

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

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

August 31, 2017



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Tejano Center for Community Concerns, Inc.
(Federal Employer Identification Number: 76-0377101)
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Tejano Center for Community Concerns, Inc. 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 day of January 25, 2018.

 Margarita Dunlap
Signature of Board Secretary

 David S. Cogges
Signature of Board President

Tejano Center for Community Concerns, Inc.
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August 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Tejano Center for Community Concerns, Inc. (a nonprofit organization) ("TCCC"), which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2018 on our consideration of Tejano Center for Community Concerns, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tejano Center for Community Concerns, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tejano Center for Community Concerns, Inc.'s internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Houston, Texas
January 26, 2018

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

<i>August 31,</i>	2017
Assets	
Current assets	
Cash and cash equivalents	\$ 799,625
Escrow fund	2,810,522
Grants receivable	292,588
Construction in progress - housing program	611,365
Prepaid expenses	13,539
<hr/>	
Total current assets	4,527,639
Land, property and equipment	
Land	527,366
Buildings and improvements	27,384,653
Furniture, vehicles, and equipment	4,090,352
Accumulated depreciation	(10,418,937)
<hr/>	
Total land, property and equipment, net	21,583,434
Other assets	
Other receivables	110,196
<hr/>	
Total assets	\$ 26,221,269
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The accompanying notes are an integral part of these financial statements.

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

<i>August 31,</i>	2017
Liabilities and net assets	
Current liabilities	
Accounts payable	\$ 42,311
Accrued liabilities	1,512,850
Line of credit	250,000
Notes payable, current portion	261,949
Bonds payable, current portion	370,000
<hr/>	
Total current liabilities	2,437,110
Long term liabilities	
Notes payable, net of current portion	17,000
Bonds payable, net of current portion, net of debt issuance cost	21,967,645
<hr/>	
Total long term liabilities	21,984,645
<hr/>	
Total liabilities	24,421,755
Commitments and contingencies	
Net assets	
Unrestricted	1,409,725
Permanently restricted	389,789
<hr/>	
Total net assets	1,799,514
<hr/>	
Total liabilities and net assets	\$ 26,221,269
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The accompanying notes are an integral part of these financial statements.

Tejano Center for Community Concerns, Inc.
Statement of Activities

For the year ended August 31,

2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Federal grants	\$ 897,610	\$ 2,822,076	\$ -	\$ 3,719,686
State grants	840	11,987,196	-	11,988,036
Other income	644,910	-	-	644,910
Net assets released from restrictions	14,809,272	(14,809,272)	-	-
Total revenues	16,352,632	-	-	16,352,632
Expenses				
Program services				
Charter school	13,995,064	-	-	13,995,064
Affordable housing/ homebuyer education	329,053	-	-	329,053
Child shelter/placing	514,048	-	-	514,048
Community services	171,084	-	-	171,084
Supporting services				
Tejano commercial properties	2,932,354	-	-	2,932,354
Management and general	197,033	-	-	197,033
Total expenses	18,138,636	-	-	18,138,636
Changes in net assets	(1,786,004)	-	-	(1,786,004)
Net assets, beginning of year	3,195,729	-	389,789	3,585,518
Net assets, end of year	\$ 1,409,725	\$ -	\$ 389,789	\$ 1,799,514

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

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

For the year ended August 31,

2017

	Program Services				Supporting Services			Total
	Charter School	Affordable Housing/ Homebuyer Education	Child Shelter/ Placing	Community Services	Tejano Commercial Properties	Management and General		
Salaries and related expenses								
Salaries and wages	\$ 8,038,137	\$ 111,467	\$ 97,013	\$ -	\$ -	\$ -	\$ -	\$ 8,246,617
Employee benefits	1,283,582	11,650	770	-	-	-	-	1,296,002
Payroll taxes	121,424	8,051	8,979	-	-	-	-	138,454
Total salaries and related expenses	9,443,143	131,168	106,762	-	-	-	-	9,681,073
Operating expenses								
Contract labor	490,270	52,492	242,502	140,711	1,450	200		927,625
Food	436,173	225	2,433	249	-	983		440,063
Insurance	389,822	15,161	2,958	60	-	-		408,001
Interest	30,218	-	-	-	2,090,478	-		2,120,696
Leases	344,362	5,190	-	-	-	-		349,552
Miscellaneous	91,619	16,267	57,348	7,542	65,914	178,374		417,064
Professional fees	795,628	91,771	52,785	2,594	4,914	17,075		964,767
Repairs and maintenance	22,677	-	-	-	-	-		22,677
Supplies	1,116,347	1,156	3,920	6,502	-	401		1,128,326
Telephone	117,310	8,372	7,006	-	1,114	-		133,802
Travel	70,863	2,609	4,314	4,930	-	-		82,716
Utilities	366,950	4,309	21,195	4,720	423	-		397,597
Total operating expenses	13,715,382	328,720	501,223	167,308	2,164,293	197,033		17,073,959
Depreciation	279,682	333	12,825	3,776	768,061	-		1,064,677
Total expenses	\$ 13,995,064	\$ 329,053	\$ 514,048	\$ 171,084	\$ 2,932,354	\$ 197,033		\$ 18,138,636

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

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

<i>For the year ended August 31,</i>	<i>2017</i>
Operating activities	
Changes in net assets	\$ (1,786,004)
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Depreciation	1,064,677
Amortization of debt issuance costs	13,959
Changes in operating assets and liabilities	
Grants receivable	249,767
Other receivables	14,675
Construction in progress - housing program	15,353
Prepaid expenses	163,217
Accounts payable	(52,750)
Accrued liabilities	292,019
Net cash used in operating activities	(25,087)
Investing activities	
Purchases of property and equipment	(321,354)
Net cash used in investing activities	(321,354)
Financing activities	
Proceeds from notes payable	250,000
Repayment of notes payable	(330,464)
Proceeds from escrow fund	49,361
Repayment of bonds payable	(345,000)
Net cash used in financing activities	(376,103)
Net decrease in cash and cash equivalents	(722,544)
Cash and cash equivalents, beginning of year	1,522,169
Cash and cash equivalents, end of year	\$ 799,625
Supplemental disclosure of cash flow information	
Interest paid during the year	\$ 2,120,696

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

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

NOTE 1: ORGANIZATION

The Tejano Center for Community Concerns, Inc. ("TCCC") was incorporated by the State of Texas in 1992 for the purpose of improving opportunities for Hispanic children and their families in Houston's Greater East End through the provision of housing and community development initiatives, as well as, educational, social, and health services. Throughout its history, TCCC has developed a number of local, state, and national partnerships including support from the corporate and foundation sectors, the Local Initiatives Support Corporation (LISC), Neighborhood Reinvestment Corporation (d.b.a. NeighborWorks America), the National Council of La Raza, the City of Houston, Harris County and Baylor College of Medicine. TCCC is a certified Community Housing Development Organization (CHDO) and Community Development Organization (CDO) and a Department of Housing and Urban Development (HUD) designated Housing Counseling Agency. TCCC is led by a 6 member Board of Directors comprised of community and business leaders having a strong vested interest in the neighborhoods TCCC serves. In 1996, TCCC opened the Raul Yzaguirre Schools for Success ("RYSS") in Brownsville and Houston, Texas. RYSS is an Early College and T-STEM K-12 charter district.

TCCC operates the following programs:

Charter School

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

Affordable Housing/Homebuyer Education

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

Sunrise Orchard Apartments is TCCC's proposed permanent supportive housing development with fifty-two, 1 and 2 bedroom units serving homeless transitional aged youth which was approved by the Houston Housing Authority, which awarded 52 project based vouchers in support of the proposed population.

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

NOTE 1: ORGANIZATION (Continued)

Harris County Community Services Department (HCCSD) approved the project for the loan amount of \$1,734,992 which includes \$50,000 for CHDO operations and \$1,684,992 in HOME Investment Partnerships (HOME) Program funds. The contract will provide for construction of the development and operating support of the project. During the year ended August 31, 2016, HCCSD increased its commitment to the project by \$500,000. Total future HCCSD funding for the Project is \$2,234,991. Additional commitments have been secured from the Corporation for Supportive Housing in the amount of \$1,019,000 and from the City of Houston in the amount of \$3,500,000. TCCC anticipated entering into a formal agreement with the City of Houston in January 2017. Additional funding was expected no later than March 31, 2017 through a tax credit allocation from the Texas Department of Housing Community Affairs. While a significant amount of design work and construction approvals has already taken place, the project was placed on hold in mid 2017 because of a shortage of funding. The project has a targeted substantial completion date of summer 2019.

Grant funds will be awarded to TCCC and then disbursed to the limited partnership to be created as per the state rules governing Low Income Tax Credit Program. Funding will be available on a reimbursement basis and will be managed by the limited partnership. No funding occurred in 2017.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. TCCC's resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of TCCC and changes therein are classified and reported as follows:

- *Unrestricted* – Net assets that are not subject to donor-imposed stipulations and that may be designated for specific purpose by action of the Board of Directors.
- *Temporarily restricted* – Net assets subject to donor-imposed or grantor-imposed stipulations that may or will be met either by actions of TCCC and/or passage of time. This classification includes contributions, underwriting, grants and unconditional promises to give.
- *Permanently restricted* – Net assets subject to donor or grantor-imposed stipulations that must be maintained in perpetuity by TCCC.

Support that is restricted by the donor or grantor and is to be used in future periods or for a specific purpose is reported as an increase in temporarily restricted net assets in the reporting period in which the support is recognized.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standard Financial Accounting System

For all Federal and state programs, RYSS used the net asset classes and codes specified by the Texas Education Agency in the Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.

Cash and Cash Equivalents

TCCC considers all cash and highly liquid investments with initial maturities of three months or less when purchased to be cash equivalents.

Escrow Fund

The escrow fund consists of restricted cash required by the bond agreements, and it will be used to pay down the bond liability (See Note 5).

Grants Receivable

Grants receivable represent payments due from contracts or grants awarded to TCCC that are expected to be collected within one year and are recorded at net realizable value. As of August 31, 2017, TCCC considers all grants receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Construction in Progress - Housing Program

Construction in progress includes land and development costs of residential projects undertaken by TCCC that are held for sale. Construction in progress is stated at cost unless the project is determined to be impaired, in which case the impaired project is written down to fair value. For the year ended August 31, 2017, no impairment of projects was considered necessary.

Property and Equipment

Property and equipment purchased by TCCC are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All purchases and donations that individually or as a group are in excess of \$5,000 are capitalized. Depreciation is provided on the straight-line method based upon estimated useful lives of the asset (ranging from three to fifty years). Depreciation expense for the year ended August 31, 2017 totaled \$1,064,677.



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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets acquired, improved, or maintained during the term of the open-enrollment charter and all property presently held by the charter holder for the operation of RYSS constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the supplemental schedule of capital assets.

Other Receivables

Other receivables consist of mortgage loans to individuals, such as homeowners, to facilitate neighborhood revitalization in the service areas in which TCCC operates. As of August 31, 2017, TCCC considers all other receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is equivalent to the amount by which the carrying amount of the assets exceeds the fair value of the assets. For the year ended August 31, 2017, no impairment of long-lived assets was considered necessary.

Contributions

Contributions are recognized when the donor makes a promise to give to TCCC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Federal and state financial assistance is generally accounted for in temporarily restricted net assets.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. For the year ended August 31, 2017, TCCC reported all contributions as increases in unrestricted net assets because the contributions are either not restricted by the donors or the restriction expired during the year ended August 31, 2017 (See Note 7).



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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

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

Functional Expense Allocation

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

Income Taxes

TCCC is exempt from income taxes under Section 501(c)(3) and Section 501(c)(4) of the U.S. Internal Revenue Code (the Code) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. TCCC has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code. However, TCCC is subject to taxes on unrelated business income when such activities exist. No provision for Federal income tax has been made in the financial statements.

TCCC accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of August 31, 2017, management believes there were no uncertain tax positions.

Fair Value Considerations

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Recent Financial Accounting Pronouncement

In August 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*. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Underwater endowments will be included in net assets with donor restrictions and new or enhanced disclosures regarding the composition of net assets will be required. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. Absent specific donor stipulations, TCCC will use the placed-in-service approach for reporting expirations of restrictions on long-lived assets. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the TCCC's financial statements. As of August 31, 2017, TCCC did not early adopt this standard.

NOTE 3: LINE OF CREDIT

TCCC has a \$250,000 revolving line of credit with a bank which expires on May 9, 2018. Bank advances on the credit line are payable on demand and accrues interest at a rate of 5.5% as of August 31, 2017. The credit line is unsecured. The total outstanding balance under the line of credit is \$250,000 as of August 31, 2017. A member of the Board of Directors is an officer at the bank.

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

NOTE 4: NOTES PAYABLE

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

<i>August 31,</i>	2017
Note payable to a bank in monthly installments of \$21,468 including interest at 5.5% per year, unsecured, payable on demand or maturing on August 14, 2018	\$ 261,949
Note payable to a financing company in monthly installments of \$1,073 including interest at 4.6% per year, secured by vehicle, maturing on September 1, 2021	17,000
	278,949
Less: current maturities	(261,949)
	\$ 17,000

Minimum future principal payments are as follows:

<i>For the years ended August 31,</i>	
2018	\$ 261,949
2019	11,949
2020	5,051
	\$ 278,949

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

NOTE 5: BONDS PAYABLE

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

The Bonds consist of \$24,480,000 in Tax Exempt Education Revenue and Refunding Bonds, Series 2009A and \$720,000 Taxable Education Revenue Bonds, Series 2009B. The Bonds were issued pursuant to a Trust Indenture and Security Agreement (the "Agreement") dated February 1, 2009, by and between the Issuer and Wells Fargo Bank, National Association (Wells Fargo Bank), Houston, Texas with the proceeds to be used for the purposes of (i) financing and refinancing the costs of land acquisition and acquiring, constructing, equipping, and renovating certain "educational facilities" (defined in Chapter 53, Texas Education Code, as amended) in connection with charter school campuses, authorized by Chapter 12, Subchapter D. Texas Education Code as amended, located in Houston (Pre K - 12th grade) and Brownsville, Texas (Pre K - 6th grade), (ii) funding a debt service reserve fund, (iii) paying capitalized interest, and (iv) paying the costs of issuing the Bonds. The Bonds contain covenants that must be maintained by TCCC. At August 31, 2017, TCCC was in default of certain of these covenants. Subsequent to August 31, 2017, the bond holders waived the covenant violations.

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

The Bonds mature February 15, 2017 through 2038 with the interest rate varying from 7.75% to 9.0%. Interest on the Bonds is due semiannually each February 15 and August 15 until maturity. The Bonds maturing on or after February 15, 2028, are subject to optional redemption prior to scheduled maturity, in whole or in part, on February 15, 2017, and on any date thereafter at par plus accrued interest. The amounts of the Bonds outstanding at August 31, 2017 were \$23,155,000.

In 2017, TCCC adopted new authoritative GAAP guidance for the presentation of debt issuance costs and related amortization. Debt issuance costs are now reported on the balance sheet as a direct deduction from the face amount of debt. Previously, such costs were shown as a deferred charge. TCCC continues to reflect amortization of debt issuance costs as interest expense, in accordance with the new guidance. This change had no effect on previously-reported changes in net assets.

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

NOTE 5: BONDS PAYABLE (Continued)

As of August 31, 2017, the bond payable balance was \$22,337,645, net of the unamortized debt issuance costs \$435,811 and unamortized bond discount of \$381,544. The accumulated amortization of the bond discount was \$213,929 as of August 31, 2017 and the related amortization expense for the year ended August 31, 2017 was \$6,516 and is included in interest expense in the statement of functional expenses.

The Bonds had an original issuance cost of \$1,116,903. TCCC capitalized the cost and amortizes it over the life of the bonds. As of August 31, 2017, the accumulated amortization of the capitalized issuance cost was \$681,092. The amortization expense for the year ended August 31, 2017 was \$7,443, and is included in interest expense in the statement of functional expenses.

The Bonds will mature according to the following schedule:

For the years ended August 31,

2018	\$ 370,000
2019	405,000
2020	440,000
2021	495,000
2022	545,000
Thereafter	20,900,000
	23,155,000
Less unamortized debt issuance costs	435,811
Less bond discount	381,544
	22,337,645
Total bonds, net of discount	22,337,645
Less current portion	370,000
	21,967,645
Bonds payable, net of current portion	\$ 21,967,645

In 2009, TCCC issued \$24,480,000 Series 2009A Tax Exempt Education Revenue and Refunding Bonds and \$720,000 Series 2009B Taxable Education Revenue Bonds. In connection with the bond issuance, TCCC deposited funds with an escrow agent in the amount necessary to accomplish the future payments of the Bonds and school building construction. As of August 31, 2017, the balance of the escrow fund was \$2,810,522 which consists of money market funds.

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

NOTE 5: BONDS PAYABLE (Continued)

The components of the escrow fund are as follows:

<i>August 31, 2016</i>	2009A
Debt service reserve	\$ 2,420,241
Debt service	390,281
Total escrow fund	\$ 2,810,522

NOTE 6: OPERATING LEASE COMMITMENTS

TCCC conducts its operations utilizing office equipment and housing property under non-cancelable operating leases, expiring in fiscal year 2019. Lease expense for the year ended August 31, 2017 totaled \$349,552. Minimum future lease commitments under operating leases are as follows:

<i>For the years ended August 31,</i>	
2018	\$ 33,624
2019	1,847
	\$ 35,471

NOTE 7: NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended August 31, 2017, net assets of \$14,809,272 were released from Texas Education Agency and other Federal and State grantors restrictions by satisfying restrictions.

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

NOTE 8: PERMANENTLY RESTRICTED NET ASSETS

Net assets of \$389,789 are permanently restricted for use in building projects associated with a grant from NeighborWorks America. On January 27, 2009, the Board of Directors of TCCC approved a resolution authorizing TCCC to enter into an Investment and Grant Agreement (the "Grant Agreement") with NeighborWorks America. The Grant Agreement stipulates that permanently restricted capital funds shall be held in perpetuity and to be used for the following purposes:

- 1) Making loans to individuals who cannot be adequately served by local financial institutions, such as homeowners desirous of improving their homes or potential homeowners who wish to purchase affordable housing, to facilitate neighborhood revitalization in the service areas in which TCCC operates.
- 2) Making loans to owners of residential rental or mixed use commercial/residential rental properties for acquisition, construction, rehabilitation, or development to facilitate neighborhood revitalization in the services areas in which TCCC operates.
- 3) Making loans to individuals and/or equity investments to businesses that cannot be adequately served by local financial institutions for economic development activities to facilitate neighborhood revitalization in the services areas in which TCCC operates.
- 4) Establishing and maintaining cash reserves and/or loan loss reserves that support the eligibility uses specified above.
- 5) Funding capitalized pre-development costs associated with determining the feasibility of acquiring and developing specific real estate properties and/or specific economic development or commercial activities, including without limitation the operations of a business, designed to facilitate neighborhood revitalization in the service areas in which TCCC operates, consistent with the requirements of accounting principles generally accepted in the United States of America or its applicable successor.
- 6) Funding capitalized costs, as debt or equity, incurred for the acquisition, construction, rehabilitation or development of specific real estate properties and/or specific economic development or commercial activities including without limitation the operation of a business, designed to facilitate neighborhood revitalization in the service areas in which TCCC operates.

TCCC shall use its best efforts to develop supplemental private and public sources of funding in support of the permanently restricted revolving loan and capital projects fund. It is expected that these other sources of funds will exceed the amount of the NeighborWorks America grant.

Loans may be made at flexible rates and terms without regard to loan-to-value ratios. Repayment of principal on loans made from permanently restricted capital grant funds and proceeds from capital projects funded from permanently restricted capital grant funds must be returned to the permanently restricted revolving loan and capital projects fund to ensure that the grant amount provided by the grant agreement, including all grant letters, is maintained intact.

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

NOTE 8: PERMANENTLY RESTRICTED NET ASSETS (Continued)

Interest on loans in excess of funds necessary to maintain the total amount of permanently restricted capital grant funds provided by NeighborWorks America may be transferred to another fund, such as the general operating fund, to be used for purposes of furthering the NeighborWorks America's mission.

Proceeds on capital projects, including without limitation specific real estate properties, businesses and/or economic development or commercial activities, in excess of funds necessary to maintain the total amount of permanently restricted capital grant funds provided by NeighborWorks America invested or otherwise used to fund such projects, may be transferred to another fund, such as the general operation fund, to be used for purposes of furthering the NeighborWorks America's mission.

NOTE 9: GOVERNMENTAL GRANTS

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

<i>State Grants for the year ended August 31,</i>	<i>2017</i>
Texas Education Agency School Foundation and Per Capita entitlements	\$ 11,499,749
Educator Excellence Innovation Program	433,459
Textbook Allotment	38,881
Other	15,947
Total state grants	11,988,036
<i>Federal grants for the year ended August 31,</i>	<i>2017</i>
U.S. Department of Agriculture	\$ 861,262
U.S. Department of Defense	68,647
U.S. Department of Housing and Urban Development	128,075
U.S. Department of Justice	160,346
U.S. Department of Treasury	126,184
U.S. Department of Education	1,884,509
U.S. Department of Health and Human Services	490,663
Total federal grants	3,719,686
Total state and federal grants	\$ 15,707,722

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

NOTE 10: COMMITMENTS AND CONTINGENCIES

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

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

NOTE 11: PENSION PLAN

Plan Description

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

The multi-employer defined pension plan is administered through a trust and has the following characteristics:

- Contributions from employers and the non-employer contributing entity to the pension plan and earnings on the plan are irrevocable,
- Pension plan assets are dedicated to providing pensions to plan members in accordance with benefit terms, and
- Pension plan assets are legally protected from the creditors of employers, the non-employer contributing entity, and the pension plan administrator. Plan assets are also legally protected from creditors of the plan members.

Benefits are established or amended primarily under the authority of the provisions of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The pension's board of trustees does not have the authority to establish or amend benefits. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals or exceeds 80 years. The benefit formula is 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to equal the annual standard annuity. For members who are grandfathered, the three highest annual salaries are used. Reduced service retirement is at age 55 with 5 years of credited service and any age below 50 with 30 years of credited service. A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met. The plan does not provide automatic cost of living adjustments (COLAs).

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

NOTE 11: PENSION PLAN (Continued)

To be eligible for disability retirement, a member must have a physical or mental disability that precludes the member's continued performance of current duties, and the disability must be certified by the TRS Medical Board as probably permanent. Death and Survivor retirement benefits are available to the beneficiary of an active member. For more detail about benefits see the publically available financial report that includes the financial statements and required supplementary information for the defined benefit plan. The report may be obtained by writing to TRS, 1000 red River Street, Austin, Texas 78701 or by downloading the report from the TRS website, www.trs.state.tx.us.

Contributions

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is also the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002, are covered by the System.

Contribution requirements are established or amended pursuant to the following state laws: (1) Article 16, section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year. Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

As the non-employer contributing entity, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

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.

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

NOTE 11: PENSION PLAN (Continued)

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

The contribution to the plan by contributor for the year ended August 31, 2017 were 7.7% for a member, 6.8% for non-employer contributing entity (state) and 6.8% for employers. There have been no changes that would affect the comparison of employer contributions from year to year.

Employers are also required to pay surcharges in the following cases:

- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5 percent of the applicable salary.
- When employing a retiree of the Teacher Retirement System, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

The following table shows the types of surcharges paid by TCCC during 2017:

Surcharge	Contribution Rate	2017
Non-OASDI	1.5%	\$ 141,647
Employment after Retirement - Employer	6.8%	-
Employment after Retirement - Employee	7.7%	-
Total		\$ 141,647

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 84th Texas Legislature, General Appropriations Act established the employer contribution rate for fiscal year 2017. Contribution rates for past and future years are as follows:

Year	Contribution Rates	
	Member	Employer
2016	7.2%	6.8%
2017	7.7%	6.8%
2018	7.7%	6.8%

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

NOTE 11: PENSION PLAN (Continued)

Funding Status

The TRS net pension liability in the plan was as follows:

	2016
Total pension liability	\$ 179,336,534,819
Less: plan assets	147,361,922,120
Net pension liability	<u>\$ 31,974,612,699</u>

The plan is 82.17% funded. The unfunded obligation gets passed along to the other charter schools and ISDs. This is not a withdrawal penalty for leaving the TRS System. TCCC does not operate under any collective bargaining agreement. TCCC contributions to the plan did not represent more than 5% of the total contributions to the plan.

NOTE 12: DEFINED CONTRIBUTION PLAN

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

NOTE 13: CONCENTRATION OF CREDIT RISK

Financial instruments that are exposed to concentration of credit risk consist of cash and cash equivalents, escrow fund, grants receivable and other receivables. During the year ended August 31, 2017, TCCC had demand deposits in banking institutions that exceeded the Federal Deposit Insurance Corporation insurance amount and collateralized balance. The credit risk exposure to TCCC is mitigated by the financial strength of the banking institutions in which deposits are held. The escrow fund consists of money market accounts which are also with banking institutions with financial strength and no losses have been experienced in the past.

Approximately 96% of TCCC revenues are received from government contracts. Should the contracts not be renewed, program expenses would be reduced until other funding sources are obtained or expenses will be eliminated completely. At August 31, 2017, 100% of grants receivable were from government contracts.

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 26, 2018, the date which the financial statements were available to be issued. No matters were identified affecting the accompanying financial statements or related disclosures, except as discussed in Note 5.

SUPPLEMENTARY INFORMATION

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

<i>August 31,</i>	2017
Assets	
Current assets	
Cash and cash equivalents	\$ 786,162
Grants receivable	292,588
Prepaid expenses	13,039
<hr/>	
Total current assets	1,091,789
Property and equipment	
Buildings and improvements	3,929,293
Furniture, vehicles, and equipment	2,436,990
Accumulated depreciation	(3,971,785)
<hr/>	
Total property and equipment, net	2,394,498
<hr/>	
Total assets	\$ 3,486,287

*See independent auditors' report and
accompanying notes to supplementary information.*

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

<i>August 31,</i>	<i>2017</i>
Liabilities and net assets	
Current liabilities	
Accrued liabilities	\$ 1,473,774
Line of credit	250,000
Notes payable, current portion	261,949
<hr/>	
Total current liabilities	1,985,723
Long term liabilities	
Due to agency	913,616
Notes payable, net of current portion	17,000
<hr/>	
Total long -term liabilities	930,616
Net assets	
Unrestricted	569,948
<hr/>	
Total liabilities and net assets	\$ 3,486,287
<hr/> <hr/>	

*See independent auditors' report and
accompanying notes to supplementary information.*

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

For the year ended August 31,

2017

Revenues	Unrestricted	Temporarily Restricted	Total
Local support			
5740 Other revenues from local sources	\$ 425,865	\$ -	\$ 425,865
5750 Revenue from cocurricular, enterprising services or activities	54,715	-	54,715
Total local support	480,580	-	480,580
State program revenues			
5810 Foundation school program act revenues	-	11,499,749	11,499,749
5820 State program revenues distributed by Texas Education Agency	-	487,447	487,447
Total state program revenues	-	11,987,196	11,987,196
Federal program revenues			
5920 Federal revenues distributed by the Texas Education Agency	-	2,732,234	2,732,234
5930 Federal revenues distributed by other State of Texas government agencies (other than Texas Education Agency)	-	21,195	21,195
5940 Federal revenues distributed directly from the Federal Government	-	68,647	68,647
Total federal program revenues	-	2,822,076	2,822,076
Net assets released from restrictions			
Restrictions satisfied by payments	14,809,272	(14,809,272)	-
Total revenues	\$ 15,289,852	\$ -	\$ 15,289,852

*See independent auditors' report and
 accompanying notes to supplementary information.*

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

For the year ended August 31,

2017

Expenses	Temporarily		Total
	Unrestricted	Restricted	
11 Instruction	\$ 7,831,400	\$ -	\$ 7,831,400
12 Instructional resources/media services	87,823	-	87,823
13 Curriculum development and instructional staff development	1,708	-	1,708
21 Instructional leadership	150,263	-	150,263
23 School leadership	969,065	-	969,065
31 Guidance, counseling and evaluation services	871	-	871
32 Social work services	103,178	-	103,178
33 Health services	88,758	-	88,758
34 Student (pupil) transportation	194,599	-	194,599
35 Food services	726,002	-	726,002
36 Cocurricular/extracurricular activities	10,388	-	10,388
41 General administration	1,190,840	-	1,190,840
51 Plant maintenance and operations	4,530,585	-	4,530,585
52 Security and monitoring services	163,297	-	163,297
53 Data processing services	418,123	-	418,123
61 Community services	3,254	-	3,254
71 Debt services	30,218	-	30,218
81 Fundraising services	74,692	-	74,692
Total expenses	16,575,064	-	16,575,064
Change in net assets	(1,285,212)	-	(1,285,212)
Net assets, beginning of year	1,855,160	-	1,855,160
Net assets, end of year	\$ 569,948	\$ -	\$ 569,948

*See independent auditors' report and
 accompanying notes to supplementary information.*

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

<i>For the year ended August 31,</i>	2017
Operating activities	
Changes in net assets	\$ (1,285,212)
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	279,682
Changes in operating assets and liabilities	
Grants receivable	190,918
Due to agency	943,461
Prepaid expenses	15,510
Accrued liabilities	311,425
Net cash provided by operating activities	455,784
Investing activities	
Purchases of property and equipment	(319,205)
Net cash used in investing activities	(319,205)
Financing activities	
Proceeds from notes payable	250,000
Repayments on notes payable	(330,464)
Net cash used in financing activities	(80,464)
Net increase in cash and cash equivalents	56,115
Cash and cash equivalents, beginning of year	730,047
Cash and cash equivalents, end of year	\$ 786,162
Supplemental disclosure of cash flow information	
Interest paid during the year	\$ 30,218

See independent auditors' report and accompanying notes to supplementary information.

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

<i>For the year ended August 31,</i>	2017
Expenses	
6100 Payroll costs	\$ 9,443,143
6200 Professional and contracted services	4,717,197
6300 Supplies and materials	1,571,036
6400 Other operating costs	813,470
6500 Debt service	30,218
<hr/>	
Total expenses	\$ 16,575,064

*See independent auditors' report and
accompanying notes to supplementary information.*

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

August 31,

2017

	Ownership Interest			Total
	Local	State	Federal	
Capital Assets				
Cash and cash equivalents	\$ 143,526	\$ (48,383)	\$ 691,019	\$ 786,162
Building improvements	-	3,132,209	797,084	3,929,293
Furniture, vehicles, and equipment	-	1,875,319	561,671	2,436,990
Total capital assets	\$ 143,526	\$ 4,959,145	\$ 2,049,774	\$ 7,152,445

*See independent auditors' report and
accompanying notes to supplementary information.*

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

Year ended August 31,

2017

		<u>Budgeted Amounts</u>		Actual	Variance
		Original	Final	Amounts	Favorable (Unfavorable)
Revenues					
Local support					
5740	Other revenues from local sources	\$ -	\$ 123,593	\$ 425,865	\$ 302,272
5750	Revenue from cocurricular, enterprising services or activities	-	-	54,715	54,715
Total local support		-	123,593	480,580	356,987
State program revenues					
5810	Foundation school program act revenues	12,235,363	12,235,363	11,499,749	(735,614)
5820	State program revenues Education Agency	-	218,282	487,447	269,165
Total state program revenues		12,235,363	12,453,645	11,987,196	(466,449)
Federal program revenues					
5920	Federal revenues distributed by the Texas Education Agency	2,363,695	2,969,995	2,732,234	(237,761)
5930	Federal revenues distributed by other State of Texas government agencies (other than Texas Education Agency)	-	-	21,195	21,195
5940	Federal revenues distributed directly from the Federal Government	70,000	70,000	68,647	(1,353)
Total federal program revenues		2,433,695	3,039,995	2,822,076	(217,919)
Total revenues		\$ 14,669,058	\$ 15,617,233	\$ 15,289,852	\$ (327,381)

See independent auditors' report and accompanying notes to supplementary information.

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

For the year ended August 31,

2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
Expenses				
11 Instruction	\$ 7,952,092	\$ 7,829,273	\$ 7,831,400	\$ (2,127)
12 Instructional resources/ media services	91,336	89,082	87,823	1,259
13 Curriculum development and instructional staff development	1,704	1,660	1,708	(48)
21 Instructional leadership	149,004	146,582	150,263	(3,681)
23 School leadership	1,003,040	999,806	969,065	30,741
31 Guidance, counseling and evaluation services	906	888	871	17
32 Social work services	109,840	105,596	103,178	2,418
33 Health services	91,140	88,911	88,758	153
34 Student (pupil) transportation	202,600	198,898	194,599	4,299
35 Food services	710,683	710,683	726,002	(15,319)
36 Cocurricular/extracurricular activities	11,450	10,298	10,388	(90)
41 General administration	1,502,040	1,493,197	1,190,840	302,357
51 Plant maintenance and operations	4,227,094	4,126,497	4,530,585	(404,088)
52 Security and monitoring services	163,040	159,708	163,297	(3,589)
53 Data processing services	421,110	416,810	418,123	(1,313)
61 Community services	3,200	3,200	3,254	(54)
71 Debt services	30,400	30,400	30,218	182
81 Fundraising	71,040	69,948	74,692	(4,744)
Total expenses	16,741,719	16,481,437	16,575,064	(93,627)
Changes in net assets	(2,072,661)	(864,204)	(1,285,212)	(421,008)
Net assets, beginning of year	3,345,527	4,581,082	1,855,160	(2,725,922)
Net assets, end of year	\$ 1,272,866	\$ 3,716,878	\$ 569,948	\$ (3,146,930)

*See independent auditors' report and
accompanying notes to supplementary information.*



SINGLE AUDIT

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

<i>For the year ended August 31,</i>	2017		
Federal or State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Pass-through Texas Education Agency			
Child Nutrition Cluster			
School Breakfast Program	10.553	71401201	\$ 205,457
National School Lunch Program	10.555	71301201	629,997
Total Child Nutrition Cluster			835,454
Food Distribution Cluster			
Emergency Food Assistance Program (Commodities)	10.569	101271A	6,840
Fresh Fruit and Vegetable Program	10.582	N/A	18,968
Total U.S. Department of Agriculture			861,262
U.S. Department of Defense			
Direct grant			
Department of Defense Appropriation Act of 2003 - Junior ROTC	12.116	N/A	68,647
U.S. Department of Housing and Urban Development			
Pass-through National Council for La Raza			
Comprehensive Counseling Grant	14.169	N/A	94,725
Pass-through Local Initiatives Support Corporation			
Section 4 Funds	14.252	N/A	33,350
Total U.S. Department of Housing and Urban Development			128,075
U.S. Department of Justice			
Pass-Through Texas Governor's Criminal Justice Division			
Victim's of Crime Act (VOCA)	16.575	2875501	160,346
U.S. Department of Treasury			
Pass-through NeighborWorks America			
Affordable Housing/Home Buyer Education Program	21.010	N/A	126,184
U.S. Department of Education			
Pass-through Texas Education Agency			
Title I Grants to Local Educational Agencies Cluster			
Title I, Part A, Improving Basic Programs	84.010	17610101101806	1,094,153

*See independent auditors' report and accompanying notes to supplementary information
and schedule of expenditures of federal awards.*

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

<i>For the year ended August 31,</i>	2017		
Federal or State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through or Grantor's Number	Expenditures
Special Education Cluster			
IDEA B, Formula	84.027	176600011018066000	\$ 217,846
IDEA B, Preschool	84.173	166610011018066000	518
Total Special Education Cluster			218,364
Carl Perkins Grant	84.048	174200000610806	20,576
English Language Acquisition Grants			
Title III, Part A, LEP	84.365	17671001101806	55,001
Improving Teacher Quality State Grants			
Title II, Part A, Teacher/Principle Training	84.367	17694501101806	96,415
Striving Readers Comprehensive Literacy Program	84.371	166460037110028	400,000
Total U.S. Department of Education			1,884,509
U.S. Department of Health and Human Services			
Pass-Through Texas Department of Family and Protective Services			
Foster Care - Title IV-E			
Child Placing Agency	93.658	230451219	480,678
Medicaid Cluster			
Medical Assistance Program	93.778	N/A	9,985
Total U.S. Department of Health and Human Services			490,663
Total Expenditures of Federal Awards			\$ 3,719,686

See independent auditors' report and accompanying notes to supplementary information and schedule of expenditures of federal awards.

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

NOTE 1: BASIS OF PRESENTATION

Basis of Presentation – Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards presents the Federal program fund expenditures of all Federal award programs of Tejano Center for Community Concerns, Inc. (“TCCC”) for the year ended August 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of TCCC’s financial statements.

Basis of Presentation – Supplementary Information

The accompanying supplementary schedules as listed in the table of contents for the year ended August 31, 2017 are presented on the accrual basis of accounting.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the schedules are reported on the accrual basis of accounting. Such expenditures of federal awards are recognized following the cost principles as found in the Uniform Guidance.

NOTE 3: RELATIONSHIP TO TCCC’S FINANCIAL STATEMENTS

Federal award expenditures, as reported in the schedule of expenditures of Federal awards, correspond with the amount reported as Federal grant revenues in TCCC's basic financial statements for the year ended August 31, 2017, since TCCC's policy is to recognize revenues as budgeted costs attributable to grants and contracts are incurred.

During 2017, TCCC charged RYSS rent totaling \$2,580,000. Rent income and expense between TCCC and RYSS are eliminated in TCCC’s statement of activities, but the expense is included in RYSS’s schedule of activities within plant maintenance and operations.

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

NOTE 4: RELATIONSHIP TO GRANTOR AGENCY FINANCIAL REPORTS

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

For all Federal programs, RYSS used the net asset classes and codes specified by the Texas Education Agency in the Special Supplement to Financial Accounting and Reporting Nonprofit Charter School Chart of Accounts. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal financial assistance is generally accounted for in temporarily restricted net asset codes.

NOTE 5: RECONCILIATION TO BASIC FINANCIAL STATEMENTS

The following reconciles Federal awards expenditures as included in the accompanying schedule to Federal grant revenue as reported in the basic financial statements of TCCC:

<i>For the year ended August 31,</i>	2017
Federal awards expenditures per accompanying schedule	\$ 3,719,686
Total federal grants per basic financial statements	3,719,686
Difference	\$ -

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

<i>For the year ended August 31,</i>	2017
RYSS total expenses	\$ 16,575,064
Eliminated rent expense	(2,580,000)
TCCC total expenses - Charter School	\$ 13,995,064

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

NOTE 6: INSURANCE COVERAGE

During the year ended August 31, 2017, TCCC maintained the following types of insurance:

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

NOTE 7: CASH ASSISTANCE

TCCC received \$6,840 of federal noncash assistance for the fiscal year ended August 31, 2017.

NOTE 8: INDIRECT COST


TCCC has not elected to use the 10% de minimis indirect cost rate for the year ended August 31, 2017.

NOTE 9: SUBRECIPIENTS

TCCC did not provide federal funds to subrecipients for the year ended August 31, 2017.

NOTE 10: LOAN GUARANTEE

TCCC did not have any loans or loan guarantee programs required to be reported on the schedule for the year ended August 31, 2017.



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

NOTE 11: BUDGETARY COMPARISON SCHEDULE VARIANCES GREATER THAN 10%

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

RYSS staff worked very hard on controlling admin costs in the 2016/2017 school year, through smarter use of materials, better methods of operations, and elimination of some of the benefits previously provided to staff members. Examples of this were the elimination of work related cell phones, and a huge decrease in travel expense for admin staff during the 2016/2017 fiscal year.

These cost reductions resulted in a 20% positive variance to the amended budgeted numbers.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tejano Center for Community Concerns, Inc. (a nonprofit organization) ("TCCC"), which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefor, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. See findings 2017-001 and 2017-002.

Compliance and Other Matters

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

We noted certain matters that we reported to management of TCCC in a separate letter dated January 26, 2018.

TCCC's Response to Findings

TCCC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. TCCC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Caru, Riggs & Ingram, L.L.C.

Houston, Texas
January 26, 2018



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

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

Report on Compliance for Each Major Federal Program

We have audited Tejano Center for Community Concerns, Inc.'s ("TCCC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TCCC's major federal programs for the year ended August 31, 2017. TCCC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of TCCC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost of Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TCCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of TCCC's compliance.

Opinion on Each Major Federal Program

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

Other Matters

We noted certain matters that we reported to management of TCCC in a separate letter dated January 26, 2018.

Report on Internal Control over Compliance

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

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

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

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

Caru, Riggs & Ingram, L.L.C.

Houston, Texas
January 26, 2018

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

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? yes no

Identification of major programs:
CFDA Number

Name of Federal Programs

84.010

Title I, Part A

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? yes no

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

SECTION II: FINANCIAL STATEMENT FINDINGS

Finding 2017-001: Applicable Federal Program: General Financial Statement Preparation

Context and criteria: Under 2 CFR Section 200.508, TCCC must prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510.

Condition: During the audit, our procedures included review of client prepared schedules that required adjustments once the trial balance was closed and ready for audit. Specifically one material entry related to reconciliation of the escrow account that was not performed timely.

Questioned Costs: \$0

Cause: TCCC's review process of the year end closing process for account reconciliations did not operate effectively, due to loss of the organization's Chief Financial Officer (CFO) near year end and this position has not been filled.

Effect: TCCC's internal reporting process as of year end resulted in material misstatements in one specific account and required additional adjustments to other accounts that were not detected by TCCC's accounting resources as part of the year end reporting process.

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

Management's Response and Corrective Action Plan: TCCC agrees with the recommendation. See Management's Corrective Action Plan on page 47.

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

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2017-002: Applicable Federal Program: General Schedule of Federal Awards (SEFA) Preparation

Context and criteria: Under 2 CFR Section 200.508, TCCC must prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510.

Condition: We noted three entries that were required to be made between the SEFA and the general ledger once prepared by TCCC and provided to the auditor. None of the adjustments were material to the financial statements, but did affect the overall preparation and reporting on the SEFA.

Questioned Costs: \$0

Cause: Due to the additional added responsibility placed on the Accounting Manager with no replacement for the CFO, monitoring and oversight of the SEFA did not occur as in prior years.

Effect: The SEFA was required to be adjusted by three entries to be properly presented in TCCC year end reporting.

Recommendation: TCCC should ensure the SEFA is reconciled as of year end to supporting documentation, reporting to the Board of Directors, grant reporting to agencies and year end financial statements. TCCC should also consider filling the vacant CFO or equivalent to ensure adequate and timely reporting of its financial statements and SEFA.

Management's Response and Corrective Action Plan: TCCC agrees with the recommendation. See Management's Corrective Action Plan on page 47.

SECTION IV: SCHEDULE OF PRIOR YEAR FINDINGS

None



Tejano Center for Community Concerns, Inc. Management's Corrective Action Plan

SECTION I: FINDINGS RELATED TO FINANCIAL STATEMENT AUDIT

2017-002: General Financial Statement Preparation

Planned Corrective Action: TCCC Management is committed to reliable financial reporting. Based on recommendation, TCCC Management is looking at implementation of the use of an outside consultant for reporting and monitoring of its financial statements and is currently working with Region 4 Service Center to provide daily assistance in regards to its reporting to TEA.

Anticipated Completion Date: March 31, 2018

Responsible Contact Person: Adriana Tamez, CEO

SECTION II: FINDINGS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

2017-002: General Schedule of Federal Awards (SEFA) Preparation

Planned Corrective Action: Views of Responsible Officials and Planned Corrective Actions: TCCC Management is committed to reliable financial reporting. Based on recommendation, TCCC Management is looking at implementation of the use of an outside consultant for reporting and monitoring of its financial statements and is currently working with Region 4 Service center to provide daily assistance in regards to its reporting to TEA.

Anticipated Completion Date: March 31, 2018

Responsible Contact Person: Adriana Tamez, CEO



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

In planning and performing our audit of the financial statements of Tejano Center for Community Concerns, Inc. ("TCCC") as of and for the year ended August 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered TCCC's internal control over financial reporting (internal control) as a basis for designing 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 TCCC's internal control. Accordingly, we do not express an opinion on the effectiveness of the TCCC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies 2017-001 and 2017-002 in TCCC's internal control to be a material weakness.

A significant 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,

During our audit, we also became aware of control deficiencies in internal control and areas for improvement that are opportunities for strengthening internal controls and operating efficiency.

The accompanying chart of this letter summarizes our material weakness, and other internal control recommendations for management's consideration.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the TCCC's management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of Board of Directors, management and others within TCCC, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Houston, Texas
January 26, 2018

Internal Control Findings

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
2017-001	MW	Escrow fund and bond interest expense reconciliation and key accounting personnel	<p>During the audit, we noted that bond statements for TCCC’s escrow accounts were not reconciled to the general ledger.</p> <p>Oversight to properly reconcile the escrow accounts as of year-end resulted in a material adjustment during the audit.</p> <p>The CFO, a key position, became vacant during the fiscal year. We also noted that the Accounting Manager has complete control of many responsibilities essential for the smooth and efficient operation of TCCC’s financial reporting. TCCC’s Accounting Department needs a CFO or equivalent to ensure the preparation of reliable financial statements.</p>	<p>The vacancy left by the CFO requires that other employees in the administrative department must perform CFO duties while still completing their own work.</p> <p>The employees are under additional stress because they are performing duties that have never done before which increases the likelihood of error. We recommend that all deposit accounts, including UMB escrow, be reconciled monthly to the general ledger.</p> <p>We also strongly recommend a competent and experienced CFO or equivalent be located to fill the vacant We also recommend that TCCC insure continuity of its operations through a better segregation of duties in these critical areas.</p>

Internal Control Findings

CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
2017-002	MW	Schedule of Expenditures of Federal Awards (SEFA)	<p>During our audit procedures performed on the SEFA, we noted no formal controls were in place to ensure the accuracy and completeness of the SEFA.</p> <p>Also, during our reconciliation of the SEFA resulted in material audit adjustments.</p>	We recommend that the Accounting Manager reconcile the SEFA to federal revenue per the general ledger, internal financial statements and that the CFO or equivalent reperform as part of his review.
2017-003	D	Monthly Reconciliation and Closing Procedures	<p>During our audit fieldwork, we noted the following subsidiary ledgers were not in agreement with the general ledger:</p> <ul style="list-style-type: none"> - Fixed asset and related depreciation - Foundation School Program 	TCCC should adopt a policy requiring monthly reconciliation of all balance sheet accounts and to ensure accuracy of the monthly financial statements. In addition, timely reconciliation is most cost efficient since reconciliation at a later date is often more difficult and time consuming.
2017-004	D	Nonprofit Charter School Chart of Accounts	<p>During our audit, we noted inconsistencies in TCCC's use of account code structure as described as TEA's Special Supplement to the Financial Accountability System Resource Guide, Nonprofit Charter School Chart of Accounts.</p> <p>For example, there errors in recording federal revenue in the appropriate object code.</p>	All federal revenues should be recorded in accordance with TEA's FASRG.

Internal Control Findings

CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
2017-005	D	Update Bank Signing Authorization	As a part of our audit procedures, our standard bank confirmation testing form revealed that persons known to have left employment of remain on the bank records as authorized signers. This presents a major security breach and should be corrected as soon as possible. Only current employees should be responsible for such an important control over cash disbursements.	In an effort to maintain strong controls, we suggest that management annually review the authorized check signers on record with the bank and make any necessary updates as soon as possible.
2017-006	D	Review of Journal Entries	<p>Currently, TCCC does not have a policy to ensure that all journal entries are authorized and reviewed prior to posting to general ledger.</p> <p>We noted not all journal entries are documented via a standard journal entry form and there is not documentation of review by someone other than the preparer.</p>	We recommend that someone review and approved all nonstandard journal entries and initial the support for the entries to document their approval.

Internal Control Findings

CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
2017-007	D	Personnel Files	<p>During our test of internal controls over payroll, we noted that three employees that were missing fund code on the Position Change Form. However, we verified payroll expense was properly charged to the correct fund.</p> <p>We also noted one employee we were unable to examine the approved time card (for two payroll periods).</p>	<p>We understand a more frequent review of the files are being performed.</p> <p>We recommend that the audit checklist included employee personnel file continued to be used to perform regular reviews of file in order to verify the accuracy of current Position Change Form.</p>
2017-008	D	Accounts Payable Cutoff	<p>During our search for unrecorded liabilities, we noted some invoices relating to goods received or services performed prior to the year-end date were not recorded as payables in the proper period. Proper cutoffs are critical for the accuracy of the accrual basis of accounting</p>	<p>We suggest part of the TCCC accounting policies and procedures manual which indicates basic concepts of proper cutoffs and the individuals responsible for accruing payables at the accounting period end.</p>