

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

FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION AND
SINGLE AUDIT REPORTS

AUGUST 31, 2020

(With Summarized Comparative Information for 2019)

(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, 2020, at a meeting of the governing body of the charter holder on the 21ST day of January, 2021.



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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the TCCC's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

The accompanying supplementary information on pages 28-35 is presented for purposes of additional analysis as required by the Texas Education Agency 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that as a whole. The accompanying schedule of expenditures of federal awards for the year ended August 31, 2020 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*, on pages 34 through 35 is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021 on our consideration of TCCC'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 the TCCC's internal control over financial reporting and compliance.



Houston, Texas
January 25, 2021

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

**STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2020
(with summarized financial information for 2019)**

	<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:			
Cash and cash equivalents		\$ 9,595,779	\$ 2,533,658
Cash held in escrow- debt service (Note 7)		-	423,254
Grants receivable (Note 3)		1,452,885	1,266,428
Prepaid expenses		-	2,930
Total current assets		11,048,664	4,226,270
Land, property and equipment:			
Land		886,606	886,606
Buildings and improvements		27,418,288	27,418,288
Furniture, vehicles, and equipment		4,381,765	4,283,951
Accumulated depreciation		(12,168,969)	(11,459,895)
Total land, property and equipment, net		20,517,690	21,128,950
Construction in progress - Housing program		274,724	274,724
Construction in progress - Charter school program		1,911,382	146,212
Other receivables		153,868	140,466
Cash held in escrow - debt service reserve (Note 7)		-	2,447,267
Total assets		\$ 33,906,328	\$ 28,363,889
	<u>Liabilities and Net Assets</u>		
Current liabilities:			
Accounts payable		\$ 396,040	\$ 260,760
Accrued liabilities		1,460,521	907,176
Line of credit (Note 4)		-	90,000
Notes payable, current portion (Note 5)		762,320	161,443
Federal loan, current portion (Note 6)		510,067	-
Bonds payable, current portion (Note 7)		-	440,000
Total current liabilities		3,128,948	1,859,379
Long-term liabilities:			
Notes payable, net of current portion, net of debt issuance cost (Note 5)		23,291,908	229,372
Federal loan, net of current portion (Note 6)		1,238,738	-
Bonds payable, net of current portion, net of debt issuance cost (Note 7)		-	21,234,929
Total long term liabilities		24,530,646	21,464,301
Total liabilities		27,659,594	23,323,680
Net assets:			
Without donor restrictions		2,631,056	1,424,531
With donor restrictions (Note 9)		3,615,678	3,615,678
Total net assets		6,246,734	5,040,209
Total liabilities and net assets		\$ 33,906,328	\$ 28,363,889

See accompanying notes to financial statements.

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

**STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020
(with summarized financial information for 2019)**

	2020		2019	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues:				
Federal grants (Note 11)	\$ 4,201,041	\$ -	\$ 4,201,041	\$ 4,295,507
State grants (Note 11)	14,384,429	-	14,384,429	13,962,432
Local grants	1,295,704	-	1,295,704	1,044,912
Other income	91,308	-	91,308	826,092
Net assets released from restrictions (Note 9)	-	-	-	-
Total revenues	<u>19,972,482</u>	<u>-</u>	<u>19,972,482</u>	<u>20,128,943</u>
Expenses:				
Program services:				
Charter school	14,267,579	-	14,267,579	13,262,769
Affordable housing/ homebuyer education	567,475	-	567,475	1,478,432
Child shelter/placing	671,268	-	671,268	579,297
Community services	380,031	-	380,031	248,921
Supporting services:				
Tejano commercial properties	2,797,285	-	2,797,285	2,581,824
Management and general	82,319	-	82,319	26,974
Total expenses	<u>18,765,957</u>	<u>-</u>	<u>18,765,957</u>	<u>18,178,217</u>
Changes in net assets	1,206,525	-	1,206,525	1,950,726
Net assets, beginning of year	<u>1,424,531</u>	<u>3,615,678</u>	<u>5,040,209</u>	<u>3,089,483</u>
Net assets, end of year	<u>\$ 2,631,056</u>	<u>\$ 3,615,678</u>	<u>\$ 6,246,734</u>	<u>\$ 5,040,209</u>

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020
(with summarized financial information for 2019)**

	Program Services				Supporting Services		2020 Total	2019 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	\$ 7,877,471	\$ 124,903	\$ 107,433	\$ -	\$ -	\$ -	\$ 8,109,807	\$ 7,752,388
Employee benefits	1,312,169	6,293	2,368	-	-	-	1,320,830	1,280,946
Payroll taxes	118,016	9,104	7,868	-	-	-	134,988	123,946
Total salaries and related expenses	9,307,656	140,300	117,669	-	-	-	9,565,625	9,157,280
Operating expenses:								
Contract labor	924,124	388,421	430,401	307,480	10,182	46,875	2,107,483	2,602,339
Food	656,884	56	1,773	769	-	1,469	660,951	556,663
Insurance	410,455	1,969	-	-	-	-	412,424	325,642
Interest	2,263	-	-	-	1,416,205	-	1,418,468	2,114,110
Leases	230,614	713	-	-	-	-	231,327	224,166
Miscellaneous	490,962	22,141	73,452	46,717	909,918	23,803	1,566,993	544,721
Professional fees	333,408	338	-	-	-	8,533	342,279	642,969
Repairs and maintenance	-	-	-	-	-	-	-	450
Supplies	1,146,458	4,919	24,541	21,846	-	329	1,198,093	758,807
Telephone	166,127	5,525	3,266	-	733	-	175,651	155,202
Travel	49,036	2,102	6,207	1,797	-	-	59,142	36,737
Utilities	313,900	658	1,148	-	2,743	-	318,449	354,703
Total operating expenses	14,031,887	567,142	658,457	378,609	2,339,781	81,009	18,056,885	17,473,789
Depreciation	235,692	333	12,811	1,422	457,504	1,310	709,072	704,607
Total expenses	\$ 14,267,579	\$ 567,475	\$ 671,268	\$ 380,031	\$ 2,797,285	\$ 82,319	\$ 18,765,957	\$ 18,178,396

See accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2020
(with summarized financial information for 2019)**

	<u>2020</u>	<u>2019</u>
Operating activities:		
Changes in net assets	\$ 1,206,525	\$ 1,950,726
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	709,072	704,607
Amortization of debt issuance costs	818,347	57,079
Changes in operating assets and liabilities:		
Increase in grants receivable	(186,457)	(868,717)
Increase in other receivables	(13,402)	(44,253)
Decrease (increase) in prepaid expenses	2,930	(2,930)
Increase (decrease) in accounts payable	135,280	(11,562)
Increase in accrued liabilities	553,345	160,806
Net cash provided by operating activities	<u>3,225,640</u>	<u>1,945,756</u>
Investing activities:		
Construction in progress - Housing program	-	2,217
Construction in progress - Charter school program	(1,765,170)	(146,212)
Purchases of equipment	(97,812)	(86,329)
Net cash used in investing activities	<u>(1,862,982)</u>	<u>(230,324)</u>
Financing activities:		
Proceeds from notes payable	25,579,757	150,000
Repayment of notes payable	(280,815)	(249,061)
Repayment on line of credit	(90,000)	(150,000)
Repayment of bonds payable	(22,380,000)	(405,000)
Net cash provided (used) in financing activities	<u>2,828,942</u>	<u>(654,061)</u>
Net increase in cash, cash equivalents and restricted cash	4,191,600	1,061,371
Cash, cash equivalents and restricted cash, beginning of year	5,404,179	4,342,808
Cash, cash equivalents and restricted cash, end of year	<u>\$ 9,595,779</u>	<u>\$ 5,404,179</u>
Supplemental disclosure of cash flow information -		
Interest paid during the year	<u>\$ 1,381,842</u>	<u>\$ 2,114,120</u>
Schedule of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 9,595,779	\$ 2,533,658
Restricted cash:		
Restricted funds for bonds payable	<u>-</u>	<u>2,870,521</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 9,595,779</u>	<u>\$ 5,404,179</u>

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

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, SER Jobs National, the City of Houston, Harris County and Baylor College of Medicine, COMCAST and CenterPoint Energy. 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 seven-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”. The A-F system has remained consistent with last year’s system. As of 2018, districts, charters, and schools are given an overall rating based on performance in three areas:

- **Student Achievement** shows how much students know and are able to do at the end of the school year.
- **School Progress** shows how students perform over time and how that growth compares to similar schools.
- **Closing the Gaps** shows how well different groups of students within a school are performing.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 1 - Organization (Continued)

For 2019, the Raul Yzaguirre Schools for Success and Brownsville Raul Yzaguirre STEM Scholars Preparatory received grades of A, and all three Houston campuses received grades of B. See the State Accountability Ratings by Domain for 2019 below:

	Overall		Domain 1: Student Achievement		Domain 2: School Progress		Domain 3: Closing the Gaps	
	Rating	Score	Rating	Score	Rating	Score	Rating	Score
Raul Yzaguirre Schools for Success	A	90	B	86	A	91	B	87
Brownsville RYSSP	A	94	A	90	A	91	A	100
Elite STEM Primary Academy	B	81	C	72	B	82	C	77
Houston STEM & EC MS	B	82	C	74	B	86	C	73
Houston T-STEM & EC HS	B	85	B	84	B	87	C	79

Due to the COVID-19 pandemic and the closure of schools in March of 2020, all districts, charters, and schools in the state received a rating of Not Rated: Declared State of Disaster for 2020.

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, scheduled weekdays via eHomeAmerica online platform.

Sunrise Lofts is TCCC's proposed permanent supportive housing development with 81 apartments for young adults, ages 18-25 years. The majority of the funding for this project was approved by the Harris County Commissioners Court and TCCC also count on the City of Houston for funding. The approval by the Houston Housing Authority asked that TCCC reapply for the previously approved project based vouchers since TCCC are asking for additional vouchers going from the original 52 to 91 to support the proposed vulnerable population the development will serve.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 1 - Organization (Continued)

Tejano Center's Home Repair Program continued in 2020 as a direct response to Hurricane Harvey & Storm Imelda devastation. The agency served with disaster housing case management in order to connect and guide families to needed resources, including home repair and unmet needs. In fiscal year 2020, TCCC recognized local grant revenue in the amount of \$155,300 from Local Initiatives Support Corporation (LISC) and Red Cross Resilience Recovery Network to undertake the stabilization of single-family homes for low-income families in the City of Houston and Harris County. Greater Houston Community foundation also awarded Tejano Center \$50,000 to help Storm Imelda victims with unmet needs. In addition to these funds, Tejano Center recognizes funds from United Way's Construction Unmet Needs totaling \$143,456 to assist families with Hurricane Harvey repairs.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

TCCC's financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires TCCC to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of TCCC. These net assets may be used at the discretion of TCCC's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TCCC or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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. With donor restrictions 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 with donor restrictions net asset codes. Resources that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

TCCC considers all cash and highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. At August 31, 2020, cash balances were in excess of government insured limit.

Cash held in escrow

The escrow fund consists of current and long-term portion of restricted cash represents amounts required by the bond agreements. Escrow fund accounts were closed as it was used to pay down the bond liability in October 2019 (See note 7).

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, 2020 and 2019, 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 development costs of the Sunrise Lofts apartment project. 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, 2020 and 2019, no impairment of projects was considered necessary.

Construction in Progress - Charter School Program

Construction in progress includes development costs of the renovations to the Elite Primary School portable buildings. 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. This estimated completion for this project is January 2021. Construction in progress includes deferred maintenance to replace the HVAC system, replace and repair roof, and replace Harvey damaged temporary classrooms at the Houston Elite Primary Campus. For the year ended August 31, 2020 and 2019, 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.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Depreciation is provided on the straight-line method based upon estimated useful lives of the asset (ranging from three to fifty years). Depreciation expense was \$709,072 and \$704,607 for the years ended August 31, 2020 and 2019, respectively. The cost of leasehold improvements is depreciated over the lesser of the lease or estimated useful life of the asset.

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, 2020 and 2019, 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 years ended August 31, 2020 and 2019 respectively, no impairment was recognized.

Paycheck Protection Program (PPP) Loan Accounting - Debt Model

TCCC elected to account for its PPP fund utilizing the Debt Accounting Model. Under the Debt Model the PPP loan proceeds would be recorded as a liability and interest would also be recorded. Once the entity is legally released as the primary obligor from the creditor, the liability would be deorganized and a gain on "PPP loan extinguishment" would be recorded.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are those that contain a measurable performance obligation or other barrier, as well as a right of return, and are not recognized until the conditions on which they depend have been met. At August 31, 2020 and 2019, TCCC had no conditional contributions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Services

Donated services are recorded at fair value if the recognition requirements of GAAP are met. 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 2020 or 2019.

Government Grants

TCCC receives grants from the U.S. government and various other grantors for direct and indirect program costs associated with specific programs and projects. The grants received from the U.S. government are subject to certain restrictions, which are met by incurring qualifying expenses for the particular program or project that is funded by the grant. Revenue from such grants is recognized when the funds have been expended on activities stipulated in the grant agreement. For unconditional grants, revenue is recognized as contribution revenue that increases net assets with donor restrictions at the time the grant is received or pledged, and the funds are released from restriction when the qualifying expenses have been incurred. Any amounts received prior to incurring qualifying expenditures are reported as refundable advances.

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 number of equipment per department for allocating TCCC's multiple-function expenditures.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 2 - Summary of Significant Accounting Policies (Continued)

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, 2020 and 2019, 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.

Reclassification

Certain prior year amounts have been changed to conform with the current year presentation. Such reclassifications have no effect on reported amounts of net assets or changes in net assets.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with TCCC's financial statements for the year ended August 31, 2019 from which the summarized information was derived.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 2 - Summary of Significant Accounting Policies (Continued)

Changes in Accounting Principles

On September 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows Topic 230: Restricted Cash*, which requires that period changes in the total of cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents are explained in the Statement of Cash Flows. The Organization has appropriately classified restricted cash as a cash and cash equivalent in the statement of cash flows. Reclassifications were made to the previously reported fiscal year 2019 cash flow amounts to conform with the current year presentation.

On September 1, 2019, TCCC adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, and all related amendments (collectively, ASC 606) using the modified retrospective method. ASC 606 requires the recognition of revenue when promised goods or services are transferred to customers or clients in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The adoption of ASC 606 resulted in no significant changes to TCCC's financial reporting. Accordingly, no adjustment to beginning net assets was necessary.

On September 1, 2019, TCCC adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* using the modified prospective method. This ASU improved the clarity on existing guidance for the determination of exchange transactions and distinguishing between conditional and unconditional contributions. The adoption of this ASU had no impact on TCCC's financial statements.

Note 3 - Grants receivable

Grants receivable consist of the following:

	2020	2019
Texas Department of Education, Texas Education Agency (TEA)	\$ 1,420,728	\$ 1,167,016
U.S. Department of Justice	32,157	43,987
U.S. Department of Health and Human Services	-	55,425
Total grants receivable	\$ 1,452,885	\$ 1,266,428

Note 4 - Line of Credit

TCCC had a \$350,000 revolving line of credit with a bank which expired on May 9, 2020. Bank advanced on the credit line are payable on demand and accrues interest at a rate of 5.5% as of August 31, 2019. The credit line was unsecured. The total outstanding balance under the line of credit was \$90,000 as of August 31, 2019. The line of credit was paid off and closed in October 2019.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 5 - Notes Payable

Notes payable, net of unamortized debt issuance costs, are comprised as follows at August 31:

	2020	2019
Total notes payable	\$ 25,110,000	\$ 390,815
Less: Unamortized debt issuance costs	(1,055,772)	-
Notes payable, net	\$ 24,054,228	\$ 390,815

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

	2020	2019
Note payable to a financial institution due including interest at 6.00% per year, unsecured, lump sum payable upon completion of Sunrise Loft construction or maturing on December 31, 2020.	\$ 210,000	\$ 210,000
Note payable to a bank in monthly installments of \$17,174 including interest at 5.5% per year, unsecured, paid off in October 2019.	-	16,979
Note payable to a financial institution in monthly installments of \$1,073 including interest at 5.0% per year, unsecured, paid off in October 2019.	-	25,610
Note payable to a bank in monthly installments of \$1,625 including interest at 5.6% per year, unsecured, paid off in October 2019.	-	25,018
Note payable to a bank in monthly installments of \$12,918 including interest at 5.5% per year, unsecured, paid off in October 2019	-	113,208
Note payable to a bank in monthly installments including interest at 4.5% per year, maturing on August 31, 2029, and secured by the School gross revenue pledge and first deed of trust on property purchased using the note payable funding.	20,431,080	-

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 5 - Notes Payable (Continued)

	2020	2019
Note payable to a bank in monthly installments including interest at 5.65% per year, maturing on August 31, 2027, and secured by the School gross revenue pledge and first deed of trust on property purchased using the note payable funding.	4,468,920	-
Total notes payable	25,110,000	390,815
Less: current maturities	(762,320)	(161,443)
Total notes payable - non-current portion	<u>\$ 24,347,680</u>	<u>\$ 229,372</u>

Minimum future principal payments are as follows:

Years Ended August 31,	Amount
2021	\$ 762,320
2022	584,340
2023	618,230
2024	654,070
Thereafter	22,491,040
Total	<u>\$ 25,110,000</u>

Note 6 - Paycheck Protection Program Loan

On April 9, 2020, TCCC entered into a Loan Agreements and Promissory Notes (SBA Loan) pursuant to the Paycheck Protection Program (PPP) under the recently enacted Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) administered by the U.S. Small Business Administration.

TCCC received total loan proceeds of \$1,748,805. The loan is scheduled to mature in April 2022, carries a 1.00% interest rate, and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. The loan may be prepaid by TCCC at any time prior to maturity with no prepayment penalties. The loan contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. Subject to certain conditions, the loan may be forgiven in whole or in part by applying for forgiveness pursuant to the CARES Act and the PPP.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 6 - Paycheck Protection Program Loan (Continued)

The amount of loan proceeds eligible for forgiveness is determined on a formula based on a number of factors, including the amount of loan proceeds used by TCCC during the 24 weeks after the loan origination for certain purposes, including payroll costs, interest on certain mortgage obligations, rent payments on certain leases, and certain qualified utility payments. In accordance with the requirements of the CARES Act and the PPP, TCCC used the proceeds from the loan primarily for payroll costs. TCCC intends on applying for loan forgiveness. No assurance can be given that TCCC will be granted forgiveness of the loans in whole or in part. If it is determined that any of these expenses will not be forgiven, the amount would become payable under these terms. The unforgiven portion of the PPP loan is payable over 2 years at an interest rate of 1%, with a deferral of payments for 6 months. As of August 31, 2020, TCCC used the entire of the proceeds for purposes consistent with the PPP.

Minimum future principal payments are as follows:

<u>Years Ended</u> <u>August 31,</u>	<u>Amount</u>
2021	\$ 510,067
2022	<u>1,238,738</u>
Total	<u>\$ 1,748,805</u>

Note 7 - 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, 2019, TCCC was in compliance with these covenants.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 7 - Bonds Payable (Continued)

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.

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, 2019 was \$21,674,929, net of the unamortized bond discount of \$335,734 and unamortized debt issuance costs \$369,337. In October 2019, the bonds were paid off through the issuance of new notes payable with another bank.

The accumulated amortization of the bond discount was \$595,473 and \$259,739 as of August 31, 2020 and 2019, respectively. The related amortization expense for the year ended August 31, 2019 is \$19,849 and included in interest expense in the statement of functional expenses. The related amortization expense for the year ended August 31, 2020 is \$335,734 and included in miscellaneous expense in the statement of functional expenses. The School expensed the entire remaining unamortized bond discount of \$335,734 as the bond was paid off in October 2019.

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, 2020 and 2019, the accumulated amortization of the capitalized issuance cost was \$1,116,903 and \$747,566, respectively. The amortization expense for the year ended August 31, 2019 is \$37,230 and included in interest expense in the statement of functional expenses. The amortization expense for the year ended August 31, 2020 is \$369,337 and included in miscellaneous expense in the statement of functional expenses. The School expensed the entire remaining unamortized bond discount of \$369,337 as the bond was paid off in October 2019.

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 30, 2019, the balance of the escrow fund was \$2,870,521, which consisted of money market funds. The account was closed as of August 31, 2020 as the bonds were paid off in October 2019.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 7 - Bonds Payable (Continued)

The components of the escrow fund for August 31, 2019 are as follows:

	<u>2009A</u>
Cash held in escrow- debt service reserve	\$ 2,447,267
Cash held in escrow- debt service	<u>423,254</u>
Total escrow fund	<u>\$ 2,870,521</u>

Note 8 - Operating Lease Commitments

TCCC conducts its operations utilizing office equipment and housing property under non-cancelable operating leases, expiring in fiscal year 2024. Lease expense for the year ended August 31, 2020 and 2019 totaled \$231,327 and \$219,371, respectively. Minimum future lease commitments under operating leases are as follows:

<u>Years Ended August 31,</u>	<u>Amount</u>
2021	\$ 135,660
2022	135,660
2023	115,060
2024	<u>1,125</u>
Total	<u>\$ 387,505</u>

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions for the years ending August 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Child Nutrition Cluster Program	\$ 1,356,950	\$ 1,356,950
School Foundation and Per Capita Entitlements	1,868,939	1,868,939
Neighbor Work America	<u>389,789</u>	<u>389,789</u>
Total net assets with donor restrictions	<u>\$ 3,615,678</u>	<u>\$ 3,615,678</u>

Note 10 - Net Assets Released From Restrictions

During the years ended August 31, 2020 and 2019, net assets of \$0 and \$14,181,543, respectively were released from grantors restrictions by satisfying restrictions.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 11 - Governmental Grants

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

State grants for the years ended August 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Texas Education Agency:		
School Foundation and Per Capita Entitlements	\$ 14,274,340	\$ 13,687,716
School Safety and Security Program	24,992	-
Blended Learning Program	73,956	-
Educator Excellence Innovation Program	-	352
Textbook Allotment	-	219,216
Other	11,141	5,148
Texas Center for Child and Family Services	<u>-</u>	<u>50,000</u>
Total state grants	<u>\$ 14,384,429</u>	<u>\$ 13,962,432</u>

Federal grants for the years ended August 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
U.S. Department of Agriculture	\$ 1,271,724	\$ 1,243,885
U.S. Department of Education	1,344,855	1,494,914
U.S. Department of Health and Human Services	913,212	736,183
U.S. Department of Justice	357,050	273,091
U.S. Department of Homeland Security	-	238,345
U.S. Department of Treasury	209,939	212,540
U.S. Department of Defense	77,261	72,049
U.S. Department of Housing and Urban Development	<u>27,000</u>	<u>24,500</u>
Total federal grants	<u>4,201,041</u>	<u>4,295,507</u>
Total state and federal grants	<u>\$ 18,585,470</u>	<u>\$ 18,257,939</u>

Note 12 - 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.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 13 - 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.

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, 2020**

Note 13 - 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, 2020**

Note 13 - Pension Plan (Continued)

Contributions (Continued)

The contribution to the plan by contributor for the years ended August 31, 2020 were 7.7% for a member, 7.5% for non-employer contributing entity (state). The contribution to the plan by contributor for the years ended August 31, 2019 were 7.7% for a member, 6.8% for non-employer contributing entity (state). 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, 2020 was \$405,462, which includes \$113,394 in Non-OASDI participation surcharges. TCCC's contribution to TRS for the year ended August 31, 2019 was \$314,516, which includes \$104,127 in Non-OASDI participation surcharges.

Funding Status

The TRS net pension liability in the plan as of August 31, 2020 was as follows:

	2020	2019
Total pension Liability	\$ 218,974,205,084	\$ 209,961,325,288
Less: plan fiduciary net position	165,416,245,243	157,978,199,075
Net pension liability	\$ 53,557,959,841	\$ 51,983,126,213

As of August 31, 2020 and 2019, the plan is 75.54% and 75.24% funded, respectively. 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.

TCCC's Board chair was appointed by Governor Greg Abbott on the TRS Board as a "state appointed official".

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 14 - 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 15 - Liquidity and Availability of Resources

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date as of August 31, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets available within one year:		
Cash	\$ 9,595,779	\$ 2,533,658
Grants receivable	<u>1,452,885</u>	<u>1,266,428</u>
Total financial assets	<u>\$ 11,048,664</u>	<u>\$ 3,800,086</u>

TCCC regularly monitors liquidity required to meet its operational needs and other contractual commitments. TCCC has cash, cash equivalents and grants receivables as forms of liquidity.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, TCCC considers all expenditures related to its ongoing program activities and support services to be general expenditures. TCCC strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 16 - 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 years ended August 31, 2020 and 2019, 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. As of August 31, 2020, cash deposits not covered by federal depository insurance was \$4,475,247. As of August 31, 2020, a total of \$4,755,530 was collateralized by a banking institution.

Approximately 95% 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, 2020 and 2019, 100% of grants receivable were from government contracts.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020**

Note 17 - Risks and Economic Uncertainties

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses and the economy. While the situation is evolving rapidly, and the full impact is not yet known, the disruption caused by the Coronavirus is affecting business and consumer activities worldwide—including disruption to major financial markets, supply chains, interruption of production, limited personnel, facility and store closures, and decreased demand from both business customers and consumers. As of August 31, 2020, TCCC is assessing the impact on its operation and cash flows but currently the disruption and uncertainty caused by the Coronavirus is far-reaching and the ultimate effects of this event is unknown.

Note 18 - Subsequent Events

Management has evaluated subsequent events through January 25, 2021, the date which the financial statements were available to be issued, noting no events requiring disclosure.

*** * * End of Notes * * ***

SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF FINANCIAL POSITION
AUGUST 31, 2020**

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 5,500,373
Grants receivable	1,420,728
Other receivable	<u>93,399</u>
Total current assets	7,014,500
Property and equipment:	
Buildings and improvements	3,911,838
Furniture, vehicles, and equipment	2,721,291
Accumulated depreciation	<u>(4,684,469)</u>
Total property and equipment, net	<u>1,948,660</u>
Construction in progress - housing program	<u>1,911,382</u>
Total assets	<u><u>\$ 10,874,542</u></u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	\$ 309,378
Accrued liabilities	<u>1,424,008</u>
Total current liabilities	1,733,386
Long-term liabilities:	
Due to agency	<u>3,383,632</u>
Total long - term liabilities	<u>3,383,632</u>
Total liabilities	<u>5,117,018</u>
Net assets:	
Without donor restrictions	2,531,635
With donor restrictions	<u>3,225,889</u>
Total liabilities and net assets	<u><u>\$ 10,874,542</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 ACTIVITIES
YEAR ENDED AUGUST 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Local support:			
5740 Other revenues from local sources	\$ 1,238,070	\$ -	\$ 1,238,070
5750 Revenue from cocurricular, enterprising services or activities	57,634	-	57,634
5760 Revenue from intermediated sources	118,132	-	118,132
Total local support	<u>1,413,836</u>	<u>-</u>	<u>1,413,836</u>
State program revenues:			
5810 Foundation school program act - revenues	14,274,340	-	14,274,340
5820 State program revenues distributed by Texas Education Agency	110,089	-	110,089
Total state program revenues	<u>14,384,429</u>	<u>-</u>	<u>14,384,429</u>
Federal program revenues:			
5920 Federal revenues distributed by the Texas Education Agency	2,685,947	-	2,685,947
5930 Federal revenues distributed by other State of Texas government agencies (other than Texas Education Agency)	268,506	-	268,506
5940 Federal revenues distributed directly from the Federal Government	77,261	-	77,261
Total federal program revenues	<u>3,031,714</u>	<u>-</u>	<u>3,031,714</u>
Total revenues	<u>\$ 18,829,979</u>	<u>\$ -</u>	<u>\$ 18,829,979</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, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
11 Instruction	\$ 7,556,183	\$ -	\$ 7,556,183
12 Instructional resources/media services	67,372	-	67,372
13 Curriculum development and instructional staff development	220,623	-	220,623
21 Instructional leadership	120,718	-	120,718
23 School leadership	1,117,473	-	1,117,473
31 Guidance, counseling and evaluation services	14,478	-	14,478
32 Social work services	91,859	-	91,859
33 Health services	72,710	-	72,710
34 Student (pupil) transportation	241,936	-	241,936
35 Food services	1,205,670	-	1,205,670
36 Cocurricular/extracurricular activities	13,117	-	13,117
41 General administration	1,163,124	-	1,163,124
51 Plant maintenance and operations	4,494,175	-	4,494,175
52 Security and monitoring services	94,622	-	94,622
53 Data processing services	247,384	-	247,384
61 Community services	80,590	-	80,590
71 Debt services	-	-	-
81 Fundraising services	45,545	-	45,545
	<u>16,847,579</u>	<u>-</u>	<u>16,847,579</u>
Change in net assets	1,982,400	-	1,982,400
Net assets, beginning of year	<u>549,235</u>	<u>3,225,889</u>	<u>3,775,124</u>
Net assets, end of year	<u>\$ 2,531,635</u>	<u>\$ 3,225,889</u>	<u>\$ 5,757,524</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, 2020

Operating activities:	
Changes in net assets	\$ 1,982,400
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	235,692
Changes in operating assets and liabilities:	
Increase in grants receivable	(253,712)
Increase in other receivables	(62,498)
Decrease in due to agency	3,017,224
Decrease in prepaid expenses	2,930
Increase in accounts payable	113,292
Increase in accrued liabilities	599,008
	<hr/>
Net cash provided by operating activities	5,634,336
	<hr/>
Investing activities:	
Purchases of equipment	(97,812)
Construction in progress	(1,765,170)
	<hr/>
Net cash used in investing activities	(1,862,982)
	<hr/>
Financing activities:	
Repayments on notes payable	(270,815)
	<hr/>
Net cash used in financing activities	(270,815)
	<hr/>
Net increase in cash and cash equivalents	3,500,539
Cash and cash equivalents, beginning of year	1,999,834
	<hr/>
Cash and cash equivalents, end of year	\$ 5,500,373
	<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 EXPENSES
YEAR ENDED AUGUST 31, 2020**

Expenses:

6100 Payroll costs	\$ 9,307,647
6200 Professional and contracted services	4,548,439
6300 Supplies and materials	1,835,656
6400 Other operating costs	1,153,575
6500 Debt service	<u>2,262</u>
 Total expenses	 <u><u>\$ 16,847,579</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, 2020**

	Ownership Interest			Total
	Local	State	Federal	
Capital assets:				
1520 - Building improvements	\$ -	\$ 3,114,754	\$ 797,084	\$ 3,911,838
1541- Vehicles	-	615,594	-	615,594
1548- Furniture and equipment	-	1,455,648	650,049	2,105,697
 Total capital assets	 \$ -	 \$ 5,185,996	 \$ 1,447,133	 \$ 6,633,129

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, 2020**

	Budgeted Amounts			Variance Favorable (Unfavorable)	
	Original	Final	Actual Amounts		
Revenues					
Local support:					
5740	Other revenues from local sources	\$ 105,500	\$ 150,984	\$ 1,238,070	\$ 1,087,086
5750	Revenue from cocurricular, enterprising services or activities	46,000	46,000	57,634	11,634
5760	Revenue from intermediated sources	-	-	118,132	118,132
	Total local support	151,500	196,984	1,413,836	1,216,852
State program revenues:					
5810	Foundation school program act revenues	13,241,820	13,241,820	14,274,340	1,032,520
5820	State program revenues Education Agency	155,000	412,689	110,089	(302,600)
	Total state program revenues	13,396,820	13,654,509	14,384,429	729,920
Federal program revenues:					
5920	Federal revenues distributed by the Texas Education Agency	1,099,700	3,325,222	-	(3,325,222)
5930	Federal revenues distributed by other State of Texas government agencies (other than Texas Education Agency)	408,000	408,000	268,506	(139,494)
5940	Federal revenues distributed directly from the Federal Government	93,546	93,546	-	(93,546)
	Total federal program revenues	1,601,246	3,826,768	268,506	(3,558,262)
	Total revenues	\$ 15,149,566	\$ 17,678,261	\$ 16,066,771	\$ (1,611,490)

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, 2020**

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual Amounts	
Expenses:				
11 Instruction	\$ 6,292,899	\$ 8,279,603	\$ 7,556,183	\$ 723,420
12 Instructional resources and media	45,007	51,727	67,372	(15,645)
13 Professional development	74,500	329,335	220,623	108,712
21 Instructional administration	61,753	223,353	120,718	102,635
23 School leadership	1,038,785	1,065,262	1,117,473	(52,211)
31 Guidance counseling and evaluation	11,000	11,000	14,478	(3,478)
32 Social work services	50,397	82,397	91,859	(9,462)
33 Health services	92,281	92,281	72,710	19,571
34 Student transportation	229,146	230,046	241,936	(11,890)
35 Food services	500	1,064,500	1,205,670	(141,170)
36 Extracurricular	16,967	16,967	13,117	3,850
41 General administration	1,040,985	1,040,985	1,163,124	(122,139)
51 Facilities maintenance and operations	4,227,949	4,347,949	4,494,175	(146,226)
52 Security and monitoring	49,489	112,739	94,622	18,117
53 Data processing	235,503	279,816	247,384	32,432
61 Community relations	15,842	166,401	80,590	85,811
71 Debt service	10,000	10,000	-	10,000
81 Facility acquisition and construction	-	44,584	45,545	(961)
Total expenses	<u>13,493,003</u>	<u>17,448,945</u>	<u>16,847,579</u>	<u>601,366</u>
Changes in net assets	1,656,563	229,316	(780,808)	(1,010,124)
Net assets, beginning of year	<u>3,273,702</u>	<u>3,273,702</u>	<u>3,775,124</u>	<u>501,422</u>
Net assets, end of year	<u>\$ 4,930,265</u>	<u>\$ 3,503,018</u>	<u>\$ 2,994,316</u>	<u>\$ (508,702)</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, 2020**

Federal Pass Through or State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
<i>Pass-through Texas Education Agency:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	71401901	\$ 57,508
School Breakfast Program	10.553	71402001	197,492
School Breakfast Program	10.553	52402001	175,402
National School Lunch Program	10.555	71301901	126,639
National School Lunch Program	10.555	71302001	435,534
National School Lunch Program	10.555	52302001	<u>279,149</u>
Total Child Nutrition Cluster			<u>1,271,724</u>
Total U.S. Department of Agriculture			<u>1,271,724</u>
U.S. Department of Defense:			
Direct Grant			
Department of Defense Appropriation Act of 2003 - Junior ROTC	12.116	N/A	<u>77,261</u>
Total U.S. Department of Defense			<u>77,261</u>
U.S. Department of Housing and Urban Development:			
<i>Pass-Through UnidosUS</i>			
Housing Counseling Assistance Program	14.169	N/A	<u>27,000</u>
Total U.S. Department of Housing and Urban Development			<u>27,000</u>
U.S. Department of Justice:			
<i>Pass-Through Texas Governor's Criminal Justice Division</i>			
Victim's of Crime Act (VOCA)	16.575	N/A	<u>357,050</u>
Total U.S. Department of Justice			<u>357,050</u>
U.S. Department of Treasury:			
<i>Pass-through NeighborWorks America:</i>			
Affordable Housing/Home Buyer Education program	21.U01	N/A	<u>209,939</u>
Total U.S. Department of Treasury			<u>209,939</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020**

Federal Pass Through or State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Education:			
<i>Pass-Through Texas Education Agency:</i>			
Title I Grants to Local Educational Agencies Cluster			
Title I, Part A, Improving Basic Programs	84.010A	20610101101806	741,220
Special Education Cluster			
Special Education - Grants to States			
IDEA B, Formula	84.027A	206600011018066000	216,948
Title III, Part A, ELA	84.365A	20671001101806	70,720
Title II, Part A, Supporting Effective Instruction	84.367A	20694501101806	72,992
LEP Summer School	84.369A	69551902	2,671
Title IV, Part A, Subpart 1	84.424A	20680101101806	33,488
Restart Hurricane Recovery	84.938A	N/A	61,833
Carl Perkins Grant	84.048A	20420006101806	26,676
<i>Pass-Through Harris County Department of Education</i>			
21st Century Community Learning Centers	84.287	September - July	109,497
21st Century Community Learning Centers	84.287	August	8,810
Total U.S. Department of Education			<u>1,344,855</u>
U.S. Department of Health and Human Services:			
<i>Pass-Through Texas Department of Family and Protective Services -</i>			
Foster Care - Title IV-E			
Child Placing Agency	93.658	230451219	652,739
<i>Pass-Through Texas Department of Health & Human Services-</i>			
Medical Assistance Program	93.778	N/A	<u>260,473</u>
Total U.S. Department of Health & Human Services			<u>913,212</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,201,041</u></u>

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

**NOTES TO SUPPLEMENTARY INFORMATION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020**

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, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2020 are presented on the accrual basis of accounting.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule have been prepared using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, 2020, since TCCC's policy is to recognize revenues as budgeted costs attributable to grants and contracts are incurred.

During 2020 and 2019, 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.

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

**NOTES TO SUPPLEMENTARY INFORMATION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020**

Note 4 - 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. With donor restrictions 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 with donor restriction net asset codes.

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, 2020:

Federal awards expenditures per accompanying schedule	\$ 4,201,041
Total federal grants per basic financial statements	<u>4,201,041</u>
Difference	<u><u>\$ -</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, 2020:

RYSS total expenses	\$ 16,859,415
Eliminated rent expense	<u>(2,580,000)</u>
TCCC total expenses - Charter School	<u>\$ 14,279,415</u>

Note 6 - Insurance Coverage

During the year ended August 31, 2020 and 2019, 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 CONCERNS, INC.**

**NOTES TO SUPPLEMENTARY INFORMATION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020**

Note 7 - Indirect Cost

TCCC has not elected to use the 10% de minimis indirect cost rate for the years ended August 31, 2020 and 2019.

Note 8 - Subrecipients

TCCC did not provide federal funds to subrecipients for the year ended August 31, 2020.

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, 2020.

Note 10 - Budgetary Comparison Schedule Variances Greater Than 10%

The following are the explanations for variances 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 needing to expend funds due to having excess fund balance for the Child Nutrition Program on a report submitted to Texas Department of Agriculture. The funds were used for purchasing new equipment in the program. Function 81 is a balance that was not budgeted at all for fund 461 which comprise the campus activity and fundraising accounts. A budget amendment was approved for the estimated final expenditures for each function. Functions 12, 31, 32 and 41 had variances greater than 10% due to COVID-19, starting the school year 5 days earlier, therefore resulting in a larger payroll accrual to end the fiscal year.

**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**

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 statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2021.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

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 consolidated 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*.

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
January 25, 2021

**INDEPENDENT AUDITOR’S 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, 2020. 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, 2020.

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, considered to be a 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
January 25, 2021

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2020**

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? | No |
| b. Significant deficiencies identified? | Yes |
| 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? | None reported |
| 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 2 CFR 200.516 (a)? | Yes |

4. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Programs</u>
10.553/10.555	Child Nutrition Cluster
16.575	Victims of Crime Act
21.U01	Affordable Housing/Home Buyer Education Program

- | | |
|---|-----------|
| 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, 2020**

Section 2

Financial Statement Findings

Significant Deficiency

2020-001: Financial Closing Procedures - SEFA Preparation

Condition: The SEFA received required numerous adjustments.

Criteria: The SEFA, which is prepared by the auditee and considered supplementary information to the financial statements, is a key part of the reporting package required by the Uniform Guidance. The SEFA also serves as the primary basis that auditors use to determine which programs will be audited as part of the single audit. Therefore, the auditee's responsibility for preparing an accurate and complete SEFA is critical. Specifically, §200.510(b) of the Uniform Guidance requires the auditee to prepare a SEFA for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with §200.502 of the Uniform Guidance, "Basis for Determining Federal Awards Expended."

Cause: TCCC's review process of the financial close process for the preparation of the SEFA did not operate effectively nor allow adequate time to properly perform those processes.

Effect: The amounts SEFA initially included non-federal funds and did not include other federal funds. Audit testwork and client review resulted in an accurate SEFA after multiple rounds of review, with net decrease of \$95,000 over the initial SEFA.

Recommendation: TCCC should ensure all federal revenue accounts are properly reconciled to the SEFA as of year-end along with supporting documentation and reports. TCCC should also allow for adequate time post-year end to properly perform closing procedures.

Management's Response: Due to COVID-19 and the uncertainty of what would come next after the close of the August 31, 2020 fiscal year, administration decided it would be best to attempt to complete the annual financial audit as quickly as possible. This meant closing the books and begin submitting information to the auditors as final on October 1, 2020. In retrospect, this decision hindered the fiscal year-end closing process. Moving forward, administration will not rush the fiscal year-end process and will begin finalizing information to submit for audit at the end of October. Again, due to COVID-19 and the uncertainty we faced with staffing we closed the books too early.

Section 3

Federal Award Findings and Questioned Costs

None reported

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2020**

No prior audit findings noted.