

**Tejano Center for
Community Concerns, Inc.**

**FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND SINGLE AUDIT REPORTS**

August 31, 2015



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Tejano Center for Community Concerns, Inc.
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August 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Tejano Center for Community Concerns, Inc. ("TCCC"), which comprise the statement of financial position as of August 31, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tejano Center for Community Concerns, Inc. as of August 31, 2015, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 January 21, 2016 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 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.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
January 21, 2016

Tejano Center for Community Concerns, Inc.
Statement of Financial Position

<i>August 31,</i>	2015
Assets	
Current assets	
Cash and cash equivalents	\$ 1,633,194
Escrow fund	2,844,183
Grants receivable	577,299
Other receivables	9,737
Construction in progress - housing program	600,494
Total current assets	5,664,907
Land, property and equipment	
Land	524,366
Buildings and improvements	27,064,183
Furniture, vehicles, and equipment	3,811,011
Accumulated depreciation	(8,219,679)
Total land, property and equipment, net	23,179,881
Other assets	
Capitalized bond issuance cost, net of amortization	473,028
Prepaid expenses	32,414
Other receivables	126,772
Total other assets	632,214
Total assets	\$ 29,477,002

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

Tejano Center for Community Concerns, Inc.
Statement of Financial Position (Continued)

<i>August 31,</i>	2015
Liabilities and net assets	
Current liabilities	
Accounts payable	\$ 112,414
Accrued liabilities	914,030
Line of credit	250,000
Notes payable	158,612
Bonds payable, current portion	315,000
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Total current liabilities	1,750,056
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Long term liabilities	
Bonds payable, net of current portion	23,085,873
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Total long term liabilities	23,085,873
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Total liabilities	24,835,929
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Net assets	
Unrestricted	4,251,284
Permanently restricted	389,789
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Total net assets	4,641,073
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Total liabilities and net assets	\$ 29,477,002

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

Tejano Center for Community Concerns, Inc.
Statement of Activities and Changes in Net Assets

For the year ended August 31,

2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Federal grants	\$ 1,247,728	\$ 2,561,993	\$ -	\$ 3,809,721
State grants	45,065	12,203,249	-	12,248,314
NeighborWorks America grant	83,769	-	-	83,769
Harris County grant	-	761,166	-	761,166
Contributions and foundation grants	16,942	-	-	16,942
Other income	440,041	-	-	440,041
Interest income	8,903	-	-	8,903
Net assets released from restrictions	15,586,619	(15,526,408)	(60,211)	-
Total revenues	17,429,067	-	(60,211)	17,368,856
Expenses				
Program services				
Charter school	12,768,700	-	-	12,768,700
Affordable housing/ homebuyer education	459,337	-	-	459,337
Child shelter/placing	990,786	-	-	990,786
Community services	151,147	-	-	151,147
Supporting services				
Tejano commercial properties	2,898,231	-	-	2,898,231
Management and general	98,197	-	-	98,197
Total expenses	17,366,398	-	-	17,366,398
Changes in net assets	\$ 62,669	\$ -	\$ (60,211)	\$ 2,458

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

Tejano Center for Community Concerns, Inc.
Statement of Activities and Changes in Net Assets (Continued)

For the year ended August 31,

2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets	\$ 62,669	\$ -	\$ (60,211)	\$ 2,458
Net assets, beginning of year	4,188,615	-	450,000	4,638,615
Net assets, end of year	\$ 4,251,284	\$ -	\$ 389,789	\$ 4,641,073

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

Tejano Center for Community Concerns, Inc.
Statement of Functional Expenses

For the year ended August 31,

2015

	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	\$ 7,305,176	\$ 216,757	\$ 296,250	\$ 9,667	\$ 1,377	\$ 20,887	\$ 7,850,114	
Employee benefits	987,031	17,022	14,672	-	-	-	1,018,725	
Payroll taxes	287,800	20,364	35,582	27	-	-	343,773	
Total salaries and related expenses	8,580,007	254,143	346,504	9,694	1,377	20,887	9,212,612	
Operating expenses								
Auto expenses	36,728	-	4,787	-	-	-	41,515	
Contract labor	324,434	13,127	371,334	57,399	2,880	6,208	775,382	
Food	473,714	680	42,874	5,909	-	1,578	524,755	
Insurance	215,762	31,878	19,412	294	4,116	-	271,462	
Interest	8,970	-	-	-	2,125,925	10,126	2,145,021	
Leases	264,718	9,805	-	2,907	-	1,715	279,145	
Miscellaneous	180,874	72,479	50,220	2,184	2,136	45,720	353,613	
Professional fees	941,502	39,801	70,085	62,511	7,833	8,791	1,130,523	
Repairs and maintenance	33,461	-	703	-	684	-	34,848	
Supplies	619,443	7,404	15,019	290	-	786	642,942	
Telephone	106,949	6,600	6,554	-	2,869	-	122,972	
Travel	175,403	7,613	8,573	2,009	-	-	193,598	
Utilities	450,726	13,871	33,180	6,861	6,536	2,386	513,560	
Total operating expenses	12,412,691	457,401	969,245	150,058	2,154,356	98,197	16,241,948	
Depreciation and amortization	356,009	1,936	21,541	1,089	743,875	-	1,124,450	
Total expenses	\$ 12,768,700	\$ 459,337	\$ 990,786	\$ 151,147	\$ 2,898,231	\$ 98,197	\$ 17,366,398	

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

Tejano Center for Community Concerns, Inc.
Statement of Cash Flows

<i>For the year ended August 31,</i>	2015
Operating activities	
Changes in net assets	\$ 2,458
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation and amortization	1,124,450
Changes in operating assets and liabilities	
Grants receivable	35,282
Other receivables	(305)
Construction in progress - housing program	31,318
Prepaid expenses	29,192
Accounts payable	34,897
Accrued liabilities	(222,330)
Net cash provided by operating activities	1,034,962
Investing activities	
Purchases of property and equipment	(1,229,587)
Financing activities	
Proceeds from notes payable	150,000
Net borrowings on line of credit	(34)
Repayment of notes payable	(74,452)
Deposits to escrow fund	(7,084)
Repayment of bonds payable	(300,000)
Net cash used by financing activities	(231,570)
Net increase in cash and cash equivalents	(426,195)
Cash and cash equivalents, beginning of year	2,059,389
Cash and cash equivalents, end of year	1,633,194
Supplemental disclosure of cash flow information	
Interest paid during the year	\$ 2,145,021

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

Tejano Center for Community Concerns, Inc. Notes to Financial Statements

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 and Harris County. 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 10 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 School for Success ("RYSS") in Brownsville and Houston, Texas. RYSS is a charter school for students meeting minimum grade requirements. RYSS is governed by a separate board of directors comprised of TCCC's Board of Directors

TCCC operates the following programs:

Charter School

RYSS was one of the first 20 charter schools in the State of Texas and serves 1,290 students in grades Pre-K through 12. It was created for the purpose of addressing school dropout problems, school overcrowding and school violence. RYSS provides one of the most comprehensive and innovative programs anywhere in the country and is regarded as one of the top charter schools in the State of Texas.

Affordable Housing/Homebuyer Education

This program develops and builds affordable housing for low-income families earning between 50 – 80% of the Houston area Medicare income, provides pre home ownership counseling and prepares the homebuyer for mortgage approval. In addition, TCCC holds homebuyer classes every Saturday of the month as well as on scheduled weekdays.

Sunrise Orchard Apartments is Tejano Center's proposed permanent supportive housing development with 52 one and two bedroom units serving homeless transitional aged youth. As a permanent supportive housing development serving homeless persons, the project funding will be structured so as not to have any permanent debt. In addition, Tejano Center has submitted an application to the Houston Housing Authority requesting 52 project based vouchers in support of the proposed population. At this time, Tejano Center has entered into an agreement with the Federal Home Loan Bank of Dallas and Amegy Bank for the \$500,000 Affordable Housing Program (AHP) grant and Harris County for the \$1,684,991 in project funding and \$50,000 in Community Houston Development Organization operating support.

Tejano Center for Community Concerns, Inc.
Notes to Financial Statements

NOTE 1: ORGANIZATION (CONTINUED)

The Organization anticipates entering into an agreement with the City of Houston no later than February 2016 and receiving funding awards from Corporation for Supportive Housing (CSH), Houston Housing Authority and Texas Department of Housing & Community Affairs (TDHCA) no later than February 2016, closing on the project by June 2016 and being under construction shortly thereafter. As of August 31, 2015, TCCC has not received any funding. All grant funds will be awarded to TCCC and TCCC will then contribute the funding to the limited partnership that will be set up as part of the Low-Income Housing Tax Credit (LIHTC). Funding will be available on a reimbursement basis and will be managed by the partnership.

Child Shelter/Placing

Established in 1996, the 33-bed shelter serves children ages 4 – 17. The shelter is the only children's facility in Harris County that by design serves primarily Hispanic children. The goal of TCCC is to provide for placement of abused, neglected, and homeless children in culturally and language appropriate private foster homes.

Community Services

Community Learning Center (CJD Program)

The goal of the community learning center is to reduce the incidence of juvenile delinquency through the provision of focused, structured prevention/intervention activities that help youth develop positive self-esteem, high self-discipline, increased self-respect, and encourage decreased street violence, drug prevention and gang involvement. The target population served is primarily Hispanic and African American youth and their families. Services are aimed specifically at preventing and diverting the number of minority youth who enter the juvenile justice system. Program activities include a Reality Oriented Physical Experience Session (ROPES) course, completion of anger management classes, restitution activities, community service, military and/or bootcamp type training that is rigid and intended to be highly disciplined and rigorous in nature. Referrals for this program come from Houston Police Department Juvenile Department, Houston Independent School District Campus Police, existing teen courts, and from area public and charter schools for children and youth who are at risk of suspension and/or expulsion. Additionally, referrals are accepted from Harris County Juvenile Probation Department for juveniles who are at risk of having their probation revoked.

Juvenile Justice Program

The goal of the juvenile justice program is to reduce the incidence of juvenile delinquency through the provision of focused, structured prevention intervention activities that help youth develop positive self-esteem, high self-discipline, and increased self-respect. The program strives to reduce or eliminate gang involvements, drug use and street violence. The target area and population served is primarily Hispanic and African American youth and their families.

Tejano Center for Community Concerns, Inc.
Notes to Financial Statements

NOTE 1: ORGANIZATION (CONTINUED)

Program activities include a ROPES course, completion of anger management classes, restitution activities, community service, military and/or boot type training that is rigid and intended to be highly disciplined and rigorous in nature. Referrals for our program come from Harris County Juvenile Probation Department for juveniles who are at risk of having their probation revoked.

Adult Basic Education Program

Through partnerships with Houston Community College and Monterrey Tec, TCCC provides General Educational Development, English as a Second Language, and basic computing classes to neighborhood residents and parents of RYSS students. Since 1999, approximately 400+ students per semester have enrolled.

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 stipulations that may or will be met either by actions of TCCC and/or passage of time. This classification includes contributions, underwriting, and unconditional promises to give.
- *Permanently restricted* – Net assets subject to donor imposed stipulations that must be maintained in perpetuity by TCCC.

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

Tejano Center for Community Concerns, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, TCCC considers all grants receivables to be collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is done.

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, 2015, TCCC considers all other receivables to be collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is done.

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 are 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, 2015, management identified projects that were written down to fair value, resulting in impairments of \$83,000 recorded in housing expenses.

Tejano Center for Community Concerns, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 totaled \$1,068,610.

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.

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, 2015, no impairment of long-lived assets was considered necessary.

Contributions

Contributions are recognized when the donor makes a promise to give to TCCC that is in substance, unconditional. Contributions that are 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, 2015, 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, 2015.

Tejano Center for Community Concerns, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such donations. Nevertheless, a substantial number of volunteers have donated their time in connection with the program service and administration of TCCC.

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, 2015, 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, certificate of deposit, receivables, payables, and debt) are carried in the accompanying financial statements at amounts, which reasonably approximate fair value.

Tejano Center for Community Concerns, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Estimates that have the most impact on financial position and changes in net assets primarily relate to the collectability of accounts receivable, useful lives of property and equipment, certain accrued liabilities and allocation of expenses. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

New Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board issued Accounting Standard Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This update requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated liability, consistent with the presentation of a debt discount. This standard is effective for annual reporting periods beginning after December 15, 2015. TCCC will adopt this standard beginning in fiscal year 2017.

NOTE 3: LINE OF CREDIT

TCCC has a \$250,000 revolving line of credit with a bank which expires on February 9, 2016. Bank advances on the credit line are payable on demand and accrues interest at a rate of 5.5% at August 31, 2015. The credit line is unsecured. The total outstanding balance under the line of credit is \$250,000 at August 31, 2015. A member of the Board of Directors is an officer at the bank.

Tejano Center for Community Concerns, Inc.
Notes to Financial Statements

NOTE 4: NOTES PAYABLE

TCCC's obligations under notes payable consist of the following:

<i>August 31,</i>	2015
Note payable to a bank, interest at 6.5% per year, secured by real estate, payable in monthly installments of \$3,097 until maturity in January 2016	\$ 7,208
Note payable to a financing company, interest at 7.29% per year, secured by vehicle, maturing on December 12, 2015	1,584
Note payable to a bank, interest at 5.5% per year, unsecured, maturing on October 27, 2015	150,000
Total notes payable - current	\$ 158,792

NOTE 5: 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 \$693,339. 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, 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 certain covenants that must be maintained by TCCC. At August 31, 2015, TCCC was in compliance with all 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, National Association 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

NOTE 5: BONDS PAYABLE (Continued)

The Bonds mature February 12, 2018 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, 2018, and on any date thereafter at par plus accrued interest. The amounts of the Bonds outstanding at August 31, 2015 were \$23,815,000.

As of August 31, 2015, the bond payable balance was \$23,400,873, net of the unamortized bond discount of \$414,127. The accumulated amortization of the bond discount was \$181,346 as of August 31, 2015 and the related amortization expense for the year ended August 31, 2015 was \$26,066.

The Bonds will mature according to the following schedule:

For the years ended August 31,

2016	\$ 315,000
2017	345,000
2018	370,000
2019	405,000
2020	440,000
Thereafter	21,940,000
	\$ 23,815,000

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, 2015, the accumulated amortization of the capitalized issuance cost was \$643,875. The amortization expense for the year ended August 31, 2015 was \$29,774.

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, 2015, the balance of the escrow fund was \$2,844,183 which consists of money market funds.

Tejano Center for Community Concerns, Inc.
Notes to Financial Statements

NOTE 5: BONDS PAYABLE (Continued)

The components of the escrow fund are as follows:

<i>August 31, 2015</i>	2009A	2009B	Total
Debt service reserve	\$ 2,420,000	\$ 64,193	\$ 2,484,193
Debt service	359,987	3	359,990
Total escrow fund	\$ 2,779,987	\$ 64,196	\$ 2,844,183

NOTE 6: OPERATING LEASE COMMITMENTS

TCCC conducts its operations utilizing office equipment and housing property under non-cancelable operating leases, expiring in fiscal year 2021. Lease expense for the year ended August 31, 2015 totaled \$279,145. Minimum future lease commitments under operating leases are as follows:

<i>For the years ended August 31,</i>	
2016	\$ 86,207
2017	72,827
2018	60,432
2019	37,847
2020	36,000
Thereafter	24,000
	\$ 317,313

Tejano Center for Community Concerns, Inc.
Notes to Financial Statements

NOTE 7: NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended August 31, 2015, net assets of \$14,765,242 were released from Texas Education Agency and other Federal and State grantors restrictions by satisfying restrictions. Permanently restricted net assets of \$60,211 were released from NeighborWorks America for losses incurred in conjunction with purchase/rehabilitation/maintenance costs and the resulting sale of a single family home to a low-income, first-time homeowner as approved by the grantor.

NOTE 8: PERMANENTLY RESTRICTED NET ASSETS

Net assets of \$389,789 are 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:

- 1) 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.
- 2) 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.
- 3) 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.
- 4) Establishing and maintaining cash reserves and/or loan loss reserves that support the eligibility uses specified above.
- 5) 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, consistent with the requirements of accounting principles generally accepted in the United States of America or its applicable successor.
- 6) 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.

Tejano Center for Community Concerns, Inc.
Notes to Financial Statements

NOTE 8: PERMANENTLY RESTRICTED NET ASSETS (Continued)

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.

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 9: GOVERNMENTAL GRANTS

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

State grants include the following:

<i>For the year ended August 31,</i>	2015
Texas Education Agency School Foundation and Per Capita entitlements	\$ 11,793,576
Educator Excellence Innovation Program	399,699
Textbook Allotment	4,799
Lunch Matching Grant	5,175
Texas Juvenile Probation Commission Harris County Juvenile Board Juvenile protections	45,065
Total state grants	\$ 12,248,314

Tejano Center for Community Concerns, Inc.
Notes to Financial Statements

NOTE 9: GOVERNMENTAL GRANTS (Continued)

Federal grants include the following:

<i>For the year ended August 31,</i>	2015
U.S. Department of Agriculture	\$ 831,379
U.S. Department of Defense	67,232
U.S. Department of Housing and Urban Development	175,132
U.S. Department of Treasury	83,769
U.S. Department of Education	1,655,784
U.S. Department of Health and Human Services	1,080,194
Total federal grants	3,893,490
Total state and federal grants	\$ 16,141,804

NOTE 10: 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 the TCCC.

NOTE 11: EMPLOYEE BENEFIT PLANS

Pension Plan

TCCC contributes for RYSS employees to the Teacher Retirement System of Texas (the "TRS"), a public employee retirement program. TRS is a cost-sharing, multi-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries.

Tejano Center for Community Concerns, Inc.
Notes to Financial Statements

NOTE 11: EMPLOYEE BENEFIT PLANS (Continued)

TRS operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's separately issued comprehensive annual financial report and other required supplementary information are available by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas, 78701-2698 or by calling (512) 542-6592.

Under provisions in State law, requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual covered salary and a state contribution rate of not less than 6% and not more than 10% of the annual covered salary and the State of Texas contributes an amount equal to 6.0% of the charter school's covered payroll. RYSS employees' contributions to TRS for the year ended August 31, 2015 were approximately \$477,000.

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.

NOTE 12: CONCENTRATION OF CREDIT RISK

Financial instruments that are exposed to concentration of credit risk consist of cash and cash equivalents, escrow fund and grants receivable. During the year ended August 31, 2015, 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 97% 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, 2015, 100% of grants receivable were from government contracts.

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 21, 2016, 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

<i>August 31,</i>	2015
Assets	
Current assets	
Cash and cash equivalents	779,940
Grants receivable	365,914
<hr/>	
Total current assets	1,145,854
Property and equipment	
Buildings and improvements	3,604,114
Furniture, vehicles, and equipment	2,154,300
Accumulated depreciation	(3,308,383)
<hr/>	
Total property and equipment, net	2,450,031
Other assets	
Prepaid expenses	31,909
Due from agency	206,089
<hr/>	
Total assets	\$ 3,833,883
<hr/>	

See accompanying notes to supplementary information.

**Tejano Center for Community Concerns, Inc.
Raul Yzaguirre School for Success
Schedule of Financial Position (Continued)**

Liabilities and net assets

Current liabilities

Accrued liabilities	880,087
Line of credit	250,000
Notes payable, current portion	151,584

Total current liabilities 1,281,671

Long term liabilities

Notes payable, net of current portion	-
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Total liabilities 1,281,671

Net assets

Unrestricted	2,552,212
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Total liabilities and net assets \$ 3,833,883

See accompanying notes to supplementary information.

**Tejano Center for Community Concerns, Inc.
Raul Yzaguirre School for Success
Schedule of Activities and Changes in Net Assets**

For the year ended August 31,

2015

Revenues	Unrestricted	Temporarily Restricted	Total
Local support			
5740 Other revenues from local sources	\$ 991,138	\$ -	\$ 991,138
5750 Revenue from cocurricular, enterprising services or activities	69,813	-	69,813
Total local support	1,060,951	-	1,060,951
State program revenues			
5810 Foundation school program act revenues	-	11,793,576	11,793,576
5820 State program revenues distributed by Texas Education Agency	-	409,673	409,673
Total state program revenues	-	12,203,249	12,203,249
Federal program revenues			
5920 Federal revenues distributed by the Texas Education Agency	-	2,452,164	2,452,164
5930 Federal revenues distributed by other State of Texas government agencies (other than Texas Education Agency)	-	42,597	42,597
5940 Federal revenues distributed directly from the Federal Government	-	67,232	67,232
Total federal program revenues	-	2,561,993	2,561,993
Net assets released from restrictions			
Restrictions satisfied by payments	14,765,242	(14,765,242)	-
Total revenues	\$ 15,826,193	\$ -	\$ 15,826,193

See accompanying notes to supplementary information.

Tejano Center for Community Concerns, Inc.
Raul Yzaguirre School for Success
Schedule of Activities and Changes in Net Assets (Continued)

For the year ended August 31,

2015

Expenses	Unrestricted	Temporarily Restricted	Total
11 Instruction	\$ 6,782,519	\$ -	\$ 6,782,519
12 Instructional resources/media services	39,499	-	39,499
13 Curriculum development and instructional staff development	6,390	-	6,390
21 Instructional leadership	176,680	-	176,680
23 School leadership	950,874	-	950,874
31 Guidance, counseling and evaluation services	111,093	-	111,093
32 Social work services	104,200	-	104,200
33 Health services	46,739	-	46,739
34 Student (pupil) transportation	240,007	-	240,007
35 Food services	788,301	-	788,301
36 Cocurricular/extracurricular activities	5,829	-	5,829
41 General administration	1,070,646	-	1,070,646
51 Plant maintenance and operations	4,365,767	-	4,365,767
52 Security and monitoring services	150,042	-	150,042
53 Data processing services	419,960	-	419,960
61 Community services	2,786	-	2,786
71 Debt services	8,970	-	8,970
81 Fundraising services	78,398	-	78,398
Total expenses	15,348,700	-	15,348,700
Changes in net assets	477,493		477,493
Net assets, beginning of year	2,074,719	-	2,074,719
Net assets, end of year	\$ 2,552,212	\$ -	\$ 2,552,212

See accompanying notes to supplementary information.

Tejano Center for Community Concerns, Inc.
Raul Yzaguirre School for Success
Schedule of Cash Flows

<i>For the year ended August 31,</i>	2015
Operating activities	
Changes in net assets	\$ 477,493
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	374,518
Changes in operating assets and liabilities	
Grants receivable	78,037
Due from agency	(12,671)
Prepaid expenses	29,197
Accrued liabilities	(171,859)
Net cash provided by operating activities	774,715
Investing activities	
Purchases of equipment and building improvements	(1,248,433)
Financing activities	
Proceeds from notes payable	150,000
Net borrowings on line of credit	(34)
Repayments on notes payable	(5,563)
Net cash provided by financing activities	144,403
Net decrease in cash and cash equivalents	(329,315)
Cash and cash equivalents, beginning of year	1,109,255
Cash and cash equivalents, end of year	\$ 779,940
Supplemental disclosure of cash flow information	
Interest paid during the year	\$ 8,970

See accompanying notes to supplementary information.

**Tejano Center for Community Concerns, Inc.
Raul Yzaguirre School for Success
Schedule of Expenses**

For the year ended August 31,

2015

Expenses

6100 Payroll costs	\$ 8,580,007
6200 Professional and contracted services	4,701,790
6300 Supplies and materials	1,130,800
6400 Other operating costs	927,133
6500 Debt service	8,970
<hr/>	
Total expenses	<u>\$ 15,348,700</u>

See accompanying notes to supplementary information.

**Tejano Center for Community Concerns, Inc.
Raul Yzaguirre School for Success
Schedule of Capital Assets**

August 31,

2015

	Ownership Interest			Total
	Local	State	Federal	
Capital Assets				
Cash and cash equivalents	\$ 143,526	\$ (317,620)	\$ 954,034	\$ 779,940
Building improvements	-	2,476,731	1,127,383	3,604,114
Furniture, vehicles, and equipment	-	1,725,229	429,071	2,154,300
Total capital assets	\$ 143,526	\$ 3,884,340	\$ 2,510,488	\$ 6,538,354

See accompanying notes to supplementary information.

**Tejano Center for Community Concerns, Inc.
Raul Yzaguirre School for Success
Budgetary Comparison Schedule**

Year ended August 31,

2015

		<u>Budgeted Amounts</u>		Actual	Variance
		Original	Final	Amounts	Favorable (Unfavorable)
Revenues					
Local support					
5740	Other revenues from local sources	\$ 112,501	\$ 53,800	\$ 991,138	\$ 937,338
5750	Revenue from cocurricular, enterprising services or activities	40,499	48,870	69,813	20,943
Total local support		153,000	102,670	1,060,951	958,281
State program revenues					
5810	Foundation school program act revenues	12,049,838	11,825,507	11,793,576	(31,931)
5820	State program revenues distributed by Texas Education Agency	631,796	632,376	409,673	(222,703)
Total state program revenues		12,681,634	12,457,883	12,203,249	(254,634)
Federal program revenues					
5920	Federal revenues distributed by the Texas Education Agency	2,432,546	2,220,559	2,452,164	231,605
5930	Federal revenues distributed by other State of Texas government agencies (other than Texas Education Agency)	-	-	42,597	42,597
5940	Federal revenues distributed directly from the Federal Government	70,062	70,000	67,232	(2,768)
Total federal program revenues		2,502,608	2,290,559	2,561,993	271,434
Total revenues		\$ 15,337,242	\$ 14,851,112	\$ 15,826,193	\$ 975,081

See accompanying notes to supplementary information.

**Tejano Center for Community Concerns, Inc.
Raul Yzaguirre School for Success
Budgetary Comparison Schedule (Continued)**

Year ended August 31,

2015

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Expenses				
11 Instruction	\$ 6,389,293	\$ 5,782,992	\$ 6,782,519	\$ (999,527)
12 Instructional resources/ media services	41,725	36,500	39,499	(2,999)
13 Curriculum development and instructional staff development	8,000	5,700	6,390	(690)
21 Instructional leadership	174,040	165,200	176,680	(11,480)
23 School leadership	971,006	898,947	950,874	(51,927)
31 Guidance, counseling and evaluation services	113,353	102,898	111,093	(8,195)
32 Social work services	113,550	97,150	104,200	(7,050)
33 Health services	57,280	43,250	46,739	(3,489)
34 Student (pupil) transportation	227,402	222,400	240,007	(17,607)
35 Food services	849,825	735,511	788,301	(52,790)
36 Cocurricular/extracurricular activities	7,000	5,350	5,829	(479)
41 General administration	1,136,053	992,880	1,070,646	(77,766)
51 Plant maintenance and operations	4,165,401	3,988,332	4,365,767	(377,435)
52 Security and monitoring services	219,647	140,300	150,042	(9,742)
53 Data processing services	404,530	389,220	419,960	(30,740)
61 Community services	1,425	2,584	2,786	(202)
71 Debt services	-	8,500	8,970	(470)
81 Fundraising	79,550	73,500	78,398	(4,898)
Total expenses	14,959,080	13,691,214	15,348,700	1,657,486
Changes in net assets	378,162	1,159,898	477,493	(682,405)
Net assets, beginning of year	2,967,365	3,421,184	2,074,719	(1,346,465)
Net assets, end of year	\$ 3,345,527	\$ 4,581,082	\$ 2,552,212	\$ (2,028,870)

See accompanying notes to supplementary information.



SINGLE AUDIT

Tejano Center for Community Concerns, Inc. Schedule of Expenditures of Federal Awards

<i>August 31,</i>	2015		
Federal or State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Pass-through Texas Education Agency			
Child Nutrition Cluster			
School Breakfast Program	10.553	71401501	\$ 125,401
National School Lunch Program	10.555	71301501	655,843
Total Child Nutrition Cluster			781,244
Emergency Food Assistance Program (Commodities)	10.569	101271A	7,538
Fresh Fruit and Vegetable Program	10.582	N/A	42,597
Total U.S. Department of Agriculture			831,379
U.S. Department of Defense			
Direct grant			
Department of Defense Appropriation Act of 2003 - Junior ROTC	12.116	N/A	67,232
U.S. Department of Housing and Urban Development			
Pass-through National Council for La Raza			
Comprehensive Counseling Grant	14.169	N/A	68,619
Pass-through Local Initiatives Support Corporation			
Section 4 Funds	14.252	N/A	106,513
Total U.S. Department of Housing and Urban Development			175,132
U.S. Department of Treasury			
Pass-through NeighborWorks America			
Affordable Housing/Home Buyer Education Program	21.010	N/A	83,769
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	14 - 15610101101806	669,690
Special Education Cluster			
IDEA B, Formula	84.027	156600011018066000	215,488
IDEA B, Preschool	84.173	156610011018066000	449
Total Special Education Cluster			215,937
English Language Acquisition Grants			
Title III, Part A, LEP	84.365	15671001101806	67,593
Improving Teacher Quality State Grants			
Title II, Part A, Teacher/Principle Training	84.367	14 - 15694501101806	84,249
Texas Literary Initiative			
Striving Readers	84.371	14 - 156460037110028	618,315
Total U.S. Department of Education			\$ 1,655,784

Tejano Center for Community Concerns, Inc. Schedule of Expenditures of Federal Awards

<i>August 31,</i>	2015		
Federal or State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through or Grantor's Number	Expenditures
U.S. Department of Health and Human Services			
Pass-Through Texas Department of Family and Protective Services			
Foster Care - Title IV-E			
Child Placing Agency	93.658	230451219	\$ 662,306
Emergency Shelter	93.658	023305879	410,290
Total Foster Care - Title IV-E			1,072,596
Medical Assistance Program	93.778	N/A	7,598
Total U.S. Department of Health and Human Services			1,080,194
Total Expenditures of Federal Awards			\$ 3,893,490

See accompanying notes to schedule of expenditures of federal awards.

Tejano Center for Community Concerns, Inc.
Notes to Supplementary Information and Schedule of
Expenditures of Federal Awards

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards as listed in the table of contents is prepared on the accrual basis of accounting and 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, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Allowable expenses are determined according to the standards of Office of Management and Budget Circular A-122, *Cost Principles for Nonprofit Organizations*, and include both costs that are capitalized in TCCC’s Statement of Financial Position and costs that are expensed in TCCC’s Statement of Activities and Changes in Net Assets in conformity with generally accepted accounting principles. Allowable expenses include amounts paid with federal and state funds plus those expenses paid from other cash sources considered to be matching funds.

Basis of Presentation – Supplementary Information

The accompanying supplementary schedules as listed in the table of contents for the year ended August 31, 2015 are presented on the accrual basis of accounting.

NOTE 2: RELATIONSHIP TO TCCC’S FINANCIAL STATEMENTS

Federal award expenditures, as reported in the schedules of expenditures of Federal awards, correspond with the amount reported as Federal grants and NeighborWorks America grant revenues in TCCC’s basic financial statements for the year ended August 31, 2015, since TCCC’s policy is to recognize revenues as budgeted costs attributable to grants and contracts are incurred.

During 2015, TCCC charged RYSS rent totaling \$2,580,000. Rent income and expense between TCCC and RYSS are eliminated in TCCC’s statement of activities and changes in net assets, but the expense is included in RYSS’s schedule of activities and changes in net assets within plant maintenance and operations.

NOTE 3: 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.

Tejano Center for Community Concerns, Inc.
Notes to Supplementary Information and Schedule of
Expenditures of Federal Awards

NOTE 3: RELATIONSHIP TO GRANTOR AGENCY FINANCIAL REPORTS (Continued)

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.

NOTE 4: 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:

<i>For the year ended August 31,</i>	2015
Total federal grants per basic financial statements	\$ 3,809,721
NeighborWorks America grants per basic financial statements	83,769
Total Federal and NeighborWorks America grants per basic financial statements	3,893,490
Federal awards expenditures per accompanying schedule	3,893,490
Difference	\$ -

The following reconciles total expenses as included in the supplementary information for RYSS to financial statements of TCCC:

<i>For the year ended August 31,</i>	2015
RYSS total expenses	\$ 15,348,700
Eliminated rent expense	(2,580,000)
TCCC total expenses - Charter School	\$ 12,768,700

Tejano Center for Community Concerns, Inc.
Notes to Supplementary Information and Schedule of
Expenditures of Federal Awards

NOTE 5: INSURANCE COVERAGE

During the year ended August 31, 2015, 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.

NOTE 6: BUDGETARY COMPARISON SCHEDULE VARIANCES GREATER THAN 10%

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

1. Educator Excellence Innovative Program was new in fiscal year 2015 and a majority of expenses for the teachers and consultants in the program were charged to Function 11.
2. CTE spending (PIC 22) increased due to a whole new College Readiness Program. Based on how the students were coded in PEIMS by the October 2015 snapshot, there were more dollars available for the CTE program versus 2014.
3. Increase of approximately \$312,000 in consulting expenses related to increases in the Primary and Brownsville Academies, for approximately \$167,000 and \$125,000, respectively. The majority of the consultant expenses were in the Special Ed and Dual Language Training Programs to tackle academic deficiencies.
4. Payroll Costs increased approximately \$40,000 due to expanded Tutorial/After School Programs, mostly in the Primary Academy, to increase proficiency in math, reading, writing, and science and general supplies increase approximately \$40,000, due to increased activity.
5. Function 13 incurred an increase due to staff development expenses, trainings courses with Region One (Brownsville), Rice University (Houston), and Dual Language Training Institute (Brownsville).



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tejano Center for Community Concerns, Inc. (“TCCC”), which comprise the statement of financial position as of August 31, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated January 21, 2016.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of TCCC in a separate letter dated January 21, 2016.

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 Standards* in considering TCCC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
January 21, 2016



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Tejano Center for Community Concerns, Inc.
Houston, Texas

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 *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of TCCC’s major federal programs for the year ended August 31, 2015. TCCC’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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; OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
January 21, 2016

**Tejano Center for Community Concerns, Inc.
Schedule of Findings and Questioned Costs**

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:
CFDA Number

Name of Federal Programs

84.010	Title I, Part A, Improving Basic Programs
84.027, 84.173	Special Education Cluster
93.658	Foster Care Title IV, Part E

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

**Tejano Center for Community Concerns, Inc.
Schedule of Findings and Questioned Costs**

SECTION II: FINANCIAL STATEMENT FINDINGS

None for the year ended August 31, 2015.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None for the year ended August 31, 2015.

SECTION IV: SCHEDULE OF PRIOR YEAR FINDINGS

Finding 2014-1:

Applicable Federal Program: General Financial Statement Preparation

Context and criteria: OMB Circular A-133, Subpart C – Auditees, Section 300, Auditee Responsibilities paragraph (d) requires the following “Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with §___.310.

Condition: We noted several adjustments related to closing of TCCC unadjusted general ledger once the audit for 2014 was in process. TCCC implemented a quarterly reconciliation process based on the recommendations from the 2013 audit. The internal controls implemented by TCCC for preparation and review of information in preparation of the year end financial statements did not operate as designed.

Questioned Costs: \$0

Cause: The overstated receivable balance was related to an overestimate of anticipated funds from the TEA. TCCC’s monthly and annual reconciliation process did not properly evaluate the amount from period to period.

Effect: TCCC’s internal reporting process as of year end resulted in material misstatements in various accounts and required additional adjustments that were not detected by TCCC’s accounting resources as part of the year end reporting process.

Recommendation: TCCC should review its current quarterly process for reconciliations of all significant accounts. The process should allow for adequate delegation of resources, timely preparation, and provide for proper review, and have a method to resolve unidentified or unresolved amounts prior to issuance of internal prepared financial statements. TCCC may wish to consider preparing monthly reconciliation on material accounts, so that quarterly reconciliation of all accounts is not so burdensome.

Tejano Center for Community Concerns, Inc. Schedule of Findings and Questioned Costs

SECTION IV: SCHEDULE OF PRIOR YEAR FINDINGS (Continued)

Views of Responsible Officials and Planned Corrective Actions: TCCC Management is committed to reliable financial reporting. Based on recommendation from the 2013 audit, TCCC Management implemented a quarterly review process to reconcile accounts beginning in May 2014. TCCC's process can be improved based on the items noted in the 2014 audit, and will be looking to improve its internal reconciliation process by adding the additional processes:

1. TCCC will review its current quarterly reconciliation process and look to have more accounting assistance involved in making the process more timely and reliable by considering use of outside assistance at peak times during the year.
2. TCCC will look to have major accounts reconciled monthly to identify potential issues based on management risk assessment for those accounts.
3. TCCC will look to implement a soft close at year end, so that the Chief Financial Officer can review at the financial statement level for unusual relationships and unidentified variances based on operations of TCCC.

Management is committed to having such recommendations implemented and approved by TCCC third quarter close of 2015. Contact Person: Steve Hackbarth, CFO.

Current Status: Based on our audit procedures performed, we noted reconciliations for significant balance sheet accounts and information for the year end financial statements were prepared and reviewed timely.