

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

FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION AND
SINGLE AUDIT REPORTS

AUGUST 31, 2019

(With Summarized Comparative Information for 2018)

(With Independent Auditor's Report Thereon)

Insight. Oversight. Foresight.SM

 **DoerenMayhew**
CPAs AND ADVISORS

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

Federal Employer Identification Number: 76-0377107

Certificate of Board

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



Margarita Dunlap

Board Secretary



David Corpus

Board Chair

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Effect of Adopting New Accounting Standard

As discussed in Note 2, TCCC adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

The accompanying supplementary information on pages 25-32 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, 2019 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 December 20, 2019 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
December 20, 2019

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

**STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019
(with summarized financial information for 2018)**

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 2,533,658	\$ 1,508,915
Cash held in escrow- debt service (Note 6)	423,254	405,793
Grants receivable (Note 3)	1,266,428	397,711
Prepaid expenses	2,930	-
Total current assets	4,226,270	2,312,419
Land, property and equipment:		
Land	886,606	886,606
Buildings and improvements	27,418,288	27,367,198
Furniture, vehicles, and equipment	4,283,951	4,248,710
Accumulated depreciation	(11,459,895)	(10,755,286)
Total land, property and equipment, net	21,128,950	21,747,228
Construction in progress - Housing program	274,724	276,941
Construction in progress- Charter school program	146,212	-
Other receivables	140,466	95,331
Cash held in escrow- debt service reserve (Note 6)	2,447,267	2,428,100
Total assets	<u>\$ 28,363,889</u>	<u>\$ 26,860,019</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 260,760	\$ 271,440
Accrued liabilities	907,176	746,370
Line of credit (Note 4)	90,000	240,000
Notes payable, current portion (Note 5)	161,443	260,504
Bonds payable, current portion (Note 6)	440,000	405,000
Total current liabilities	1,859,379	1,923,314
Long-term liabilities:		
Notes payable, net of current portion (Note 5)	229,372	229,372
Bonds payable, net of current portion, net of debt issuance cost (Note 6)	21,234,929	21,617,850
Total long term liabilities	21,464,301	21,847,222
Total liabilities	23,323,680	23,770,536
Net assets:		
Without donor restrictions	1,424,531	2,699,694
With donor restrictions (Note 8)	3,615,678	389,789
Total net assets	5,040,209	3,089,483
Total liabilities and net assets	<u>\$ 28,363,889</u>	<u>\$ 26,860,019</u>

See accompanying notes to financial statements.

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

**STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019
(with summarized financial information for 2018)**

	2019			2018
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues:				
Federal grants	\$ 800,507	\$ 3,495,000	\$ 4,295,507	\$ 3,321,655
State grants	50,000	13,912,432	13,962,432	13,161,836
Local grants	1,044,912	-	1,044,912	822,050
Other income	826,092	-	826,092	862,134
Net assets released from restrictions (Note 9)	14,181,543	(14,181,543)	-	-
Total revenues	16,903,054	3,225,889	20,128,943	18,167,675
Expenses:				
Program services:				
Charter school	13,262,769	-	13,262,769	12,690,356
Affordable housing/ homebuyer education	1,478,432	-	1,478,432	588,499
Child shelter/placing	579,297	-	579,297	601,586
Community services	248,921	-	248,921	115,619
Supporting services:				
Tejano commercial properties	2,581,824	-	2,581,824	2,781,761
Management and general	26,974	-	26,974	82,179
Total expenses	18,178,217	-	18,178,217	16,860,000
Changes in net assets	(1,275,163)	3,225,889	1,950,726	1,307,675
Net assets, beginning of year	2,699,694	389,789	3,089,483	1,781,808
Net assets, end of year	<u>\$ 1,424,531</u>	<u>\$ 3,615,678</u>	<u>\$ 5,040,209</u>	<u>\$ 3,089,483</u>

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019
(with summarized financial information for 2018)**

	Program Services				Supporting Services		2019 Total	2018 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	\$ 7,547,022	\$ 128,322	\$ 77,044	\$ -	\$ -	\$ -	\$ 7,752,388	\$ 7,635,707
Employee benefits	1,265,041	14,827	1,078	-	-	-	1,280,946	1,129,324
Payroll taxes	109,292	9,056	5,598	-	-	-	123,946	125,175
Total salaries and related expenses	8,921,355	152,205	83,720	-	-	-	9,157,280	8,890,206
Operating expenses:								
Contract labor	777,924	1,232,521	362,947	209,717	14,437	4,793	2,602,339	1,425,610
Food	552,565	686	2,726	-	-	686	556,663	554,281
Insurance	302,283	4,348	4,471	-	14,540	-	325,642	300,200
Interest	19,180	-	-	-	2,094,930	-	2,114,110	2,140,243
Leases	223,563	603	-	-	-	-	224,166	272,958
Miscellaneous	351,158	66,667	83,866	26,172	-	16,858	544,721	584,803
Professional fees	633,331	9,638	-	-	-	-	642,969	814,786
Repairs and maintenance	450	-	-	-	-	-	450	11,226
Supplies	719,041	3,481	19,653	13,032	-	3,600	758,807	574,108
Telephone	145,033	4,835	5,334	-	-	-	155,202	162,003
Travel	36,146	591	-	-	-	-	36,737	14,187
Utilities	347,362	2,524	3,295	-	485	1,037	354,703	396,998
Total operating expenses	13,029,391	1,478,099	566,012	248,921	2,124,392	26,974	17,473,789	16,141,609
Depreciation	233,378	333	13,285	-	457,611	-	704,607	718,391
Total expenses	\$ 13,262,769	\$ 1,478,432	\$ 579,297	\$ 248,921	\$ 2,582,003	\$ 26,974	\$ 18,178,396	\$ 16,860,000

See accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2019 AND 2018
(with summarized financial information for 2018)**

	<u>2019</u>	<u>2018</u>
Operating activities:		
Changes in net assets	\$ 1,950,726	\$ 1,307,675
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	704,607	715,472
Amortization of debt issuance costs	57,079	55,205
Loss on disposal of assets	-	17,458
Impairment of land	-	45,068
Changes in operating assets and liabilities:		
Increase in grants receivable	(868,717)	(105,123)
(Increase) decrease in other receivables	(44,253)	14,865
(Increase) decrease in prepaid expenses	(2,930)	13,539
Increase in accounts payable	(11,562)	(39,900)
Decrease (Increase) in accrued liabilities	160,806	(667,111)
Net cash provided by operating activities	<u>1,945,756</u>	<u>1,357,148</u>
Investing activities:		
Construction in progress - Housing program	2,217	(276,941)
Construction in progress - Charter school program	(146,212)	
Purchases of equipment	(86,329)	(98,597)
Net cash used in investing activities	<u>(230,324)</u>	<u>(375,538)</u>
Financing activities:		
Proceeds from notes payable	150,000	410,000
Repayment of notes payable	(249,061)	(278,949)
Repayments on line of credit	(150,000)	(10,000)
Repayment of bonds payable	(441,628)	(393,371)
Net cash used in financing activities	<u>(690,689)</u>	<u>(272,320)</u>
Net increase in cash and cash equivalents	1,024,743	709,290
Cash and cash equivalents, beginning of year	1,508,915	799,625
Cash and cash equivalents, end of year	<u>\$ 2,533,658</u>	<u>\$ 1,508,915</u>
Supplemental disclosure of cash flow information -		
Interest paid during the year	<u>\$ 2,114,120</u>	<u>\$ 2,048,812</u>
Non-cash transaction -		
Capital expenditures in accounts payable	<u>\$ -</u>	<u>\$ 20,000</u>

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 1 - Organization

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

TCCC operates the following programs:

Charter School District

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

During the 85th Texas Legislative Session, House Bill 22 was passed and stated in part that “The commissioner shall evaluate school district and campus performance and assign each district and campus an overall performance rating of A= Exemplary Performance, B= Recognized Performance, C= Acceptable Performance, D= In Need of Improvement or F= Unacceptable Performance. 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, 2019 AND 2018**

Note 1 - Organization (Continued)

In 2019, out of the total of 179 Charter districts in Texas, Raul Yzaguirre Schools for Success Charter District was one of the 44 Charter districts that received an overall rating of A (Exemplary Performance). Additionally, out of the 1,201 total Districts in Texas, including charters, 301 received an overall rating of A. A copy of RYSS rating follows:

	Component Score	Scaled Score	Rating
Overall	-	90	A
Student achievement	-	86	B
STAAR performance	47	79	-
College, career and military readiness	68	92	-
Graduation rate	96.4	90	-
School progress	-	91	A
Academic growth	72	84	B
Relative performance (Eco Dis: 98.1%)	58	91	A
Closing the Gaps	83	87	B

Affordable Housing/Homebuyer Education

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

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

Tejano Center's Home Repair Program continued in 2019 as a direct response to Hurricane Harvey's devastation. The agency served with disaster housing case management in order to connect and guide families to needed resources, including home repair. In fiscal year 2019, TCCC recognized local grant revenue in the amount of \$921,704 from Local Initiatives Support Corporation (LISC) and four other local non-profits to undertake the repair of single-family homes for low-income families in the City of Houston and Harris County.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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.

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.

Cash held in escrow

The escrow fund consists of current and long-term portion of restricted cash represents amounts required by the bond agreements, and it will be used to pay down the bond liability (See Note 6).

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, 2019 and 2018, TCCC considers all grants receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 2 - Summary of Significant Accounting Policies (Continued)

Construction in Progress - Housing Program

Construction in progress includes development costs of the Sunrise Orchid 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, 2019 and 2018, 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 2020. For the year ended August 31, 2019 and 2018, no impairment of projects was considered necessary.

Property and Equipment

Property and equipment purchased by TCCC are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All purchases and donations that individually or as a group are in excess of \$5,000 are capitalized.

Depreciation is provided on the straight-line method based upon estimated useful lives of the asset (ranging from three to fifty years). Depreciation expense was \$704,607 and \$715,472 for the years ended August 31, 2019 and 2018, 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, 2019 and 2018, TCCC considers all other receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 2 - Summary of Significant Accounting Policies (Continued)

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, 2019 and 2018 respectively, impairment was \$- and \$45,068.

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 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.

For the year ended August 31, 2019 and 2018, TCCC reported all contributions as increases in net assets without donor restrictions because the contributions are either not restricted by the donors or the restriction expired during the year ended August 31, 2019 and 2018 (See Note 9).

Donated Services

Donated services are recognized at fair value when an unconditional commitment is received from the donor. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected in the financial statements during fiscal year 2019 or 2018.

Functional Expense Allocation

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

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

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, 2019 and 2018, management believes there were no uncertain tax positions.

Fair Value Considerations

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

Use of Estimates

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

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, 2018 from which the summarized information was derived.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 2 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement Adopted

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. TCCC has adopted this ASU for the year ending August 31, 2019. TCCC has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 3 - Grants receivable

Grants receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Texas Department of Education, Texas Education Agency (TEA)	\$ 1,167,016	\$ 317,957
U.S. Department of Justice	43,987	22,386
U.S. Department of Health and Human Services	<u>55,425</u>	<u>57,368</u>
Total grants receivable	<u>\$ 1,266,428</u>	<u>\$ 397,711</u>

Note 4 - Line of Credit

TCCC has a \$350,000 revolving line of credit with a bank which expires on May 9, 2020. Bank advances on the credit line are payable on demand and accrues interest at a rate of 5.5% as of August 31, 2019 and 2018. The credit line is unsecured. The total outstanding balance under the line of credit is \$90,000 and \$240,000 as of August 31, 2019 and 2018, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 5 - Notes Payable

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

	2019	2018
Note payable to a financial institution due including interest at 6.00% per year, unsecured, lump sum payable upon completion of Sunrise Orchard construction or maturing on December 31, 2020.	\$ 210,000	\$ 210,000
Note payable to a bank in monthly installments of \$17,174 including interest at 5.5% per year, unsecured, payable on demand or maturing on August 17, 2019.	16,979	200,000
Note payable to a financial institution in monthly installments of \$1,073 including interest at 5.0% per year, unsecured, payable on demand or maturing on September 1, 2021.	25,610	38,773
Note payable to a bank in monthly installments of \$1,625 including interest at 5.6% per year, unsecured, payable on demand or maturing on August 17, 2019.	25,018	41,103
Note payable to a bank in monthly installments of \$12,918 including interest at 5.5% per year, unsecured, payable on demand or maturing on May 3, 2020.	113,208	-
Total notes payable	390,815	489,876
Less: current maturities	(161,443)	(260,504)
Total notes payable - non-current portion	\$ 229,372	\$ 229,372

Minimum future principal payments are as follows:

Years Ended August 31,	Amount
2020	\$ 161,443
2021	229,372
Total	\$ 390,815

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 6 - Bonds Payable

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

The Bonds consist of \$24,480,000 in Tax Exempt Education Revenue and Refunding Bonds, Series 2009A and \$720,000 Taxable Education Revenue Bonds, Series 2009B. The Bonds were issued pursuant to a Trust Indenture and Security Agreement (the "Agreement") dated February 1, 2009, by and between the Issuer and Wells Fargo Bank, National Association (Wells Fargo Bank), Houston, Texas with the proceeds to be used for the purposes of (i) financing and refinancing the costs of land acquisition and acquiring, constructing, equipping, and renovating certain "educational facilities" (defined in Chapter 53, Texas Education Code, as amended) in connection with charter school campuses, authorized by Chapter 12, Subchapter D. Texas Education Code as amended, located in Houston (Pre K - 12th grade) and Brownsville, Texas (Pre K - 6th grade), (ii) funding a debt service reserve fund, (iii) paying capitalized interest, and (iv) paying the costs of issuing the Bonds. The Bonds contain covenants that must be maintained by TCCC. At August 31, 2019 and 2018, TCCC was in compliance with these covenants.

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

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 and 2018 were \$22,380,000 and \$22,785,000, respectively.

As of August 31, 2019, the bond payable balance was \$21,674,929, net of the unamortized debt issuance costs \$369,337 and unamortized bond discount of \$335,734. As of August 31, 2018, the bond payable balance was \$22,022,850, net of the unamortized debt issuance costs \$406,567 and unamortized bond discount of \$355,583. The accumulated amortization of the bond discount was \$259,739 and \$239,890 as of August 31, 2019 and 2018, respectively. The related amortization expense for the year ended August 31, 2019 and 2018 was \$19,849 and \$25,961, respectively and is included in interest expense in the statement of functional expenses.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 6 - Bonds Payable (Continued)

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, 2019 and 2018, the accumulated amortization of the capitalized issuance cost was \$747,566 and \$710,336, respectively. The amortization expense for the year ended August 31, 2019 and 2018 was \$37,230 and \$29,244, respectively and is included in interest expense in the statement of functional expenses.

The Bonds will mature according to the following schedule:

<u>Years Ended</u> <u>August 31,</u>	<u>Amount</u>
2020	\$ 440,000
2021	495,000
2022	545,000
2023	595,000
2024	645,000
Thereafter	<u>19,660,000</u>
	22,380,000
Less unamortized debt issuance costs	369,337
Less bond discount	<u>335,734</u>
Total bonds, net of discount	21,674,929
Less current portion	<u>440,000</u>
Bonds payable, net of current portion	<u>\$ 21,234,929</u>

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, 2019 and 2018, the balance of the escrow fund was \$2,870,521 and \$2,833,893, respectively which consists of money market funds.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 6 - 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>

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

	<u>2009A</u>
Cash held in escrow- debt service reserve	\$ 2,428,100
Cash held in escrow- debt service	<u>405,793</u>
Total escrow fund	<u>\$ 2,833,893</u>

Note 7 - Operating Lease Commitments

TCCC conducts its operations utilizing office equipment and housing property under non-cancelable operating leases, expiring in fiscal year 2023. Lease expense for the year ended August 31, 2019 and 2018 totaled \$219,371 and \$257,246, respectively. Minimum future lease commitments under operating leases are as follows:

<u>Years Ended August 31,</u>	<u>Amount</u>
2020	\$ 149,844
2021	135,660
2022	135,660
2023	115,060
Thereafter	<u>1,125</u>
Total	<u>\$ 537,349</u>

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions for the years ending August 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Child Nutrition Cluster Program	\$ 1,356,950	\$ -
School Foundation and Per Capita Entitlements	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>\$ 389,789</u>

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 9 - Net Assets Released From Restrictions

During the years ended August 31, 2019 and 2018, net assets of \$14,181,543 and \$16,364,215, respectively were released from Texas Education Agency and other Federal and State grantors restrictions by satisfying restrictions.

Note 10 - Governmental Grants

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

State grants for the years ended August 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Texas Education Agency:		
School Foundation and Per Capita Entitlements	\$ 13,687,716	\$ 12,731,576
Educator Excellence Innovation Program	352	284,972
Textbook Allotment	219,216	47,086
Other	5,148	
Texas Center for Child and Family Services	<u>50,000</u>	<u>98,202</u>
 Total state grants	 <u>\$ 13,962,432</u>	 <u>\$ 13,161,836</u>

Federal grants for the years ended August 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
U.S Department of Agriculture	\$ 1,243,885	\$ 997,269
U.S. Department of Education	1,494,914	1,413,024
U.S. Department of Health and Human Services	736,183	602,356
U.S. Department of Justice	273,091	118,191
U.S. Department of Homeland Security	238,345	-
U.S. Department of Treasury	212,540	90,000
U.S. Department of Defense	72,049	71,542
U.S. Department of Housing and Urban Development	<u>24,500</u>	<u>29,273</u>
 Total federal grants	 <u>4,295,507</u>	 <u>3,321,655</u>
 Total state and federal grants	 <u>\$ 18,257,939</u>	 <u>\$ 16,483,491</u>

Note 11 - Commitments and Contingencies

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

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 11 - Commitments and Contingencies (Continued)

The programs administered by TCCC have complex compliance requirements and should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so, determined by the Texas Education Agency or the grantor agency. TCCC is subject to claims and lawsuits that arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of TCCC.

Note 12 - Pension Plan

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

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).

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 12 - Pension Plan (Continued)

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 12 - Pension Plan (Continued)

Contributions (Continued)

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.

The contribution to the plan by contributor for the years ended August 31, 2019 and 2018 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, 2019 was \$314,516, which includes \$104,127 in Non-OASDI participation surcharges. TCCC's contribution to TRS for the year ended August 31, 2018 was \$250,271, which includes \$94,412 in Non-OASDI participation surcharges.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 12 - Pension Plan (Continued)

Funding Status

The TRS net pension liability in the plan as of August 31, 2019 was as follows:

	2019	2018
Total pension Liability	\$ 209,961,325,288	\$ 209,611,328,793
Less: plan fiduciary net position	157,978,199,075	154,568,901,833
Net pension liability	\$ 51,983,126,213	\$ 55,042,426,960

As of August 31, 2019 and 2018, the plan is 75.24% and 73.74% 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".

Note 13 - Defined Contribution Plan

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

Note 14 - 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, comprise the following:

	<u>Amount</u>
Financial assets available within one year:	
Cash	\$ 2,533,658
Grants receivable	1,266,428
Total financial assets	\$ 3,800,086

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 and has no donor restricted resources. As part of its liquidity management plan, TCCC has a line of credit in the amount of \$350,000 to draw upon in the event of unanticipated liquidity need.

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.

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

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

Note 15 - 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, 2019 and 2018, TCCC had demand deposits in banking institutions that exceeded the Federal Deposit Insurance Corporation insurance amount and collateralized balance. The credit risk exposure to TCCC is mitigated by the financial strength of the banking institutions in which deposits are held. The escrow fund consists of money market accounts which are also with banking institutions with financial strength and no losses have been experienced in the past. As of August 31, 2019, cash deposits not covered by federal depository insurance was \$2,015,686.

Approximately 90% 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, 2019 and 2018, 100% of grants receivable were from government contracts.

Note 16 - Subsequent Events

Management has evaluated subsequent events through December 20, 2019, the date which the financial statements were available to be issued. On October 30, 2019, TCCC finalized a transaction to refinance the Education Revenue Bonds, Series 2009A. The Series 2009A Bonds had an average coupon rate of 8.97%, which through the refinancing transaction decreased to an average coupon rate of 4.56%. By refinancing the bonds, TCCC realized a net present value savings of \$7,154,936. TCCC will also have an account created in the amount of \$2,160,931 for deferred maintenance projects. The refinancing transaction paid off note payable outstanding balances that totaled \$223,274. TCCC now has Series 2019A bonds in the amount of \$20,431,080 and Series 2019B in the amount of \$4,568,920 for a grand total of \$25,000,000 which mature on August 31, 2029.

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

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF FINANCIAL POSITION
AUGUST 31, 2019

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 1,999,834
Grants receivable	1,167,016
Other receivable	30,901
Prepaid expenses	<u>2,930</u>
Total current assets	3,200,681
Property and equipment:	
Buildings and improvements	4,058,050
Furniture, vehicles, and equipment	2,623,477
Accumulated depreciation	<u>(4,448,775)</u>
Total property and equipment, net	<u>2,232,752</u>
Total assets	<u><u>\$ 5,433,433</u></u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	196,086
Accrued liabilities	825,000
Line of credit	90,000
Notes payable, current portion	<u>130,187</u>
Total current liabilities	1,241,273
Long-term liabilities:	
Due to agency	366,408
Notes payable, net of current portion	<u>50,628</u>
Total long - term liabilities	<u>417,036</u>
Total liabilities	<u>1,658,309</u>
Net assets:	
Without donor restrictions	549,235
With donor restrictions	<u>3,225,889</u>
Total liabilities and net assets	<u><u>\$ 5,433,433</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, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Local support:			
5740 Other revenues from local sources	\$ 429,160	\$ -	\$ 429,160
5750 Revenue from cocurricular, enterprising services or activities	47,690	-	47,690
Total local support	<u>476,850</u>	<u>-</u>	<u>476,850</u>
State program revenues:			
5810 Foundation school program act - revenues	-	13,687,716	13,687,716
5820 State program revenues distributed by Texas Education Agency	-	224,716	224,716
Total state program revenues	<u>-</u>	<u>13,912,432</u>	<u>13,912,432</u>
Federal program revenues:			
5920 Federal revenues distributed by the Texas Education Agency	-	2,696,424	2,696,424
5930 Federal revenues distributed by other State of Texas government agencies (other than Texas Education Agency)	-	507,354	507,354
5940 Federal revenues distributed directly from the Federal Government	-	72,049	72,049
Total federal program revenues	<u>-</u>	<u>3,275,827</u>	<u>3,275,827</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>13,962,370</u>	<u>(13,962,370)</u>	<u>-</u>
Other revenues:			
Debt forgiveness	-	-	-
Total revenues	<u>\$ 14,439,220</u>	<u>\$ 3,225,889</u>	<u>\$ 17,665,109</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, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
11 Instruction	\$ 7,457,825	\$ -	\$ 7,457,825
12 Instructional resources/media services	43,693	-	43,693
13 Curriculum development and instructional staff development	-	-	-
21 Instructional leadership	59,265	-	59,265
23 School leadership	1,098,975	-	1,098,975
31 Guidance, counseling and evaluation services	-	-	-
32 Social work services	48,367	-	48,367
33 Health services	88,852	-	88,852
34 Student (pupil) transportation	154,834	-	154,834
35 Food services	933,636	-	933,636
36 Cocurricular/extracurricular activities	45,788	-	45,788
41 General administration	1,263,744	-	1,263,744
51 Plant maintenance and operations	4,200,830	-	4,200,830
52 Security and monitoring services	111,403	-	111,403
53 Data processing services	235,913	-	235,913
61 Community services	57,693	-	57,693
71 Debt services	270	-	270
81 Fundraising services	41,484	-	41,484
	<u>15,842,572</u>	<u>-</u>	<u>15,842,572</u>
Total expenses			
Change in net assets	(1,403,352)	3,225,889	1,822,537
Net assets, beginning of year	<u>1,952,587</u>	<u>-</u>	<u>1,952,587</u>
Net assets, end of year	<u>\$ 549,235</u>	<u>\$ 3,225,889</u>	<u>\$ 3,775,124</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, 2019**

Operating activities:	
Changes in net assets	\$ 1,822,537
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	149,006
Disposal of assets	-
Changes in operating assets and liabilities:	
Increase in grants receivable	(849,059)
Increase in other receivables	(30,901)
Decrease in due to agency	79,300
Increase in prepaid expenses	(2,930)
Increase in accounts payable	(14,852)
Decrease in accrued liabilities	321,689
	<u>1,474,790</u>
Investing activities:	
Purchases of equipment	(89,969)
	<u>(89,969)</u>
Financing activities:	
Proceeds from notes payable	150,000
Repayments on notes payable	(249,061)
Net repayments on line of credit	(150,000)
	<u>(249,061)</u>
Net increase in cash and cash equivalents	1,135,760
Cash and cash equivalents, beginning of year	864,074
Cash and cash equivalents, end of year	<u>\$ 1,999,834</u>
Supplemental disclosure of cash flow information:	
Interest paid during the year	<u>\$ 19,180</u>
Non-cash transaction -	
Capital expenditures in accounts payable	<u>\$ -</u>

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

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

**SCHEDULE OF EXPENSES
YEAR ENDED AUGUST 31, 2019**

Expenses:	
6100 Payroll costs	\$ 8,920,849
6200 Professional and contracted services	4,706,120
6300 Supplies and materials	1,376,138
6400 Other operating costs	820,285
6500 Debt service	<u>19,180</u>
 Total expenses	 <u><u>\$ 15,842,572</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, 2019**

	Ownership Interest			Total
	Local	State	Federal	
Capital assets:				
1520 - Building improvements	\$ -	\$ 3,114,754	\$ 797,084	\$ 3,911,838
1541- Vehicles	-	517,780	-	517,780
1548- Furniture and equipment	-	1,455,648	650,049	2,105,697
 Total capital assets	 \$ -	 \$ 5,088,182	 \$ 1,447,133	 \$ 6,535,315

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, 2019**

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual Amounts	
Revenues				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 429,160	\$ 429,160
5750 Revenue from cocurricular, enterprising services or activities	68,889	68,889	47,690	(21,199)
Total local support	68,889	68,889	476,850	407,961
State program revenues:				
5810 Foundation school program act revenues	12,104,412	12,877,637	13,687,716	810,079
5820 State program revenues Education Agency	12,800	12,800	224,716	211,916
Total state program revenues	12,117,212	12,890,437	13,912,432	1,021,995
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	2,202,071	1,337,098	2,696,424	1,359,326
5930 Federal revenues distributed by other State of Texas government agencies (other than Texas Education Agency)	-	-	507,354	507,354
5940 Federal revenues distributed directly from the Federal Government	93,546	93,546	72,049	(21,497)
Total federal program revenues	2,295,617	1,430,644	3,275,827	1,337,829
Total revenues	\$ 14,481,718	\$ 14,389,970	\$ 17,665,109	\$ 2,767,785

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, 2019**

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual Amounts	
Expenses:				
11 Instruction	\$ 5,179,783	\$ 6,939,430	\$ 7,457,825	\$ (518,395)
12 Instr. Res. & Media	91,902	91,902	43,693	48,209
21 Instructional Admin.	63,087	63,087	59,265	3,822
23 School Leadership	788,159	1,026,315	1,098,975	(72,660)
31 Guid., Couns. & Eval.	4,000	4,000	-	4,000
32 Social Work Serv.	51,395	51,395	48,367	3,028
33 Health Services	86,685	86,685	88,852	(2,167)
34 Student Transport.	118,171	153,171	154,834	(1,663)
35 Food Service	851,051	851,051	933,636	(82,585)
36 Extracurricular	10,246	20,246	45,788	(25,542)
41 General Administration	841,666	981,666	1,263,744	(282,078)
51 Facilities Maint. & Oper.	4,142,502	4,142,502	4,200,830	(58,328)
52 Security & Monitoring	54,160	123,815	111,403	12,412
53 Data Processing	670,156	670,156	235,913	434,243
61 Community Relations	-	86,068	57,693	28,375
71 Debt services	2,500	2,500	270	2,230
81 Facility Acquisition & Construction	-	-	41,484	(41,484)
Total expenses	<u>12,955,463</u>	<u>15,293,989</u>	<u>15,842,572</u>	<u>(548,583)</u>
Changes in net assets	1,526,255	(904,019)	1,822,537	2,219,202
Net assets, beginning of year	<u>1,873,658</u>	<u>1,918,058</u>	<u>1,952,587</u>	<u>34,529</u>
Net assets, end of year	<u>\$ 3,399,913</u>	<u>\$ 1,014,039</u>	<u>\$ 3,775,124</u>	<u>\$ 2,761,085</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, 2019**

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	71401801	\$ 37,283
School Breakfast Program	10.553	71401901	326,539
National School Lunch Program	10.555	71301801	77,597
National School Lunch Program	10.555	71301901	<u>686,478</u>
Total Child Nutrition Cluster			<u>1,127,897</u>
National School Lunch Program:			
Emergency Food Assistance Program (Food Commodities)	10.569	101271A	74,307
Fresh Fruit and Vegetable Program	10.582	N/A	<u>41,680</u>
Total National School Lunch Program			<u>115,987</u>
Total U.S. Department of Agriculture			<u>1,243,884</u>
U.S. Department of Defense:			
Direct Grant			
Department of Defense Appropriation Act of 2003 - Junior ROTC	12.116	N/A	<u>72,049</u>
Total U.S. Department of Defense			<u>72,049</u>
U.S. Department of Housing and Urban Development:			
<i>Pass-Through UnidosUS</i>			
Housing Counseling Assistance Program	14.169	N/A	<u>24,500</u>
Total U.S. Department of Housing and Urban Development			<u>24,500</u>
U.S. Department of Justice:			
<i>Pass-Through Texas Governor's Criminal Justice Division</i>			
Crime Victim Assistance	16.575	N/A	<u>273,091</u>
Total U.S. Department of Justice			<u>273,091</u>
U.S. Department of Treasury:			
<i>Pass-through NeighborWorks America:</i>			
Financial Education and Counseling Pilot Program	21.010	N/A	<u>212,540</u>
Total U.S. Department of Treasury			<u>212,540</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019**

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	84.010A	19610101101806	920,806
Special Education Cluster			
Special Education - Grants to States			
IDEA B, Formula	84.027A	196600011018066000	212,038
Title III, Part A, ELA	84.365A	19671001101806	74,915
Title II, Part A, Supporting Effective Instruction	84.367A	18694501101806	
Title II, Part A, Supporting Effective Instruction	84.367A	19694501101806	71,167
LEP Summer School	84.369A	69551802	2,503
Title IV, Part A, Subpart 1	84.424A	18680101101806	1,657
Title IV, Part A, Subpart 1	84.424A	19680101101806	70,363
Carl Perkins Grant	84.048A	18420006101806	
Carl Perkins Grant	84.048A	19420006101806	25,162
<i>Pass-Through Harris County Department of Education</i>			
21st Century Community Learning Centers	84.287	196950267110022	<u>116,303</u>
Total U.S. Department of Education			<u>1,494,914</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	497,021
<i>Pass-Through Texas Department of Health & Human Services-</i>			
Medical Assistance Program	93.778	N/A	<u>239,162</u>
Total U.S. Department of Health & Human Services			<u>736,183</u>
U.S. Department of Homeland Security-			
Direct Grant			
Disaster Grants- Public Assistance	97.036	N/A	<u>238,345</u>
Total U.S. Department of Homeland Security			<u>238,345</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,295,507</u></u>

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

**NOTES TO SUPPLEMENTARY INFORMATION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019**

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, 2019. 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, 2019 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, 2019, since TCCC's policy is to recognize revenues as budgeted costs attributable to grants and contracts are incurred.

During 2019 and 2018, TCCC charged RYSS rent totaling \$2,580,000. Rent income and expense between TCCC and RYSS are eliminated in TCCC's statement of activities, but the expense is included in RYSS's schedule of activities within plant maintenance and operations.

Note 4 - Relationship to Grantor Agency Financial Reports

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

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

**NOTES TO SUPPLEMENTARY INFORMATION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019**

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, 2019:

Federal awards expenditures per accompanying schedule	\$ 4,295,507
Total federal grants per basic financial statements	<u>4,295,507</u>
Difference	<u>\$ -</u>

The following reconciles total expenses as included in the supplementary information for RYSS to financial statements of TCCC for the year ended August 31, 2019:

RYSS total expenses	\$ 15,842,572
Eliminated rent expense	<u>(2,580,000)</u>
TCCC total expenses - Charter School	<u>\$ 13,262,572</u>

Note 6 - Insurance Coverage

During the year ended August 31, 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, 2019**

Note 6 - Insurance Coverage (Continued)

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

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

Note 7 - Indirect Cost

TCCC has not elected to use the 10% de minimis indirect cost rate for the years ended August 31, 2019 and 2018.

Note 8 - Subrecipients

TCCC did not provide federal funds to subrecipients for the year ended August 31, 2019.

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, 2019.

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

**NOTES TO SUPPLEMENTARY INFORMATION AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019**

Note 10 - Budgetary Comparison Schedule Variances Greater Than 10%

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

RYSS implemented a budgetary restriction campaign due to low financial position. The cost cutting measures resulted in several budgetary variances that were greater than 10%. Although most of the functions show a favorable variance, there are a few that are unfavorable. Function 35 (Food Service) unfavorable variance is a direct result of 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 maintenance and repair of the equipment in the program. Function 51 (Maintenance) was impacted by additional cost as a result of HVAC issues. The plan was to reduce spending after last year in function 51 and that has not been possible. A facility needs assessment is being conducted to identify the future cost of repair versus replace to avoid substantial repair costs every year. Function 81 is a balance that was not budgeted at all for fund 461 which comprise the campus activity and fundraising accounts.

**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, 2019 and 2018, 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 December 20, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 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
December 20, 2019

**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, 2019. 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, 2019.

Report on Internal Control over Compliance

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

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

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

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



Houston, Texas
December 20, 2019

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019**

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? | None reported |
| 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)? | None noted |
| 4. Identification of major programs: | |

CFDA Number

Name of Federal Programs

93.658	Foster Care - Title IV-E
93.778	Medical Assistance Program
97.036	Disaster Grants, Public Assistance
84.010A	Title I, Part A

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

Section 2

Financial Statement Findings

None reported

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, 2019**

Finding 2018-001: Financial Closing Procedures

Condition: The trial balance received numerous adjustments.

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

Current status: The recommendation was adopted; TCCC hired a new CFO, George Flores.

Finding 2018-002: Grant funds were misappropriated

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

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

Current Status: The recommendation was adopted; TCCC hired a new CFO, George Flores.