

**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, 2019
with Comparative Totals for 2018**

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended August 31, 2019

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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

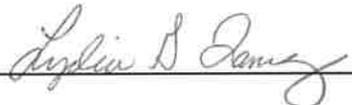
**Amigos Por Vida - Friends For Life Public
Charter School**
Name of Charter School

Harris
County

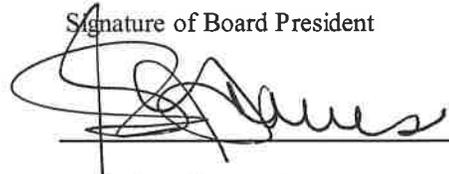
101-819
County District Number

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, 2019, at a meeting of the governing body of the charter holder on the 21st day of January, 2020.

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.

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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, 2019, 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, 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 Charter School's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 22, 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.

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 21, 2020, 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 21, 2020

GENERAL PURPOSE FINANCIAL STATEMENTS

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AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

	August 31,	
	2019	2018
	<u> </u>	<u> </u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,328,860	\$ 2,954,530
Due from state	387,043	253,865
Other receivables	7,391	7,496
Prepaid expenses	17,385	26,404
Total current assets	<u>3,740,679</u>	<u>3,242,295</u>
 Property and Equipment, net	 <u>11,955,922</u>	 <u>12,210,118</u>
 Total Assets	 <u><u>\$ 15,696,601</u></u>	 <u><u>\$ 15,452,413</u></u>
 Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 28,974	\$ 88,045
Due to state	5,338	5,338
Accrued salaries payable	241,406	187,810
Payroll liabilities	10,031	49,415
Interest payable	29,422	23,812
Current portion of notes payable	350,000	340,000
Total Current Liabilities	<u>665,171</u>	<u>694,420</u>
 Notes payable net of issuance costs and current portion	 <u>7,886,897</u>	 <u>8,219,375</u>
 Total Liabilities	 8,552,068	 8,913,795
 Net Assets:		
Without donor restrictions	2,501,434	2,429,906
With donor restrictions	4,643,099	4,108,712
Total Net Assets	<u>7,144,533</u>	<u>6,538,618</u>
 Total Liabilities and Net Assets	 <u><u>\$ 15,696,601</u></u>	 <u><u>\$ 15,452,413</u></u>

The accompanying notes are an integral part of these financial statements

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

For The Years Ended

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>August 31,</u> <u>2019</u>	<u>2018</u>
Revenues				
Local Support:				
Other revenues from local sources	\$ 29,655	\$ -	\$ 29,655	\$ 52,448
Revenues from cocurricular activities	41,873	-	41,873	36,928
Total Local Support	<u>71,528</u>	<u>-</u>	<u>71,528</u>	<u>89,376</u>
State Program Revenues:				
Per Capita and Foundation School				
Program Act Revenues	-	4,802,969	4,802,969	4,745,341
State Program Revenues Distributed by				
Texas Education Agency (TEA)	-	45,798	45,798	57,281
Total State Program Revenues	<u>-</u>	<u>4,848,767</u>	<u>4,848,767</u>	<u>4,802,622</u>
Federal Program Revenues:				
Federal revenues distributed by the TEA	-	775,663	775,663	776,489
Total Federal Program Revenues	<u>-</u>	<u>775,663</u>	<u>775,663</u>	<u>776,489</u>
Net Assets Released from Restrictions:				
Restrictions satisfied by payments	5,090,043	(5,090,043)	-	-
Total Revenues	<u>5,161,571</u>	<u>534,387</u>	<u>5,695,958</u>	<u>5,668,487</u>

The accompanying notes are an integral part of these financial statements

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

STATEMENTS OF ACTIVITIES (continued)

For the Years Ended

	Without Donor Restrictions	With Donor Restrictions	August 31, 2019	2018
Expenses				
Instruction	\$ 2,602,456	\$ -	\$ 2,602,456	\$ 2,687,449
Instructional Resources and Media Services	49,564	-	49,564	55,312
Curriculum Development and Instructional Staff Development	33,018	-	33,018	16,302
Instructional Leadership	13,529	-	13,529	20,800
School Leadership	370,471	-	370,471	459,246
Guidance, Counseling & Evaluation Services	64,230	-	64,230	91,325
Health Services	36,796	-	36,796	36,834
Food Services	321,122	-	321,122	323,628
Extracurricular Activities	22,730	-	22,730	19,741
General Administration	288,131	-	288,131	257,409
Facilities Maintenance and Operations	692,421	-	692,421	760,733
Security and Monitoring Services	89,093	-	89,093	79,104
Data Processing Services	100,018	-	100,018	101,376
Community Services	2,273	-	2,273	2,316
Debt Services	377,299	-	377,299	354,014
Fund Raising	26,892	-	26,892	11,888
Total Expenses	<u>5,090,043</u>	<u>-</u>	<u>5,090,043</u>	<u>5,277,477</u>
 Change in Net Assets	 71,528	 534,387	 605,915	 391,010
Net Assets, beginning of year	<u>2,429,906</u>	<u>4,108,712</u>	<u>6,538,618</u>	<u>6,147,608</u>
Net Assets, end of year	<u>\$ 2,501,434</u>	<u>\$ 4,643,099</u>	<u>\$ 7,144,533</u>	<u>\$ 6,538,618</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,	
	2019	2018
	<hr/>	<hr/>
Cash flows from operating activities:		
Foundation school program payments	\$ 4,724,818	\$ 4,721,030
Grant payments	720,636	762,664
Other state and local revenue payments	117,431	146,017
Payments to vendors for goods and services rendered	(1,364,492)	(1,389,633)
Payments to charter school personnel for services rendered	(3,090,596)	(3,134,428)
Interest Payments	<u>(354,167)</u>	<u>(337,947)</u>
Net cash provided by operating activities	<u>753,630</u>	<u>767,703</u>
 Cash flows from investing activities:		
Purchase of fixed assets	<u>(39,300)</u>	<u>-</u>
Net cash used by investing activities	<u>(39,300)</u>	<u>-</u>
 Cash flows from financing activities:		
Principal payments on long-term debt	<u>(340,000)</u>	<u>(325,000)</u>
Net cash used by financing activities	<u>(340,000)</u>	<u>(325,000)</u>
 Net change in cash and cash equivalents	374,330	442,703
Beginning cash and cash equivalents	<u>2,954,530</u>	<u>2,511,827</u>
Ending cash and cash equivalents	<u>\$ 3,328,860</u>	<u>\$ 2,954,530</u>
 Reconciliation of change in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 605,915	\$ 391,010
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	293,496	292,186
Amortization	17,522	17,522
(Increase) decrease in:		
Due from state	(133,178)	(37,432)
Other receivables	105	(640)
Prepaid expenses	9,019	(5,657)
Increase (decrease) in operating liabilities:		
Accounts payable	(59,071)	22,768
Due to state	-	(704)
Accrued salaries payable	53,596	96,497
Payroll liabilities	(39,384)	(6,392)
Interest payable	<u>5,610</u>	<u>(1,455)</u>
Net cash provided by operating activities	<u>\$ 753,630</u>	<u>\$ 767,703</u>

The accompanying notes are an integral part of these financial statements

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2019

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.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("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.

The Charter School adopted the ASU on September 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. However, there is no adjustment necessary to prior year reported total changes in net assets or net assets as a result of the adoption.

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.

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2019.

Prepaid Expenses

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

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as either without donor restrictions or with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. As of August 31, 2019, net assets without donor restrictions totaled \$2,501,434.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of August 31, 2019, net assets with donor restrictions totaled \$4,643,099.

In accordance with state law, a charter holder is entitled to receive state aid for the charter school based on student attendance; however, before the charter holder may reclassify state aid from net assets with donor restrictions to net assets without donor restrictions, it must meet a two part test.

1. First, the charter school must demonstrate that it expended state aid for the benefit of its students.
2. Second, the charter school must expend state aid consistent with TEC, §45.105(c).

As described in Note 10, the majority of Charter School's revenue is comprised of state aid from the Texas Education Agency.

Functional Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. The Texas Education Agency mandates a specific account coding that requires open enrollment charter schools to record expenses to a unique combination of function and object. Generally, the Charter School records its expenses based on direct allocation by assigning each expense to a functional category based on direct usage. See Note 13 for more information.

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.

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

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, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 5,813,836	\$ 5,813,836
Buildings and Improvements	8,507,598	8,468,298
Furniture and Equipment	83,625	83,625
Total Property and Equipment	14,405,059	14,365,759
Less Accumulated Depreciation	<u>(2,449,137)</u>	<u>(2,155,641)</u>
Property and Equipment, Net	<u>\$ 11,955,922</u>	<u>\$ 12,210,118</u>

Depreciation expense for the fiscal years ended August 31, 2019 and August 31, 2018, were \$293,496 and \$292,186, 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.

Note 3 - Concentration of Credit and Business Risk

The Charter School maintains demand deposits with U.S. local banking institutions. 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, 2019, the carrying amount of the Charter School's cash deposits was \$3,394,969 and the bank's balance was \$3,328,860. The Charter School's cash deposits at August 31, 2019, 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 84 percent of the Charter School's total revenue for fiscal year 2019 was provided by the State funding for the Per Capita Apportionment and State Foundation Program.

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Defined Benefit Pension Plans

A. Plan Description

The Charter School contributes to the Teacher Retirement System of Texas ("TRS"), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. TRS administers the retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas.

The plan operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805 respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800- 223- 8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district ("ISD") may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The TRS Comprehensive Annual Financial Report available dated August 31, 2018 and August 31, 2019 indicated the following:

TRS Pension Fund	TRS Plan Total Plan Assets	TRS Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability	Percent Funded
2018	\$ 176,942,453,923	\$154,568,901,833	\$ 209,611,328,793	\$ 55,042,426,960	73.74%
2017	165,379,342,000	147,361,922,120	179,336,534,819	31,974,612,699	82.17%
2016	152,925,647,000	134,008,637,473	171,797,150,487	37,788,513,014	78.00%

B. Funding Policy

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 85th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Defined Benefit Pension Plans (continued)

B. Funding Policy (continued)

The member contribution rate for 2019 and 2018 was 7.70%. Employer and state contributions were 6.80% for both 2019 and 2018.

	Contribution Rates	
	Plan Fiscal Year	
	2018	2019
Member	7.7%	7.7%
Employer	6.8%	6.8%
Non-Employer Contributing Entity (State)	6.8%	6.8%

The Charter School's employee contributions to the system for the year ended August 31, 2019 and August 31, 2018 were \$20,503 and \$22,459, respectively and were equal to the required contributions for the year. Total covered payroll for 2019 and 2018 was \$2,645,866 and \$2,781,057, respectively. Amounts paid as Non-OASDI for 2019 and 2018 were \$39,085 and \$41,542, respectively. Pension surcharge in the amount of \$563 was in paid in fiscal year 2019.

	Fiscal	Fiscal
	Year 2018	Year 2019
	TRS	TRS
	Contributions	Contributions
Total Covered Payroll	\$ 2,781,057	\$ 2,645,866
Member (Employee)	214,587	200,638
Charter School	22,459	20,503
Non-OASDI Surcharge	41,542	39,085
Pension Surcharge	-	563

Note 5 - Defined Other Post-Employment Benefit Plan

A. Plan Description

The Charter School participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

Similar to the TRS Pension Plan discussed in Note C, charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district ("ISD") may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer OPEB plans. Assets contributed to a multi-employer OPEB plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The TRS Comprehensive Annual Financial Report available dated August 31, 2018.

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Defined Other Post-Employment Benefit Plan (continued)

A. Plan Description (continued)

Other Post-Employment Benefits (OPEB)	Total Plan Assets	TRS-Care Plan Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Percent Funded
2018	\$ 1,001,649,953	\$ 798,574,633	\$ 50,729,490,103	\$ 49,930,915,470	1.57%
2017	526,397,969	399,536,000	43,885,785,000	43,486,249,000	0.92%

B. OPEB Plan Fiduciary Net Position

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

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

C. Benefits Provided

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees		
Effective January 1, 2018 - December 31, 2018		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Defined Other Post-Employment Benefit Plan (continued)

C. Benefits Provided (continued)

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

<u>TRS-Care plan Premium Rates</u>			
	<u>TRS-Care 1</u> <u>Basic Plan</u>	<u>TRS-Care 2</u> <u>Optional Plan</u>	<u>TRS-Care 3</u> <u>Optional Plan</u>
Retiree*	\$ -	\$ 70	\$ 100
Retiree adn Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

*or surviving spouse

D. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates. Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>Plan Fiscal Year</u>	
	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

In fiscal year 2019, the Charter School contributed a total of \$20,043 of which, \$5,801 was for federally funded employees. Employees contributed a total of \$16,936. Covered payroll for TRS-Care for fiscal year 2019 was \$2,645,866. In fiscal year 2018, the Charter School contributed a total of \$22,263 of which, \$5,628 was for federally funded employees. Employees contributed a total of \$21,780. Covered payroll for TRS-Care for fiscal year 2018 was \$2,781,057.

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Health Care Coverage

During the year ended August 31, 2019, employees of the Charter School were covered by a Health Insurance Plan (the "Plan"). The Charter School contributed up to \$380 per month per employee from September 2018 through August 2019 to the Plan. During the year ended August 31, 2018, the Charter School contributed \$365 per month per employee from September 2017 through January 2018 and up to \$380 per month per employee from February 2018 through August 2018 to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 7 - Due from State

Amounts due from the Texas Education Agency at August 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
State Foundation Program Year	\$ 283,165	\$ 205,014
Title I, Part A	66,772	4,458
Title IV, Part A, Subpart 1	617	-
IDEA, Part B - Formula	7,809	3,412
IDEA, Part B - Preschool	105	-
Title II, Part A	5,700	19,687
Title III, Part A	4,807	5,167
State Funded Special Revenue	700	700
National School Lunch Program	17,368	15,427
	<u>\$ 387,043</u>	<u>\$ 253,865</u>

Note 8 - 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, 2019, are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 13,795
2021	13,795
2022	13,795
2023	13,795
2024	3,449
Total	<u>\$ 58,629</u>

Rent expenses for the fiscal years ended August 31, 2019 and August 31, 2018, were approximately \$16,163 and \$21,387, respectively.

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - 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.

Note 10 - 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, 2019, the Charter School earned \$4,771,772 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 2018, the Charter School earned \$4,745,341.

Note 11 - 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 fiscal year of the refunding. The net present value savings on the refunding was \$2,274,744.

During the 2019 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 Corporation Series 2017 Note Payable - Tax- Exempt	\$ 8,885,000	\$ -	\$ (340,000)	\$ 8,545,000	\$ 350,000	\$ 29,422
Debt Issuance Costs - Series 2017 Note Payable	(325,625)	-	17,522	(308,103)	-	-
	<u>\$ 8,559,375</u>	<u>\$ -</u>	<u>\$ (322,478)</u>	<u>\$ 8,236,897</u>	<u>\$ 350,000</u>	<u>\$ 29,422</u>

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 11 - Notes Payable (continued)

The following is a summary of long-term debt transactions for the Charter School for the year ended August 31, 2019:

Series	Amount Outstanding	Original Issue	Interest Rate	Serially Beginning/Ending	Interest Payment Dates
Education Corporation Series 2017 Note Payable - Tax- Exempt	\$ 8,545,000	\$ 9,150,000	3.9986%	April 1, 2017 / March 1, 2037	1st of Each Month

Due to the impact of the Tax Cut and Jobs Act of 2017, loan interest rate increased from 3.29% to 4.00% effective January 1, 2018.

The debt service requirements on bonds outstanding at August 31, 2019, are as follows:

Year Ending	Principal	Interest	Total
August 31			
2020	\$ 350,000	\$ 341,026	\$ 691,026
2021	365,000	325,737	690,737
2022	375,000	310,704	685,704
2023	385,000	295,382	680,382
2024	405,000	279,794	684,794
2025	420,000	262,409	682,409
2026	430,000	245,383	675,383
2027	445,000	227,780	672,780
2028	450,000	210,227	660,227
2029	460,000	191,192	651,192
2030	495,000	171,699	666,699
2031	515,000	151,394	666,394
2032	525,000	130,719	655,719
2033	545,000	108,372	653,372
2034	560,000	86,360	646,360
2035	585,000	63,100	648,100
2036	610,000	39,622	649,622
2037	625,000	9,722	634,722
	<u>\$ 8,545,000</u>	<u>\$ 3,450,622</u>	<u>\$ 11,995,622</u>

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions as of August 31, 2019 and 2018 are as follows:

	<u>As of August 31, 2019</u>	<u>As of August 31, 2018</u>
State Funds	\$ 4,643,099	\$ 4,108,712
Total With Donor Restrictions	<u>\$ 4,643,099</u>	<u>\$ 4,108,712</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>For the Year Ended August 31, 2019</u>	<u>For the Year Ended August 31, 2018</u>
State Funds	\$ 4,339,938	\$ 4,524,312
Federal Funds	750,105	753,165
Total Restrictions released	<u>\$ 5,090,043</u>	<u>\$ 5,277,477</u>

Note 13 - Functional Expenses

The Charter School's expenses are coded directly to the functional category as established by the Texas Education Agency. Below expenses are reflected by functional category and natural classification or object class.

Expense by Functional Category		Expenses by Object Class					Total
		Payroll Costs	Contracted Services	Supplies and Materials	Other Operating Costs	Debt (Interest and fees)	
11	Instruction	\$ 2,245,498	\$ 224,531	\$ 120,936	\$ 11,491	\$ -	\$ 2,602,456
12	Instructional resources and media services	44,146	-	5,383	35	-	49,564
13	Curriculum development and instructional staff development	1,107	27,501	-	4,410	-	33,018
21	Instructional leadership	-	13,529	-	-	-	13,529
23	School leadership	325,304	10,101	9,234	25,832	-	370,471
31	Guidance, counseling and evaluation services	42,709	7,950	11,931	1,640	-	64,230
33	Health services	35,789	-	393	614	-	36,796
34	Student Transportation	-	-	-	-	-	-
35	Food service	40,904	275,885	4,010	323	-	321,122
36	Cocurricular/Extracurricular activities	6,116	5,900	864	9,850	-	22,730
41	General administration	228,258	51,005	3,170	5,698	-	288,131
51	Plant maintenance and operations	63,109	277,885	28,122	323,305	-	692,421
52	Security and monitoring services	-	85,468	3,625	-	-	89,093
53	Data processing services	70,213	2,220	27,585	-	-	100,018
61	Community Services	-	-	-	2,273	-	2,273
71	Debt service	-	-	-	-	377,299	377,299
81	Fund Raising	1,655	450	23,815	972	-	26,892
		<u>\$ 3,104,808</u>	<u>\$ 982,425</u>	<u>\$ 239,068</u>	<u>\$ 386,443</u>	<u>\$ 377,299</u>	<u>\$ 5,090,043</u>

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 14 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash and cash equivalents	\$	3,328,860
Receivables		<u>290,556</u>
Total	\$	<u><u>3,619,416</u></u>

Per the Texas Education Agency, Foundation School Program revenues should be classified as revenue with donor restrictions. However, the funds do not have a time restriction, but must be used for education purposes in accordance with State law. As such, there are cash, investments and receivables that are due from the State and are available for use for educational purposes.

Note 15 - Accrued Salaries

In fiscal year 2019, the Charter School recorded \$241,406 in accrued salaries based on an average seventeen days worked for which were not paid until after August 31, 2019. During August 2018, the Charter School recorded \$187, 810 in accrued salaries based on an average sixteen days worked for which were not paid until after August 31, 2018.

Note 16 - Charter Holder Operations

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

Note 17 - Management's Review of Subsequent Events

In preparing the accompanying financial statements, management has reviewed all known events that have occurred after August 31, 2019, and through January 21, 2020, 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.

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SUPPLEMENTARY INFORMATION

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AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

SCHEDULES OF EXPENSES

		August 31,	
		2019	2018
	Expenses		
6100	Payroll Costs	\$ 3,104,808	\$ 3,224,533
6200	Professional and Contract Services	982,425	1,084,777
6300	Supplies and Materials	239,068	241,205
6400	Other Operating Costs	386,443	372,948
6500	Debt	377,299	354,014
	Total Expenses	<u>\$ 5,090,043</u>	<u>\$ 5,277,477</u>

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

SCHEDULE OF CAPITAL ASSETS

Year Ended August 31, 2019

		Ownership Interest		
		Local	State	Federal
1510	Land and improvements	\$ -	\$ 5,813,836	\$ -
1520	Buildings and improvements	-	8,507,598	-
1539	Furniture and equipment	-	83,625	-
	Total property & equipment	\$ -	\$ 14,405,059	\$ -

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

BUDGETARY COMPARISION SCHEDULE

Year Ended August 31, 2019

		<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	\$ 57,730	\$ 66,063	\$ 71,528	\$ 5,465
State Program Revenues:					
5810	Foundation School Program Act Revenues	4,870,595	4,732,868	4,802,969	70,101
5820	State Program Revenues Distributed by the Texas Education Agency	<u>40,457</u>	<u>40,457</u>	<u>45,798</u>	<u>5,341</u>
	Total State Program Revenues	4,911,052	4,773,325	4,848,767	75,442
Federal Program Revenues:					
5929	Federal Revenues Distributed by the Texas Education Agency	<u>790,532</u>	<u>779,253</u>	<u>775,663</u>	<u>(3,590)</u>
	Total Federal Program Revenues	<u>790,532</u>	<u>779,253</u>	<u>775,663</u>	<u>(3,590)</u>
	Total Revenues	5,759,314	5,618,641	5,695,958	77,317
Expenses					
11	Instruction	2,988,179	2,803,523	2,602,456	201,067
12	Instructional Resources and Media Services	51,655	51,655	49,564	2,091
13	Curriculum Development and Instructional Staff Development	33,884	31,853	33,018	(1,165)
21	Instructional Leadership	15,529	27,129	13,529	13,600
23	School Leadership	536,216	399,419	370,471	28,948
31	Guidance, Counseling and Evaluation Services	87,303	73,028	64,230	8,798
33	Health Services	38,941	37,861	36,796	1,065
35	Food Service	363,704	356,948	321,122	35,826
36	Cocurricular/Extracurricular Activities	27,805	21,098	22,730	(1,632)
41	General Administration	313,867	293,646	288,131	5,515
51	Facilities Maintenance and Operations	714,087	798,645	692,421	106,224
52	Security and Monitoring Services	88,851	93,326	89,093	4,233
53	Data Processing Services	88,056	105,975	100,018	5,957
61	Community Services	3,891	3,091	2,273	818
71	Debt Service	297,386	369,363	377,299	(7,936)
81	Fund Raising	<u>11,700</u>	<u>22,887</u>	<u>26,892</u>	<u>(4,005)</u>
	Total Expenses	<u>5,661,054</u>	<u>5,489,447</u>	<u>5,090,043</u>	<u>399,404</u>
	Change in net assets	98,260	129,194	605,915	476,721
	Beginning net assets	<u>6,538,618</u>	<u>6,538,618</u>	<u>6,538,618</u>	<u>-</u>
	Ending net assets	<u>\$ 6,636,878</u>	<u>\$ 6,667,812</u>	<u>\$ 7,144,533</u>	<u>\$ 476,721</u>

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

BUDGETARY COMPARISION SCHEDULE (continued)

Year Ended August 31, 2019

Budget Variances

In accordance with Module 2, Update 16, Issued in 2.3.2.8 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 21	Increase due to contractor needs because of new, inexperienced special education teacher
Function 23	Decrease due to open positions for school secretary and assistant principal never filled
Function 31	Decrease due to counselor position filled by part time employee for the first semester
Function 36	Decrease due to lower first semester costs and reduced salary stipend
Function 51	Increase due to disputed services and charges
Function 53	Increase due to salary increase because of expanded responsibilities and work schedule
Function 61	Decrease due to first semester parent workshop because of part time employee
Function 71	Increase due to budgeting the incorrect amount from the wrong amortization schedule
Function 81	Increase due to expanding parent and student clothing sales to jackets and hoodies

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). The Charter School provides the following explanations for each of the variances noted:

Function 21	Decrease due to anticipated curriculum development instead of professional development services
Function 31	Decrease due to counselor position filled by part time employee for the first semester
Function 51	Decrease due to contractor dispute being settled at no cost
Function 61	Decrease due to first semester parent workshop and reduced parenting classes because of part time employee
Function 81	Increase due to expanding parent and student clothing sales to jackets and hoodies, and new candy sales, not budgeted

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, 2019, 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 21, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying *schedule of findings and questioned costs as findings #2019-001 and #2019-002* that we consider to be significant deficiencies.

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*.

Charter School's Responses to Findings

The Charter School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Charter School's responses were not subjected to the auditing procedures applied in the audit of financial statements and accordingly, we express no opinion on the Charter School's responses.

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.



Houston, Texas
January 21, 2020

**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, 2019. 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, 2019.

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

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as *finding #2019-004*. Our opinion on each major federal program is not modified with respect to these matters.

The Charter School's response to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. The Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as *findings #2019-003 and #2019-004* that we consider to be significant deficiencies.

The Charter School's responses to the findings on internal control over compliance identified in our audit, which are described in the accompanying schedule of findings and questioned costs, were not subject to the audit procedures applied in the audit of compliance, and accordingly, we express no opinion on the Charter School's responses.

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 21, 2020

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2019

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiency (ies) identified that is not considered to be material weaknesses?	Yes, #2019-001, #2019-002
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness (es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	Yes, #2019-003, #2019-004,
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)?	Yes, #2019-004

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
U.S. Department of Education:	
Title I, Part A	84.010A
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2019

II. Financial Statement Findings

Finding #2019-001: Procurement with State and Federal Laws

Type of Finding: Significant Deficiency

Criteria: *Section 12.1053 of the Texas Education Code* requires open-enrollment charter schools to comply with the Professional Services Procurement Act (*Texas Government Code, Chapter 2254*). This Act applies when an open enrollment charter school seeks a contract for professional services. Under *Chapter 2254*, a contract for professional services cannot be awarded on the basis of competitive bids. A provider of professional services to the school must be selected on the basis of demonstrated competence, demonstrated qualifications, and a fair and reasonable price.

According to the Charter School's State and Federal Grants Manual, all contracts and professional services agreements shall be reviewed and approved in accordance with the Charter School's guidelines for all non-grant funds. For example, if School Board Policy requires that all contracts that exceed \$50,000 be approved by the Board of Trustees, the Charter School's Contract Management Procedures shall be adhered to in procuring, evaluating, selecting, and awarding contracts for all federal grant contracts that exceed \$50,000.

Condition: The Charter School did not maintain documentation related to the procurement method used for two vendors. One vendor was paid with state funds and the other vendor was paid with federal funds. Both vendors received payment that exceeded \$50,000. We were unable to determine compliance in several instances including approval by the Board of Trustees because documentation could not be provided.

Cause: Due to personnel shortages, the CFO did not sufficiently monitor the progress of the two subject vendors. For Vendor No. 1, due to an hourly rate increase and increased service, the vendor, a long time contractor exceeded the threshold. Vendor No. 2 was providing services on a month to month basis while the Business Manager was negotiating and ultimately receiving bids from other vendors.

Effect: The Charter School is not in compliance with the Texas Education Code Section 12.1053 and its own local policy.

Recommendation: We recommend for the Charter School to use a Request for Qualifications or utilize other procurement methods that complies with the state and federal laws and provides best value for the Charter School. In any case, the Charter School should ensure all vendors utilized by the Charter School comply with the applicable local, state, and federal purchasing requirements.

View of Responsible Official: Retired CFP- Adhering to existing procurement policies and attending regular professional development is required.

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2019

II. Financial Statement Findings (continued)

Finding #2019-002: Bank Reconciliation

Type of Finding: Significant Deficiency

Criteria: Bank reconciliations should be prepared in a timely manner within the subsequent month with proper review and approval.

Cause: Due to personnel shortages, a part time CFO, and competing priorities, the bank reconciliations were not completed in accordance with Business Office procedures. Internal policy states that bank statements should be reconciled by the end of each following month.

Effect: Possible material errors could occur and not be detected timely.

Recommendation: We recommend that all bank reconciliations be prepared by the Business Office within a reasonable period of time after the month end. These reconciliations should then be reviewed by the CFO for accuracy and completeness.

View of Responsible Official: Retired CFO - Maintain focus and adherence to reconciling all bank statements no later than the 28th of each following month.

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2019

III. Federal Award Findings and Questioned Costs

Finding #2019-003: ESEA Title I Part A (CFDA 84.010A) - Control Environment - Training

Type of Finding: Significant Deficiency

Criteria: *Standards for Internal Control in the Federal Government Principle 4 – Demonstrate Commitment to Competence 4.02 of the Green Book* states that management establishes expectations of competence for key roles, and other roles at management’s discretion, to help the entity achieve its objectives. Competence is the qualification to carry out assigned responsibilities. It requires relevant knowledge, skills, and abilities, which are gained largely from professional experience, training, and certifications. It is demonstrated by the behavior of individuals as they carry out their responsibilities.

Condition: Based on our federal procurement walkthrough, we noted that the key personnel responsible for federal compliance do not go to compliance update trainings.

Cause: The Business Manager attended professional development training in the areas of procurement and federal spending requirements including one-on-one training from the CFO. Employment of the Business Manager was not renewed and left prior to the end of his assignment.

Questioned Cost: None

Effect: Lack of training will result in limited knowledge and lack of understanding of the latest federal requirements.

Recommendation: We recommend that the key personnel responsible for federal requirements attend compliance update and trainings annually and as needed basis. The compliance requirements should be communicated to other employees that deal with the grants.

View of Responsible Official: Agree with the recommendation.

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2019

III. Federal Award Findings and Questioned Costs (continued)

Finding #2019-004: ESEA Title I Part A (CFDA 84.010A) - Internal Control Over Compliance and Compliance - G. Level of Effort: Supplement not Supplant

Type of Finding: Significant Deficiency

Criteria: The Charter School is required to demonstrate internal cover compliance related to level of supplement not supplant. According to the Texas Education Agency (TEA), beginning with 2018-2019 school year, each local education agency that receives Title I funds must have formal documentation that confirms either all components of the supplement not supplant methodology or a statement of exemption are maintained. As a single campus, the Charter School is exempt from the methodology requirement but still needs to have a formal Statement of Exemption with elements prescribed by the Texas Education Agency.

Condition: The Charter School does not maintain the formal Statement of Exemption.

Cause: Since the Charter School is a single campus and therefore exempt from the methodology requirement, the CFO mistakenly did not complete the required formal Statement of Exemption.

Questioned Cost: None

Effect: Failure to properly design and implement controls could result in non-compliance with federal and TEA requirements.

Recommendation: We recommend the Charter School to review and follow the TEA's Supplement not Supplant Handbook.

View of Responsible Official: The Supplement not Supplant Handbook has been reviewed and will be reinforced with appropriate personnel.

**AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019**

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-B Formula</i>	84.027A	186600011018196000	\$ 27,368
<i>IDEA-B Formula</i>	84.027A	196600011018196000	66,285
<i>IDEA-B Preschool</i>	84.173A	186610011018196000	517
<i>IDEA-B Preschool</i>	84.173A	196610011018196000	1,616
Total Special Education Cluster			<u>95,786</u>
<i>Title I, Part A</i>	84.010A	19610101101819	252,007
<i>Title III, Part A - ELA</i>	84.365A	18671001101819	8,915
<i>Title III, Part A - ELA</i>	84.365A	19671001101819	38,078
<i>Title III, Part A - Immigrant</i>	84.365A	18671003101819	1,896
<i>Title II, Part A, Supporting Effective Instructions State Grant</i>	84.367A	18694501101819	1,544
<i>Title II, Part A, Supporting Effective Instructions State Grant</i>	84.367A	19694501101819	7,581
<i>Title IV, Part A, Subpart 1</i>	84.424A	19680101101819	18,170
<i>Summer School LEP</i>	84.369A	69551802	5,007
Total Passed Through Texas Education Agency			<u>428,984</u>
Total U.S. Department of Education			<u>428,984</u>
U.S. Department of Agriculture			
Passed Through Texas Education Agency:			
<u>Child Nutrition Cluster:</u>			
<i>National School Lunch Program</i>	10.555	71301901	291,972
<i>School Breakfast Program</i>	10.555	71401901	54,707
Total Child Nutrition Cluster			<u>346,679</u>
Total Passed Through Texas Education Agency			<u>346,679</u>
Total U.S. Department of Agriculture			<u>346,679</u>
Total Expenditures of Federal Awards			<u><u>\$ 775,663</u></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, 2019, 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, 2019

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, 2019

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

Financial Statement Findings

Finding #2019-001: Procurement with State and Federal Laws

Response: The CFO and Business Office staff will institute procurement methods that comply with state and federal laws and provides the best value for the Charter School.

Contact Person: CFO

Estimated Completion Date: January 31, 2020

Finding #2019-002: Bank Reconciliation

Response: Bank Reconciliations shall be done no later than the 28th of the following month by Business Office staff.

Contact Person: CFO

Estimated Completion Date: February 28, 2020

AMIGOS POR VIDA - FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL
CORRECTIVE ACTION PLAN (continued)
For the Year Ended August 31, 2019

Federal Award Findings

Finding #2019-003: ESEA Title I Part A (CFDA 84.010A) - Control Environment - Training

Response: The Business Manager and/or CFO will attend relevant training in the areas of Procurement that are provided by the Texas Association of School Business Officials, Texas Charter School Association, ESC Region 4, and/or Harris County Department of Education

Contact Person: CFO

Estimated Completion Date: August 31, 2020

Finding #2019-004: ESEA Title I Part A (CFDA 84.010A) - Internal Control Over Compliance and Compliance - G. Level of Effort: Supplement not Supplant

Response: The CFO submitted the Federal Fiscal Compliance and Reporting Division: Comparability Assurance Document for 2019-2020 on November 22, 2019. The Supplement not Supplant Handbook has been reviewed by CFO. We have downloaded a copy of the handbook to be shared with relevant staff.

Contact Person: CFO

Estimated Completion Date: January 31, 2020