability to concurrently handle leadership change, natural disaster, and employee wrongdoing. During that time, the organization was involved in a transition from a long-serving President and CEO to an Interim President and CEO (and Superintendent of Schools) who in July 2017 was just beginning a survey of programs and practices within its varied social services to determine how those services could better serve their constituents. In August 2017, Hurricane Harvey devastated the Houston area. The Tejano Center and its charter school district, the Raul Yzaguirre Schools for Success, were faced with financial loss resulting from students who were forced to relocate from flooded homes to repairing damaged facilities and seeking resources to assist community residents who were affected by the storm.

Against this backdrop of significant change and challenge, the reviews of departments revealed lax systems within The Tejano Center's Finance Department that affected the financial resources and financial standing of RYSS. The Interim President and CEO took action to eliminate finance staff and to retain those whose institutional knowledge of organizational processes and records would be helpful in a period of change. In addition, the new leadership contracted with the Business Services Department of the Region 4 Education Service Center to handle the day-to-day business functions of the charter school district to ensure better adherence to the financial rules and regulations required by the Texas Education Agency and the State of Texas. Additional professional expertise in charter school finance was acquired through a contract with financial consultant Kimber Fuccello who was tasked with TCCC/RYSS training and support of school staff; advising on financial procedures, practices, forms, and processes; budget support, analysis, forecasting and reporting; grant management support; and audit preparation and support. Ms. Fuccello was initially onsite at The Tejano Center just once per month. In September 2018, a change in independent auditing firms was made to provide a fresh review of required management practices.

**TEJANO CENTER FOR
COMMUNITY CONCERNS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018**

On October 8, 2018, the administration discovered and investigated a veteran Finance Department manager's fraud and misappropriation of funds. That employee in The Tejano Center's Finance Department was one who had continued in his position for his institutional knowledge of the organization during the period of change within The Tejano Center. With the entire organization focused on storm recovery and stabilization, the employee was engaging in fraud, stealing at approximately \$50,000 from The Tejano Center's non-school programs by purchasing and hoarding unauthorized checks and falsifying signatures on them. The incident was immediately reported to the Houston Police Department who has since referred the case to the Harris County District Attorney's Office. By providing extensive documentation and cooperating fully with The Tejano Center's insurer, an insurance claim for the theft of funds was approved in February 2019 for full payment to the organization. We have since received the insurance check and the two programs impacted have been made whole. Additional investigation into the theft is ongoing. Tejano Center also filed a civil lawsuit seeking recovery of stolen funds and ancillary costs. Process servers recently located the employee and served him the petition.

**TEJANO CENTER FOR
COMMUNITY CONERNS, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2018**

Section 4

Prior Year Financial Statement Findings

Finding 2017-001: Applicable Federal Program

Condition: During the audit, our procedures included review of client prepared schedules that required adjustments once the trial balance was closed and ready for audit. Specifically, one material entry related to reconciliation of the escrow account that was not performed timely.

Recommendation: TCCC should ensure all accounts are reconciled as of year-end to supporting documentation and reports. TCCC should also consider filling the vacant CFO or equivalent to ensure adequate and timely reporting of its financial statements.

Current status: The recommendation was adopted; no material adjustments were made to the escrow account in the 2018 audit.

Finding 2017-002: Applicable Federal Program: General Schedule of Federal Awards (SEFA) Preparation

Condition: We noted three entries that were required to be made between the SEFA and the general ledger once prepared by TCCC and provided to the auditor. None of the adjustments were material to the financial statements but did affect the overall preparation and reporting on the SEFA.

Recommendation: TCCC should ensure the SEFA is reconciled as of year-end to supporting documentation, reporting to the Board of Directors, grant reporting to agencies and year-end financial statements. TCCC should also consider filling the vacant CFO or equivalent to ensure adequate and timely reporting of its financial statements and SEFA.

Current Status: The recommendation was adopted, and no similar findings were noted in the 2018 audit.



Tejano Center for Community Concerns Raul Yzaguirre Schools for Success



February 27, 2019

Corrective Action Plan: Finding 2018-001 and 2018-002

It is agreed that a Chief Financial Officer can play an important coordinating role in the complex business functions of the many services within The Tejano Center. The early decision of the Interim President and CEO to delay the hiring of a CFO was based on the immediate need for action by proven professionals in school finance and nonprofit operations. Thus, The Tejano Center chose to hire readily available consulting services to address those specific needs. Now, after 1 ½ years of stabilizing the organization's financial status, a CFO can serve in a pivotal management role of overseeing both the multi-faceted financial responsibilities of The Tejano Center as well as the RYSS-related business functions provided by Region 4 and the consulting services provided by Kimber Fuccello. The Tejano Center has posted the position to be filled by a highly qualified and proven business professional with extensive oversight experience in both nonprofit organizations and school finance.


Adriana Tamez
TCCC/RYSS Interim President and CEO

2950 Broadway
Houston, Texas 77017
713-640-3700

2255 N. Coria
Brownsville, Texas 78520
956-574-7100