

**AMIGOS POR VIDA – FRIENDS FOR LIFE
HOUSING & EDUCATION CORPORATION
dba AMIGOS POR VIDA – FRIENDS FOR LIFE
PUBLIC CHARTER SCHOOL
(A NON PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**Year Ended August 31, 2017
with Comparative Totals for 2016**

**AMIGOS POR VIDA – FRIENDS FOR LIFE
PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended August 31, 2017

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Amigos Por Vida – Friends For Life Public Charter School
(Federal Employer Identification Number: 76-0433-067)
Certificate of Board

**Amigos Por Vida - Friends For Life
Housing & Education Corporation dba
Amigos Por Vida - Friends For Life Public
Charter School**

Name of Charter Holder

76-0433-067

Federal Employer ID Number

**Amigos Por Vida - Friends For Life Public
Charter School**

Name of Charter School

Harris

County

101-819

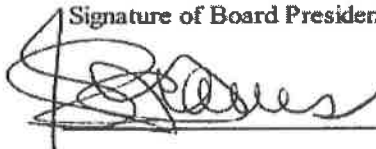
County District Number

We, the undersigned, certify that the attached Financial and Compliance Report of Amigos Por Vida - Friends for Life Public Charter School was reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2017, at a meeting of the governing body of the charter holder on the 23rd day of January, 2018.

Signature of Board Secretary



Signature of Board President



NOTE: If the governing body of the charter holder does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Amigos Por Vida - Friends for Life Public Charter School
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Amigos Por Vida - Friends for Life Public Charter School, Inc. (the "Charter School") which comprise the statement of financial position as of August 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Directors
Amigos Por Vida - Friends for Life Public Charter School

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter School as of August 31, 2017, 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 Charter School's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the Table of Contents and required by the Texas Education Agency, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is also not a required part of the basic 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 23, 2018, on our consideration of the Charter School'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 Charter School's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
January 23, 2018

GENERAL PURPOSE FINANCIAL STATEMENTS

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AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

| | August 31, | |
|---|---------------|---------------|
| | 2017 | 2016 |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 2,511,827 | \$ 2,313,365 |
| Due from state | 216,433 | 281,884 |
| Other receivables | 6,856 | 13,650 |
| Prepaid expenses | 20,747 | 12,465 |
| Total current assets | 2,755,863 | 2,621,364 |
| Property and Equipment, net | 12,502,304 | 12,740,271 |
| Total Assets | \$ 15,258,167 | \$ 15,361,635 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | \$ 65,277 | \$ 55,902 |
| Due to state | 6,042 | 5,338 |
| Accrued salaries payable | 91,313 | 170,036 |
| Payroll liabilities | 55,807 | 46,363 |
| Interest payable | 25,267 | 25,065 |
| Current portion of notes payable | 325,000 | 215,000 |
| Total Current Liabilities | 568,706 | 517,704 |
| Notes payable net of issuance costs and current portion | 8,541,853 | 8,837,283 |
| Total Liabilities | 9,110,559 | 9,354,987 |
| Net Assets: | | |
| Unrestricted | 2,340,530 | 2,258,985 |
| Temporarily restricted | 3,807,078 | 3,747,663 |
| Total Net Assets | 6,147,608 | 6,006,648 |
| Total Liabilities and Net Assets | \$ 15,258,167 | \$ 15,361,635 |

The accompanying notes are an integral part of these financial statements

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

| | Unrestricted | Temporarily Restricted | August 31, | |
|---|--------------|---------------------------|------------|-----------|
| | | | 2017 | 2016 |
| Revenues | | | | |
| Local Support: | | | | |
| Other revenues from local sources | \$ 62,073 | \$ - | \$ 62,073 | \$ 48,402 |
| Revenues from cocurricular activities | 19,472 | - | 19,472 | 16,237 |
| Total Local Support | 81,545 | - | 81,545 | 64,639 |
| State Program Revenues: | | | | |
| Per Capita and Foundation School | | | | |
| Program Act Revenues | - | 4,321,708 | 4,321,708 | 4,548,892 |
| State Program Revenues Distributed by | | | | |
| Texas Education Agency (TEA) | - | 35,068 | 35,068 | 35,331 |
| Total State Program Revenues | - | 4,356,776 | 4,356,776 | 4,584,223 |
| Federal Program Revenues: | | | | |
| Federal revenues distributed by the TEA | - | 775,085 | 775,085 | 738,314 |
| Total Federal Program Revenues | - | 775,085 | 775,085 | 738,314 |
| Net Assets Released from Restrictions: | | | | |
| Restrictions satisfied by payments | 5,072,446 | (5,072,446) | - | - |
| Total Revenues | 5,153,991 | 59,415 | 5,213,406 | 5,387,176 |

The accompanying notes are an integral part of these financial statements

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

STATEMENTS OF ACTIVITIES (continued)

| | Unrestricted | Temporarily Restricted | August 31, | |
|---|-------------------------|---------------------------|-------------------------|-------------------------|
| | | | 2017 | 2016 |
| Expenses | | | | |
| Instruction | \$ 2,402,416 | \$ - | \$ 2,402,416 | \$ 2,421,712 |
| Instructional Resources and Media Services | 48,301 | - | 48,301 | 44,855 |
| Curriculum Development and Instructional Staff Development | 16,337 | - | 16,337 | 24,999 |
| Instructional Leadership | 5,200 | - | 5,200 | - |
| School Leadership | 429,242 | - | 429,242 | 316,792 |
| Guidance, Counseling & Evaluation Services | 82,781 | - | 82,781 | 71,909 |
| Health Services | 36,482 | - | 36,482 | 35,859 |
| Food Services | 346,288 | - | 346,288 | 398,672 |
| Extracurricular Activities | 17,750 | - | 17,750 | 10,871 |
| General Administration | 299,424 | - | 299,424 | 273,172 |
| Facilities Maintenance and Operations | 681,960 | - | 681,960 | 597,969 |
| Security and Monitoring Services | 63,381 | - | 63,381 | 70,448 |
| Data Processing Services | 89,293 | - | 89,293 | 77,908 |
| Community Services | 3,487 | - | 3,487 | 3,284 |
| Debt Services | 546,317 | - | 546,317 | 592,226 |
| Fund Raising | 3,787 | - | 3,787 | 4,044 |
| Total Expenses | <u>5,072,446</u> | <u>-</u> | <u>5,072,446</u> | <u>4,944,720</u> |
| Change in Net Assets | 81,545 | 59,415 | 140,960 | 442,456 |
| Net Assets, beginning of year | 2,258,985 | 3,747,663 | 6,006,648 | 5,600,161 |
| Prior Period Adjustment | <u>-</u> | <u>-</u> | <u>-</u> | <u>(35,969)</u> |
| Net Assets, end of year | <u>\$ 2,340,530</u> | <u>\$ 3,807,078</u> | <u>\$ 6,147,608</u> | <u>\$ 6,006,648</u> |

The accompanying notes are an integral part of these financial statements

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

| | August 31, | |
|---|--------------|--------------|
| | 2017 | 2016 |
| Cash flows from operating activities: | | |
| Foundation school program payments | \$ 4,393,364 | \$ 4,553,432 |
| Grant payments | 769,584 | 803,036 |
| Other state and local revenue payments | 123,407 | 98,522 |
| Payments to vendors for goods and services rendered | (1,321,537) | (1,125,789) |
| Payments to charter school personnel for services rendered | (2,976,974) | (2,913,113) |
| Interest Payments | (536,110) | (583,912) |
| Net cash provided by operating activities | 451,734 | 832,176 |
| Cash flows from investing activities: | | |
| Purchase of fixed assets | (57,837) | - |
| Net cash used by investing activities | (57,837) | - |
| Cash flows from financing activities: | | |
| Proceeds from Note Payable | 9,360,000 | - |
| Principal payments on long-term debt | (365,000) | (205,000) |
| Retirements of debt | (8,839,987) | - |
| Cash paid for bond issuance costs | (350,448) | - |
| Net cash used by financing activities | (195,435) | (205,000) |
| Net change in cash and cash equivalents | 198,462 | 627,176 |
| Beginning cash and cash equivalents | 2,313,365 | 1,686,189 |
| Ending cash and cash equivalents | \$ 2,511,827 | \$ 2,313,365 |
| Reconciliation of change in net assets to net cash provided by operating activities: | | |
| Increase in net assets | \$ 140,960 | \$ 442,456 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 295,804 | 287,545 |
| Amortization | 10,005 | 4,314 |
| (Increase) decrease in: | | |
| Due from state | 65,451 | 63,924 |
| Other receivables | 6,794 | (1,448) |
| Prepaid expenses | (8,282) | (2,923) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 9,375 | (16,772) |
| Due to state | 704 | 5,338 |
| Accrued salaries payable | (78,723) | 34,130 |
| Payroll liabilities | 9,444 | 10,394 |
| Interest payable | 202 | 5,218 |
| Net cash provided by operating activities | \$ 451,734 | \$ 832,176 |

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2017

Note 1 - Summary of Significant Accounting Policies

The general-purpose financial statements of Amigos Por Vida - Friends for Life Public Charter School (the "Charter School") were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The Charter School is a not-for-profit organization incorporated in the State of Texas in 1997 and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter School is governed by a Board of Directors comprised of five members. The members of the Board of Directors are appointed in accordance with provisions contained in the bylaws of the Charter School. The Board of Directors has the authority to make decisions, appoint the administrator of the Charter School, and significantly influence operations. The Board of Directors has primary accountability for the fiscal affairs of the Charter School.

Since the Charter School receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

The Charter School was organized to provide educational services to students in Pre-K3 through the Eighth Grade. The Board of Directors governs the programs, services, activities, and functions of the Charter School, which operates under an open enrollment charter granted by the State of Texas Board of Education. The Charter School is part of the public school system of the State of Texas and is therefore entitled to distributions from the State's available school fund. The Charter School does not have the authority to impose ad valorem taxes on its district or to charge tuition.

The Charter School's charter was renewed in April of 2014 with a contract ending date of July 31, 2023.

Basis of Accounting and Presentation

The accompanying general purpose financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

In accordance with Accounting Standards Codification Topic 958-205 (ASC Topic No. 958) *Not-For-Profit Entities-Presentation of Financial Statements*, net assets, revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Unrestricted - net assets that are not subject to donor-imposed restrictions. As of August 31, 2017, unrestricted net assets totaled \$2,340,530.

Temporarily restricted - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of August 31, 2017, temporarily restricted net assets totaled \$3,807,078.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

Permanently restricted - net assets required to be maintained in perpetuity with only the income to be used for the Charter School's activities due to donor-imposed restrictions. As of August 31, 2017, the Charter School had no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most sensitive estimate affecting the Charter School's financial statements was the depreciation of capital assets and functional allocation of expenses.

Contributions

The Charter School accounts for contributions in accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC Topic 958-605, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For financial statement purposes, the Charter School considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

State Foundation School Program revenues are recognized based on the reported student attendance. State and Federal grant revenues are recognized when services are rendered. Contributions and other revenues are recognized when received or unconditionally promised by a third party.

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the Charter School as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to thirty-nine years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expenses as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost. The Charter School had no donated capital assets at August 31, 2017.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Income Taxes

The Charter School is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“the Code”) and comparable State of Texas law. The Charter School did not conduct any unrelated business activities in the current fiscal year. Therefore, the Charter School has made no provision for federal income taxes in the accompanying financial statements. The Charter School has also been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code. Accordingly, contributions to the Charter School are tax deductible within the limitations prescribed by the Code.

The Charter School applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Charter School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Note 2 - Capital Assets

Capital assets at August 31, 2017 and 2016, were as follows:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|----------------------|----------------------|
| Land | \$ 5,813,836 | \$ 5,813,836 |
| Buildings and Improvements | 8,468,298 | 8,468,298 |
| Furniture and Equipment | <u>83,625</u> | <u>25,788</u> |
| Total Property and Equipment | 14,365,759 | 14,307,922 |
| Less Accumulated Depreciation | <u>(1,863,455)</u> | <u>(1,567,651)</u> |
| Property and Equipment, Net | <u>\$ 12,502,304</u> | <u>\$ 12,740,271</u> |

Depreciation expense for the fiscal years ended August 31, 2017 and August 31, 2016, were \$295,804 and \$287,545, respectively.

Capital assets acquired with public funds received by the Charter School for the operation of the Charter School constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3 - Concentration of Credit and Business Risk

The Charter School maintains demand deposits with a U.S. local banking institution. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Charter School will not be able to recover its deposits. The Charter School maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risk. At August 31, 2017, the carrying amount of the Charter School's cash deposits was \$2,511,394 and the banks' balance was \$2,537,520. The Charter School's cash deposits at August 31, 2017, were entirely covered by Federal Deposit Insurance Corporation (FDIC) Insurance or by pledged collateral held by the Charter School's agent bank in the Charter School's name.

Approximately 83 percent of the Charter School's total revenue for fiscal year 2017 was provided by the State funding for the Per Capita Apportionment and State Foundation Program.

Note 4 - Defined Benefit Pension Plans

Plan Description

The Charter School participates in a cost-sharing multi-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. 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 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Defined Benefit Pension Plans (continued)

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

| | Contribution Rates | |
|--|---------------------------|-------------|
| | Plan Fiscal Year | |
| | 2016 | 2017 |
| Member | 7.2% | 7.7% |
| Employer | 6.8% | 6.8% |
| Non-Employer Contributing Entity (State) | 6.8% | 6.8% |

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions and pension expense for all contributors were as follows:

| | Fiscal Year (2016) | Fiscal Year (2017) |
|-----------------------|-------------------------------|-------------------------------|
| | TRS Contributions | TRS Contributions |
| Total Covered Payroll | \$ 2,577,540 | \$ 2,573,296 |
| Member (Employee) | 185,601 | 198,144 |
| Charter School | 22,830 | 20,480 |
| Non-OASDI Surcharge | 30,437 | 32,709 |

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Defined Benefit Pension Plans (continued)

Contributions (continued)

As the non-employer contributing entity for public education and junior colleges, 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 participating 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% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- 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% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Note 5 - Health Care Coverage

During the year ended August 31, 2017, employees of the Charter School were covered by a Health Insurance Plan (the "Plan"). The Charter School contributed up to \$340 per month per employee from September 2016 through January 2017 and up to \$360 per month per employee from February 2017 through August 2017 to the Plan. During the year ended August 31, 2016, the Charter School contributed \$318 per month per employee from September 2015 through January 2016 and up to \$340 per month per employee from February 2016 through August 2016 to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Due from State

Amounts due from the Texas Education Agency at August 31, 2017 and 2016, consisted of the following:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|-------------------|-------------------|
| State Foundation Program Year | \$ 180,703 | \$ 252,359 |
| Title I, Part A | 11,438 | 8,328 |
| IDEA, Part B - Formula | 5 | - |
| Title II, Part A | 2,004 | 160 |
| Title III, Part A | 686 | - |
| National School Lunch Program | 21,597 | 21,037 |
| | <u>\$ 216,433</u> | <u>\$ 281,884</u> |

Note 7 - Operating Leases

The Charter School currently leases its office equipment, which are comprised of copiers and a postage meter. The future minimum rental payments required under non-cancellable lease agreements as of August 31, 2017, are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2017-2018 | \$ 17,700 |
| 2018-2019 | 17,700 |
| 2020 | 6,883 |
| Total | <u>\$ 42,283</u> |

Rent expenses for the fiscal years ended August 31, 2017 and August 31, 2016, were approximately \$22,065 and \$20,201, respectively.

Note 8 - Commitments and Contingencies

The Charter School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily in 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 the Charter School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - State Aid

Charter schools in the State of Texas participate in the State foundation program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six-week reporting period, and at the close of the year, actual attendance is calculated by the Texas Education Agency and the attendance reports are subject to audit by the Texas Education Agency and final State foundation program earnings may be adjusted as a result of any such audit. During the period ended August 31, 2017, the Charter School earned \$4,321,708 of Per Capita and State foundation program funds, of which all was earned (before any possible Texas Education Agency enrollment and attendance audit). In fiscal year 2016, the Charter School earned \$4,548,892.

Note 10 - Notes Payable

In March 2017, the Charter School has entered into two loan agreements: \$9,150,000 Series 2017 (tax-exempt loan) and \$210,000 Series 2017 (taxable loan) to refund the Charter School's outstanding bonds of \$8,930,000 from original issue of \$10,350,000 of "Qualified Tax Exempt" Education Revenue Bonds, Series 2008. The loans are limited obligations of the issuer payable solely from revenues received by the issuer pursuant to a loan agreement between the issuer and the borrower. None of the state, the city, nor any political corporation, subdivisions, or agency of the state is pledged to the payment of the principal of premium, or interest on the notes. As a result of refunding, there was a related debt issuance cost in the amount of \$350,448 which will be amortized over the life of the new loans. The loss on refunding was \$70,169 and was treated as an expense in the current fiscal year. The net present value savings on the refunding was \$2,274,744.

During the 2017 fiscal year, long-term debt consisted of the following notes payable:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> | <u>Interest Accrual</u> |
|--|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|-----------------------------|
| Education Revenue Bonds, Series 2008 | \$ 9,145,000 | \$ - | \$ (9,145,000) | \$ - | \$ - | |
| Education Corporation Series 2017 Note Payable - Tax-Exempt | - | 9,150,000 | (50,000) | 9,100,000 | 215,000 | \$ 25,144 |
| Education Corporation Series 2017 Note Payable - Taxable | - | 210,000 | (100,000) | 110,000 | 110,000 | 123 |
| Debt Issuance Costs - Series 2017 Note Payable | - | (350,448) | 7,301 | (343,147) | | |
| Unamortized discount | (92,717) | - | 92,717 | - | - | - |
| | <u>\$ 9,052,283</u> | <u>\$ 9,009,552</u> | <u>\$ (9,194,982)</u> | <u>\$ 8,866,853</u> | <u>\$ 325,000</u> | <u>\$ 25,267</u> |

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 10 - Notes Payable (continued)

The following is a summary of long-term debt transactions for the Charter School for the year ended August 31, 2017:

| Series | Amount Outstanding | Original Issue | Interest Rate | Serially Beginning/ Ending | Interest Payment Dates |
|--|-----------------------|----------------|---------------|----------------------------------|------------------------------|
| Education Corporation Series 2017 Note Payable - Tax-Exempt | \$ 9,100,000 | \$ 9,150,000 | 3.29% | April 1, 2017 / March 1, 2037 | 1st of Each Month |
| Education Corporation Series 2017 Note Payable - Taxable | \$ 110,000 | \$210,000 | 3.47% | April 1, 2017 / March 1, 2037 | 1st of Each Month |

The debt service requirements on bonds outstanding at August 31, 2017, are as follows:

| Year Ending August 31 | Principal | Interest | Total |
|--------------------------|---------------------|---------------------|----------------------|
| 2018 | \$ 325,000 | \$ 297,386 | \$ 622,386 |
| 2019 | 340,000 | 287,409 | 627,409 |
| 2020 | 350,000 | 275,990 | 625,990 |
| 2021 | 365,000 | 264,337 | 629,337 |
| 2022 | 375,000 | 252,137 | 627,137 |
| 2023 | 385,000 | 239,704 | 624,704 |
| 2024 | 405,000 | 226,434 | 631,434 |
| 2025 | 420,000 | 212,945 | 632,945 |
| 2026 | 430,000 | 199,127 | 629,127 |
| 2027 | 445,000 | 184,844 | 629,844 |
| 2028 | 450,000 | 170,134 | 620,134 |
| 2029 | 460,000 | 155,151 | 615,151 |
| 2030 | 495,000 | 139,331 | 634,331 |
| 2031 | 515,000 | 122,854 | 637,854 |
| 2032 | 525,000 | 105,787 | 630,787 |
| 2033 | 545,000 | 87,939 | 632,939 |
| 2034 | 560,000 | 70,077 | 630,077 |
| 2035 | 585,000 | 51,201 | 636,201 |
| 2036 | 610,000 | 32,064 | 642,064 |
| 2037 | 625,000 | 7,869 | 632,869 |
| | <u>\$ 9,210,000</u> | <u>\$ 3,382,720</u> | <u>\$ 12,592,720</u> |

Note 11 - Temporarily Restricted Net Assets

At August 31, 2017 and 2016, temporarily restricted net assets, primarily attributable to the General Fund (Fund 420), the Child Nutrition Program (Fund 240), and the Instructional Materials Allotment (Fund 410), totaled \$3,807,078 and \$3,747,663, respectively.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 12 - Accrued Salaries

During August 2017, the Charter School's teachers worked on average twenty days for which were supposed be paid until after August 31, 2017. In August 2017, Hurricane Harvey made a landfall in Harris County and the City of Houston that caused schools and businesses to close and prevented remote access to the payroll software. The bank deducted \$78,615 on August 31, 2017 instead of September 1, 2017 which reduced the accrued wages as of August 31, 2017. Based on the daily rate of pay, the number of days worked, and adjustment of accrued wages due to timing, the Charter School accrued \$91,313 in teachers' salaries to be paid after August 31, 2017. In fiscal year 2016, the Charter School recorded \$170,036 in accrued salaries based on an average twenty-two days worked.

Note 13 - Charter Holder Operations

The Charter Holder only operated a single charter school and did not conduct any other charter or non-charter activities.

Note 14 - Management's Review of Subsequent Events

In preparing the accompanying financial statements, management has reviewed all known events that have occurred after August 31, 2017, and through January 23, 2018, the date on which the financial statements were available to be issued, for inclusion in the financial statements and footnotes. This review resulted in no adjustment to the financial statements and footnotes.

SUPPLEMENTARY INFORMATION

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AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

SCHEDULES OF EXPENSES

| | | August 31, | |
|-----------------|------------------------------------|---------------------|---------------------|
| | | 2017 | 2016 |
| Expenses | | | |
| 6100 | Payroll Costs | \$ 2,907,695 | \$ 2,993,606 |
| 6200 | Professional and Contract Services | 1,062,320 | 822,397 |
| 6300 | Supplies and Materials | 171,863 | 175,206 |
| 6400 | Other Operating Costs | 384,251 | 361,285 |
| 6500 | Debt | 546,317 | 592,226 |
| | Total Expenses | <u>\$ 5,072,446</u> | <u>\$ 4,944,720</u> |

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

SCHEDULE OF CAPITAL ASSETS

Year Ended August 31, 2017

| | | Ownership Interest | | |
|------|---------------------------------------|---------------------------|----------------------|----------------|
| | | Local | State | Federal |
| 1510 | Land and improvements | \$ - | \$ 5,813,836 | \$ - |
| 1520 | Buildings and improvements | - | 8,468,298 | - |
| 1539 | Furniture and equipment | - | 83,625 | - |
| | Total property & equipment | \$ - | \$ 14,365,759 | \$ - |

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

BUDGETARY COMPARISION SCHEDULE

Year Ended August 31, 2017

| | | <u>Original</u> | <u>Final</u> | <u>Actual Amounts</u> | <u>Variance from Final Budget</u> |
|---------------------------|---|-----------------|--------------|---------------------------|---------------------------------------|
| Revenues | | | | | |
| Local Support: | | | | | |
| 5740 | Other Revenues from Local Sources | \$ 46,250 | \$ 78,117 | \$ 81,545 | \$ 3,428 |
| State Program Revenues: | | | | | |
| 5810 | Foundation School Program Act Revenues | 4,446,031 | 4,395,534 | 4,321,708 | (73,826) |
| 5820 | State Program Revenues Distributed by the Texas Education Agency | 27,210 | 27,210 | 35,068 | 7,858 |
| | Total State Program Revenues | 4,473,241 | 4,422,744 | 4,356,776 | (65,968) |
| Federal Program Revenues: | | | | | |
| 5929 | Federal Revenues Distributed by the Texas Education Agency | 827,469 | 795,357 | 775,085 | (20,272) |
| | Total Federal Program Revenues | 827,469 | 795,357 | 775,085 | (20,272) |
| | Total Revenues | 5,346,960 | 5,296,218 | 5,213,406 | (82,812) |
| Expenses | | | | | |
| 11 | Instruction | 2,549,914 | 2,375,994 | 2,402,416 | (26,422) |
| 12 | Instructional Resources and Media Services | 51,839 | 47,723 | 48,301 | (578) |
| 13 | Curriculum Development and Instructional Staff Development | 15,466 | 15,466 | 16,337 | (871) |
| 21 | Instructional Leadership | 5,200 | 5,200 | 5,200 | - |
| 23 | School Leadership | 419,923 | 419,923 | 429,242 | (9,319) |
| 31 | Guidance, Counseling and Evaluation Services | 86,892 | 83,456 | 82,781 | 675 |
| 33 | Health Services | 37,470 | 37,470 | 36,482 | 988 |
| 35 | Food Service | 396,174 | 378,738 | 346,288 | 32,450 |
| 36 | Cocurricular/Extracurricular Activities | 18,810 | 18,810 | 17,750 | 1,060 |
| 41 | General Administration | 279,464 | 298,800 | 299,424 | (624) |
| 51 | Facilities Maintenance and Operations | 652,878 | 707,172 | 681,960 | 25,212 |
| 52 | Security and Monitoring Services | 71,050 | 71,050 | 63,381 | 7,669 |
| 53 | Data Processing Services | 82,985 | 93,168 | 89,293 | 3,875 |
| 61 | Community Services | 3,000 | 3,200 | 3,487 | (287) |
| 71 | Debt Service | 571,794 | 441,332 | 546,317 | (104,985) |
| 81 | Fund Raising | 5,800 | 3,674 | 3,787 | (113) |
| | Total Expenses | 5,248,659 | 5,001,176 | 5,072,446 | (71,270) |
| | Change in net assets | 98,301 | 295,042 | 140,960 | (154,082) |
| | Beginning net assets | 6,006,648 | 6,006,648 | 6,006,648 | - |
| | Ending net assets | \$ 6,104,949 | \$ 6,301,690 | \$ 6,147,608 | \$ (154,082) |

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

BUDGETARY COMPARISION SCHEDULE (continued)

Year Ended August 31, 2017

Budget Variances

In accordance with Module 10, Section 1.7.2.8 of the Financial Accountability System Resource Guide, if the original and final budgeted amounts vary by more than 10 percent of the original budgeted amounts, the charter holder must include a written statement discussing the cause of the variance(s). The Charter School provides the following explanations for each of the variances noted:

| | |
|--------------------|--|
| Function 53 | Increase due to purchase of new PBX phone switch at \$6,600 and hiring a new IT person at a higher rate. |
| Function 71 | Decrease due to decrease in interest expense resulting from bond refunding |
| Function 81 | Decrease due to less fund raising activity |

If the actual and final budgeted amounts vary by more than 10 percent of the final budgeted amounts, the charter holder must include a written statement discussing the cause of the variance(s) and the corrective action(s) that were taken to ensure that the Charter School adheres to its budget. The Charter School provides the following explanations for each of the variances noted:

| | |
|--------------------|--|
| Function 52 | Decrease due to the school's four-day closure (August 28 th – 31 st) that resulted to unexpected reduction in security costs. |
|--------------------|--|

Corrective Action Plan

The Charter School will carefully review each function category to adhere to the requirements.

COMPLIANCE AND INTERNAL CONTROLS

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

To the Board of Directors
Amigos Por Vida - Friends for Life Public Charter School
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Amigos Por Vida - Friends for Life Public Charter School, Inc. (the "Charter School"), which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter School'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 the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School'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.

To the Board of Directors
Amigos Por Vida – Friends for Life Public Charter School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas
January 23, 2018

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

To the Board of Directors
Amigos Por Vida - Friends for Life Public Charter School
Houston, Texas

Report on Compliance for Each Major Federal Program

We have audited Amigos Por Vida - Friends for Life Public Charter School's (the "Charter School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal programs for the year ended August 31, 2017. The Charter School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 on the Charter School's major federal program 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). 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 the Charter School'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 the major federal program. However, our audit does not provide a legal determination of the Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program the year ended August 31, 2017.

To the Board of Directors
Amigos Por Vida - Friends for Life Public Charter School

Report on Internal Control Over Compliance

Management of the Charter School 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 the Charter School'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 the Charter School'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.

Whitley Penn LLP

Houston, Texas
January 23, 2018

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2017

I. Summary of Auditors' Results

Financial Statements

| | |
|---|-----------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness (es) identified? | None identified |
| Significant deficiency (ies) identified that is not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|-----------------|
| Internal control over major programs: | |
| Material weakness (es) identified? | None identified |
| Significant deficiency (ies) identified that are not considered to be material weaknesses? | None reported |
| Type of auditors' report issued on compliance with major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? | None |

Identification of major programs:

| <u>Name of Federal Program or Cluster</u> | <u>CFDA Numbers</u> |
|--|---------------------|
| U.S. Department of Agriculture: | |
| Child Nutrition Cluster: | |
| National School Lunch Program | 10.555 |
| School Breakfast Program | 10.553 |
| Dollar Threshold Considered Between Type A and Type B Federal Programs | \$750,000 |
| Auditee qualified as low-risk auditee? | No |

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2017

II. Financial Statement Findings

No current findings were noted.

III. Federal Award Findings and Questioned Costs

There were no current year federal award findings.

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|------------------------------------|---|---------------------------------|
| U.S. Department of Education | | | |
| Passed Through Texas Education Agency: | | | |
| <u>Special Education Cluster:</u> | | | |
| <i>IDEA, Part B - Formula</i> | 84.027A | 176600011018196000 | \$ 112,838 |
| <i>IDEA - Preschool</i> | 84.173A | 176610011018196000 | 3,680 |
| Total Special Education Cluster: | | | <u>116,518</u> |
| <i>Title I, Part A</i> | 84.010A | 17610101101819 | 248,647 |
| <i>Title III, Part A - LEP</i> | 84.365A | 17671001101819 | 45,727 |
| <i>Title III, Part A - Immigrant</i> | 84.365A | 17671003101819 | 4,276 |
| <i>Title II Part A, Supporting Effective Instructions State Grant</i> | 84.367A | 17694501101819 | 33,765 |
| <i>Summer School LEP</i> | 84.369A | 69551602 | 4,660 |
| Total Passed Through Texas Education Agency | | | <u>453,593</u> |
| Total U.S. Department of Education | | | <u>453,593</u> |
| U.S. Department of Agriculture | | | |
| Passed Through Texas Education Agency: | | | |
| <i>National School Lunch Program</i> | 10.555 | 71301701 | 269,406 |
| <i>School Breakfast Program</i> | 10.553 | 71401701 | 52,086 |
| Total Passed Through Texas Education Agency | | | <u>321,492</u> |
| Total U.S. Department of Agriculture | | | <u>321,492</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 775,085</u> |

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards ("SEFA") presents federal grant activity of the Charter School for the fiscal year ended August 31, 2017, and is reported on the accrual basis of accounting. The information in the SEFA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the Charter School's financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented when available.

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

Note 3 - Relationship to Financial Report Submitted to Grantor Agencies

Amounts reflected in the financial reports filed with grantor agencies for the program may not agree with the amounts in the SEFA because of accruals made to present the SEFA on the accrual basis (which would be included in the next report filed with the agencies), as well as matching requirements not included in the SEFA and differences in programs' year-ends.

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2017

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None noted

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2017

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

I. Corrective Action Plan

Not Applicable