

**ASSOCIATION FOR THE ADVANCEMENT OF
MEXICAN-AMERICANS**
(A Texas Nonprofit Corporation)

**Annual Financial and
Compliance Audit**

Years Ended August 31, 2015 and 2014

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Association for the Advancement of Mexican-Americans

Report on the Financial Statements

We have audited the accompanying financial statements of the Association for the Advancement of Mexican-Americans ("AAMA"), a Texas nonprofit corporation, which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 of 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.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AAMA as of August 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 from pages 26 through 31 is presented for purposes of additional analysis as required by the Texas Education Agency, and is not a required part of the financial statements of AAMA. Similarly, the accompanying schedule of expenditures of federal awards on pages 32 through 33 is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of AAMA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of AAMA’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 AAMA’s internal control over financial reporting and compliance.

McConell & Jones LLP

Houston, Texas
December 22, 2015

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents, unrestricted	\$ 1,050,440	\$ 1,438,651
Cash and cash equivalents, restricted	2,724,862	2,725,211
Certificate of deposit, restricted	251,058	-
Grants receivable and reimbursable grant expenses	730,611	544,197
Prepaid expenses	91,205	95,285
Total current assets	4,848,176	4,803,344
NONCURRENT ASSETS:		
Property and equipment, net	8,359,548	8,785,641
Other assets	18,445	15,445
Total noncurrent assets	8,377,993	8,801,086
TOTAL ASSETS	\$ 13,226,169	\$ 13,604,430
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 147,849	\$ 98,328
Accrued liabilities	312,577	346,808
Unearned revenue	281,999	252,456
Bonds and notes payable, current portion	137,968	131,374
Liability under an interest rate swap contract, current portion	75,859	95,165
Total current liabilities	956,252	924,131
NONCURRENT LIABILITIES:		
Bonds and notes payable, long term portion	5,117,844	5,695,041
Liability under an interest rate swap contract, net of current portion	337,200	480,858
Total noncurrent liabilities	5,455,044	6,175,899
TOTAL LIABILITIES	6,411,296	7,100,030
NET ASSETS:		
Unrestricted	6,731,267	6,419,907
Temporarily restricted	83,606	84,493
TOTAL NET ASSETS	6,814,873	6,504,400
TOTAL LIABILITIES AND NET ASSETS	\$ 13,226,169	\$ 13,604,430

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

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Federal grants	\$ 2,185,849	\$ 803,728	\$ 2,989,577
State, city, county, and other school funding and grants	1,201,485	6,093,053	7,294,538
Fundraisers	396,053	-	396,053
Contributions	297,332	1,355	298,687
Property and rental income	1,496,598	-	1,496,598
Net assets released from restrictions	6,899,023	(6,899,023)	-
Revenue from other sources	246,508	-	246,508
TOTAL REVENUE	<u>12,722,848</u>	<u>(887)</u>	<u>12,721,961</u>
EXPENDITURES			
Program services:			
Health and human services	2,388,906	-	2,388,906
Educational services	8,074,240	-	8,074,240
Total program services	<u>10,463,146</u>	<u>-</u>	<u>10,463,146</u>
Support services:			
Management and general	1,814,481	-	1,814,481
Fundraising activities	133,861	-	133,861
Total support services	<u>1,948,342</u>	<u>-</u>	<u>1,948,342</u>
TOTAL EXPENDITURES	<u>12,411,488</u>	<u>-</u>	<u>12,411,488</u>
CHANGE IN NET ASSETS	311,360	(887)	310,473
NET ASSETS, BEGINNING OF YEAR	<u>6,419,907</u>	<u>84,493</u>	<u>6,504,400</u>
NET ASSETS, END OF YEAR	<u>\$ 6,731,267</u>	<u>\$ 83,606</u>	<u>\$ 6,814,873</u>

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

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Federal grants	\$ 2,461,224	\$ 1,125,667	\$ 3,586,891
State, city, county, and other school funding and grants	1,027,657	5,252,708	6,280,365
Fundraisers	410,491	-	410,491
Contributions	176,628	11,130	187,758
Property and rental income	1,501,724	-	1,501,724
Net assets released from restrictions	6,496,587	(6,496,587)	-
Revenue from other sources	164,297	-	164,297
TOTAL REVENUE	12,238,608	(107,082)	12,131,526
EXPENDITURES			
Program services:			
Health and human services	2,125,778	-	2,125,778
Educational services	7,654,496	-	7,654,496
Total program services	9,780,274	-	9,780,274
Support services:			
Management and general	2,134,007	-	2,134,007
Fundraising activities	140,657	-	140,657
Total support services	2,274,664	-	2,274,664
TOTAL EXPENDITURES	12,054,938	-	12,054,938
CHANGE IN NET ASSETS	183,670	(107,082)	76,588
NET ASSETS, BEGINNING OF YEAR	6,236,237	191,575	6,427,812
NET ASSETS, END OF YEAR	\$ 6,419,907	\$ 84,493	\$ 6,504,400

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

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

	Health and Human Services			Educational Services			Support Services			Total	
	Residential/ Outpatient	Prevention/ Intervention	Sub-Total Health and Human Services	George I. Sanchez Houston	Adelante	Sub-Total Educational Services	Total Program Services	Management and General	Fundraising		Total Support Services
Salaries	\$ 1,069,485	\$ 432,272	\$ 1,501,757	\$ 4,175,727	\$ 612,405	\$ 4,788,132	\$ 6,289,889	\$ 452,584	\$ -	\$ 452,584	\$ 6,742,473
Employee fringe benefits	75,202	34,435	109,637	451,213	31,435	482,648	592,285	33,786	-	33,786	626,071
Payroll taxes	98,639	39,264	137,903	165,142	59,338	224,480	362,383	32,823	-	32,823	395,206
Professional fees and contract services payments	87,831	10,687	98,518	199,160	7,352	206,512	305,030	25,658	129,567	155,225	460,255
Food, clothing and other	32,043	-	32,043	184,722	-	184,722	216,765	-	-	-	216,765
Insurance - other	29,059	15,928	44,987	127,711	16,778	144,489	189,476	23,053	-	23,053	212,529
Equipment rental/maintenance	31,871	7,994	39,865	92,816	12,329	105,145	145,010	284,488	-	284,488	429,498
Rent-office	164,457	50,678	215,135	1,282,372	94,714	1,377,086	1,592,221	14,745	-	14,745	1,606,966
Supplies	41,094	24,455	65,549	267,097	28,927	296,024	361,573	13,345	955	14,300	375,873
Travel/seminars	15,909	11,044	26,953	57,235	2,140	59,375	86,328	9,279	830	10,109	96,437
Utilities	45,649	8,967	54,616	6,526	3,612	10,138	64,754	293,117	-	293,117	357,871
Miscellaneous	29,734	28,161	57,895	118,278	4,799	123,077	180,972	77,743	2,509	80,252	261,224
Interest/bank charges	-	-	-	-	-	-	-	65,615	-	65,615	65,615
Depreciation of property and equipment	2,928	1,120.00	4,048	60,256	12,156	72,412	76,460	488,245	-	488,245	564,705
TOTAL EXPENSES	\$ 1,723,901	\$ 665,005	\$ 2,388,906	\$ 7,188,255	\$ 885,985	\$ 8,074,240	\$ 10,463,146	\$ 1,814,481	\$ 133,861	\$ 1,948,342	\$ 12,411,488

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

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
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STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2014

	Health and Human Services			Educational Services			Support Services			Total	
	Residential/ Outpatient	Prevention/ Intervention	Sub-Total Health and Human Services	George I. Sanchez Houston	Adelante	Sub-Total Educational Services	Total Program Services	Management and General	Fundraising		Total Support Services
Salaries	\$ 1,001,784	\$ 326,817	\$ 1,328,601	\$ 3,759,797	\$ 768,673	\$ 4,528,470	\$ 5,857,071	\$ 562,455	\$ -	\$ 562,455	\$ 6,419,526
Employee fringe benefits	72,771	28,404	101,175	352,156	49,393	401,549	502,724	33,767	-	33,767	536,491
Payroll taxes	87,392	29,747	117,139	128,659	69,010	197,669	314,808	39,647	-	39,647	354,455
Professional fees and contract services payments	85,641	3,927	89,568	180,361	10,216	190,577	280,145	75,770	119,803	195,573	475,718
Food, clothing and other	30,535	398	30,933	154,740	-	154,740	185,673	-	-	-	185,673
Insurance - other	38,002	29,976	67,978	147,158	27,455	174,613	242,591	10,682	-	10,682	253,273
Equipment rental/maintenance	19,460	5,657	25,117	56,427	12,161	68,588	93,705	262,425	-	262,425	356,130
Rent-office	171,340	43,705	215,045	1,267,798	101,900	1,369,698	1,584,743	18,314	-	18,314	1,603,057
Supplies	38,920	3,584	42,504	267,115	27,694	294,809	337,313	22,321	15,861	38,182	375,495
Travel/seminars	11,191	8,147	19,338	84,253	7,075	91,328	110,666	2,496	255	2,751	113,417
Utilities	45,558	5,520	51,078	5,354	3,146	8,500	59,578	297,322	-	297,322	356,900
Miscellaneous	16,899	10,213	27,112	64,169	12,049	76,218	103,330	218,475	4,738	223,213	326,543
Interest/bank charges	28	13	41	90	16	106	147	96,905	-	96,905	97,052
Depreciation of property and equipment	10,149	-	10,149	91,368	6,263	97,631	107,780	493,428	-	493,428	601,208
TOTAL EXPENSES	\$ 1,629,670	\$ 496,108	\$ 2,125,778	\$ 6,559,445	\$ 1,095,051	\$ 7,654,496	\$ 9,780,274	\$ 2,134,007	\$ 140,657	\$ 2,274,664	\$ 12,054,938

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

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 310,473	\$ 76,588
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	564,705	601,208
Change in the fair value of liability under an interest rate swap contract	(60,182)	(35,374)
Changes in operating assets and liabilities:		
(Increase)/decrease in grants receivable	(186,414)	622,782
Decrease in pledges receivable	-	52,578
Decrease/(increase) in prepaid expenses	4,080	(5,124)
Increase in other assets	(3,000)	(11,245)
Increase/(decrease) in accounts payable	49,521	(13,895)
Decrease in accrued liabilities	(34,231)	(143,478)
Increase in unearned revenue	29,543	11,135
Total adjustments	364,022	1,078,587
Net cash provided by operating activities	674,495	1,155,175
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(138,611)	(167,606)
Purchase of certificate of deposit	(250,000)	-
Reinvestment of earnings from certificate of deposit	(1,058)	-
Net cash used in investing activities	(389,669)	(167,606)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in cash and cash equivalents, restricted	349	(824,218)
Payments to a counterparty under an interest rate swap contract	(102,783)	(105,229)
Repayments of borrowings	(570,603)	(315,393)
Net cash used in financing activities	(673,037)	(1,244,840)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(388,211)	(257,271)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,438,651	1,695,922
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,050,440	\$ 1,438,651
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid during the year	\$ 118,550	\$ 125,427

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

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2015 AND 2014

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The Association for the Advancement of Mexican-Americans (AAMA) is a Texas nonprofit corporation established on November 23, 1970 to provide educational and health and human services to at-risk populations. AAMA's mission is to advance the lives of at-risk youth and families through an array of innovative programs that provide education, healthcare, human services, and community development initiatives to strengthen families and neighborhoods. AAMA receives grants primarily from federal, state and local agencies to fund these programs. The Board of Directors has primary accountability for the fiscal affairs of AAMA.

AAMA operates the George I. Sanchez Charter School in Houston on two campuses. The results of the operations of the George I. Sanchez Charter School are included in the accompanying financial statements.

Basis of Accounting

The financial statements of AAMA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), codified by the Financial Accounting Standards Board (FASB) into Accounting Standards Codification (ASC).

Financial Statements Presentation

AAMA is required by accounting principles generally accepted in the United States of America to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as defined below:

Unrestricted net assets – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of AAMA. Unrestricted net assets may be designated for any specific purpose by action of the Board of Directors.

Temporarily restricted net assets – These are resources that are subject to donor-imposed stipulations that may be met, either by actions of AAMA and/or the passage of time. This classification includes contributions, underwriting, and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted. At August 31, 2015 and 2014, AAMA's temporarily restricted net assets were \$83,606 and \$84,493, respectively.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2015 AND 2014

Permanently restricted net assets – These are resources that are subject to donor-restrictions requiring that the principal be held in perpetuity and any income thereon be used by AAMA. AAMA did not have any permanently restricted net assets as of August 31, 2015 and 2014.

In addition, AAMA is required by FASB ASC Topic 958-205, *Financial Statements of Not-for-Profit Organizations*, to present statements of functional expenses and cash flows.

When both restricted and unrestricted resources are available for use, it is AAMA's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue Recognition

Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on the passage of time. Program income and other income are recognized the earlier of when received or when billed. Conditional promises to give cash or other assets are not recognized until received.

Texas Education Agency Financial Accountability Guide

For all federal and state programs, the George I. Sanchez Charter School uses the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement to Financial Accountability System and Resource Guide* for nonprofit charter schools.

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 for the charter school received through the Texas Education Agency is generally accounted for in temporarily restricted net asset codes.

Cash and Cash Equivalents

AAMA considers all monies in banks and highly liquid investments with maturities of three months or less from date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The value of cash equivalents included in cash and cash equivalents as of August 31, 2015 and 2014 was \$3,775,302 and \$4,163,862, respectively.

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2015 AND 2014

At August 31, 2015 and 2014, AAMA had restricted cash and cash equivalents and certificate of deposit of \$2,975,920 and \$2,725,211, respectively, to satisfy specific donor imposed restrictions.

Derivative Financial Instruments

AAMA makes limited use of derivative financial instruments in order to manage certain exposures or mitigate certain risks. Derivative financial instruments are recorded at fair value.

Fair Value of Financial Instruments

For fair value disclosure purposes, the interest rate swap contract related to a bond payable is valued at the net present value of future cash flows attributable to the difference between the contractual variable and fixed rates in the contract, adjusted for nonperformance risk of both the counterparty and AAMA. The carrying value of all other financial instruments approximates fair value.

Grants Receivable

Grants receivable represent pending reimbursements of program expenses incurred as of year-end, both billed and unbilled, and expected to be received from the funding sources in the subsequent year. Management considers such receivables at August 31, 2015 and 2014 to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statements.

Pledges Receivable

Unconditional promises to give are recognized as revenues in the period received and as pledges receivable. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at their estimated fair value at the date of donation. Such donations are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain property and equipment are recorded as restricted contributions. Presently, the Organization does not have any assets which have donor-imposed restrictions.

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2015 AND 2014

AAMA's policy is to capitalize all asset acquisitions with the useful life expectancy of greater than one year and with a cost of \$5,000 or greater. Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 30 years. Maintenance and repairs are charged to expense when incurred. Renewals and betterments that extend the useful lives of the assets are capitalized.

Compensable Absences

Vacation and personal leave time are granted to AAMA employees. Under AAMA's policy for non-school employees, paid vacation leave is provided to full-time employees and generally accrues up to a maximum amount based on an employee's years of service. When an employee reaches the maximum vacation accrual amount for their years of service they do not continue to accrue vacation unless such maximum amount has been reduced. Full-time school employees do not earn vacation leave. They accrue state personal leave based on the number of days worked, up to a maximum of 5 workdays annually. Accrued, unused personal leave for full-time school employees carries over from school year to school year and may be transferrable to another school district in Texas, depending on the policies of the specific district involved. However, vacation and personal leave time are not paid out at time of termination of employment. All full-time school employees are also entitled to sick leave based on the number of days worked in a calendar year. Employees are not compensated for unused sick leave which cannot be carried forward into another calendar year. No accrual for unused employee vacation, personal leave and sick days is recorded in the accompanying financial statements since earned vacation, personal leave and sick days are not vested but, with the exception of personal leave time for school employees as noted above, are forfeited upon separation of employment.

Unearned Revenue

Unearned revenue represents amounts received by AAMA, which have not yet been earned. Such amounts are recognized as revenue when earned, generally when expenditures have been incurred for purposes specified, or other applicable donor imposed condition has been met.

Contributions

Contributions are recognized when the donor makes a promise to give to AAMA 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 fiscal 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.

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2015 AND 2014

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.

Concentration of Contributions or Grants

Approximately 81% of AAMA's total revenues for the years ended August 31, 2015 and 2014 was provided by federal, state and local governments.

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 certain estimates and assumptions that affect certain 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. Accordingly, actual results could differ from those estimates. Significant estimates included in AAMA's financial statements relate primarily to the calculation of the liability under an interest rate swap contract; the Foundation School Program revenue accrual which requires an estimate based on additional information provided to the State; the useful lives applied in asset depreciation, and; the functional allocation of expenses.

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated values at date of receipt. A substantial number of volunteers have donated significant amounts of their time to AAMA's program services and fundraising efforts. Donations of services are classified as "In-kind" donations and are generally reflected on the financial statements as income with an identical offset to expense. In-kind donations are generally valued by the donor and may be used by AAMA to satisfy various State grant requirements for a five percent (5%) match by the donee.

Income Taxes

AAMA is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities. For the years ended August 31, 2014 and 2013, AAMA has determined that no income taxes are due for these activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. In addition, AAMA qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Code.

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AAMA 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. AAMA 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.

Tax years 2012 - 2014 remain open to examination by the taxing jurisdictions to which AAMA is subject, and these periods have not been extended beyond the applicable statute of limitations.

Functional Allocation of Expenses

The costs of providing various programs and other activities of AAMA have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited in accordance with AAMA's cost allocation plan. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of AAMA.

New Accounting Pronouncements

In April 2013, the FASB issued Accounting Standards Update (ASU) 2013-06 – Not-for-profit Entities (Topic 958), *Services Received from Personnel of an Affiliate*, which requires a not-for-profit entity to recognize all services received from personnel of an affiliate at either (a) the cost recognized by the affiliate for the personnel providing that service or (b) the fair value of that service. If the recipient not-for-profit entity is required to provide a performance indicator, the entity should report an increase in net assets associated with the services rendered as an equity transfer. This update was adopted for AAMA's 2015 annual financial statements and the implementation of the new standard had no significant effect on the current year financial statements.

In April 2014, the FASB issued Accounting Standards Update (ASU) 2014-08 – Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which changes the requirements for reporting discontinued operations. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results based on

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certain criteria. This update was early adopted for AAMA's 2015 financial statements and implementation of the new standard had no significant effect on the current year financial statements.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation.

2. PROGRAM SERVICES

The costs of providing the various program services by AAMA are shown in the accompanying statements of functional expenses. The following are the descriptions of AAMA's program services:

Health and Human Services Programs

Residential/Outpatient Drug Treatment – These programs provide comprehensive chemical dependency treatment services to youth, adults, and their families in several residential and out-patient centers located in Houston, San Antonio and Laredo, Texas.

Prevention/Intervention – These programs provide services to prevent substance abuse by youth and gang intervention for at-risk youth in Houston, Texas. Additionally, preventive education, awareness, peer intervention case management, testing and counseling are provided to youth and adults at high risk of HIV/AIDS in Houston, Texas.

Education Programs

George I. Sanchez Charter School – Houston – The charter school serves students otherwise left behind, at-risk youth and dropouts from other schools to give them a second chance. The educational syllabus includes early college education courses. Students who are academically behind receive additional support, including block scheduling, tutoring, and credit recovery programs, small class sizes, and counseling support. In addition, day-care and parenting classes are provided for students who are already parents and gang intervention programs are utilized to engage students caught in street crime, all with the goal of creating a safer atmosphere in the schools to facilitate learning.

In June 1996, George I. Sanchez School (GIS) was designated as an open enrollment charter high school by the State of Texas and now receives its primary funding directly from the Texas Education Agency. Currently, GIS offers classes from the 6th through the 12th grades on two campuses in Houston, Texas.

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Adelante – This program provides adult basic education including GED, ESL, Civics and Family Literacy to adults at various locations in Houston, Texas.

3. CONCENTRATION OF CREDIT RISKS

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, AAMA will not be able to recover its deposits. Although AAMA does not have a formal deposit policy, it maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risks by maintaining deposits at institutions with demonstrated financial strength. Bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. The total cash maintained by AAMA in their banks as of August 31, 2015 and 2014 which was subject to custodial credit risk was \$4,109,617 and \$4,216,334, respectively. At August 31, 2015 and 2014, AAMA's deposits at one of its banks included the sum of \$2,115,305 and \$1,817,358, respectively, in funds collateralized by U.S. Treasury Bills which provided additional coverage leaving the un-insured balance of \$774,579 and \$1,679,751 as of August 31, 2015 and 2014, respectively. Management believes that this credit risk exposure was mitigated by the financial strength of the banking institutions in which the deposits were held.

Credit risk associated with grants receivable is minimal due to the credit worthiness of the federal, state, and local funding agencies.

4. FAIR VALUE MEASUREMENTS

U.S. GAAP requires that certain assets and liabilities be reported at fair value and establishes a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date.

Certain financial assets of AAMA are measured at fair value on a recurring basis. The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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Level 3 – Pricing inputs include significant inputs that are generally less observable or from unobservable sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

Financial instruments measured at fair value on a recurring basis at August 31, 2015 and 2014 are as follows:

	Level 1	Level 2	Level 3	Total
Certificate of deposit at August 31, 2015	\$ 251,058	\$ -	\$ -	\$ 251,058
Certificate of deposit at August 31, 2014	\$ -	\$ -	\$ -	\$ -

AAMA's remaining financial instruments consist of cash, receivables, accounts payable and an interest rate swap contract. Management believes the carrying amounts of cash, receivables and accounts payable approximate their fair value. The interest rate swap contract has been measured and reported at fair value on the statements of financial position as of August 31, 2015 and 2014, using the terms of the contract and other applicable factors such as the national inflation rate and the variable interest rate at the dates of the measurement.

The valuation techniques utilized in determining the fair value of AAMA’s financial instruments are consistently applied from year to year.

5. PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2015 and 2014 were as follows:

	2015	2014
Land (non-depreciable)	\$ 175,800	\$ 175,800
Buildings and improvements	14,712,913	14,630,407
Furniture and equipment	2,273,377	2,217,273
	17,162,090	17,023,480
Less: accumulated depreciation on depreciable assets	8,802,542	8,237,839
Property and equipment, net	\$ 8,359,548	\$ 8,785,641

Depreciation expense for the years ended August 31, 2015 and 2014 was \$564,705 and \$601,208, respectively.

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Capital assets acquired with public funds received by AAMA for the operation of George I. Sanchez Houston constitutes public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets for the charter school.

6. ACCRUED SALARIES

During August 2015 and 2014, AAMA's staff worked Six (6) days for which they were not paid until after September 1, 2015 and 2014, respectively. Based on the rates of pay and the number of days worked by respective employees, AAMA accrued \$205,336 to be paid after September 1, 2015 and \$114,644 after September 1, 2014 and these amounts are recorded in accrued liabilities.

7. OPERATING LEASES

AAMA leases office space and equipment under operating lease agreements with third parties. Office rent expense for 2015 and 2014 amounted to \$110,517 and \$101,484, respectively. Office equipment rent expense for 2015 and 2014 amounted to \$37,696 and \$39,767, respectively.

The following is a schedule of future minimum lease payments under non-cancellable leases:

<u>Year Ending August 31,</u>	<u>Amount</u>
2016	\$ 118,912
2017	4,092
	<u>\$ 123,004</u>

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8. BONDS AND NOTES PAYABLE

Bonds and notes payable to a bank at August 31, 2015 and 2014 consisted of the following:

	2015	2014
Note/Bond 2006A payable; construction loan for Multi-Purpose Education Center (MPEC), due in monthly installments of principal and a variable interest rate. Under a swap agreement, and a variable interest rate, the combined interest rate is fixed at 5.68% (see note 9 below for more information). Outstanding principal and interest are due in September 2021.	\$ 2,137,991	\$ 2,653,496
Note/Bond 2006B payable; construction loan for the Academic Learning Center (ALC), principal and interest payments due monthly with a variable interest rate based on 65.498% of LIBOR plus 1.93%. Outstanding principal and interest are due in September 2021.	3,117,821	3,172,919
Total debt	5,255,812	5,826,415
Less current portion	137,968	131,374
Debt, noncurrent portion	\$ 5,117,844	\$ 5,695,041

All bank notes payable are secured by a security interest in certain accounts receivable and personal property as well as a deed of trust on land and buildings.

The future maturities of AAMA's bonds and notes payable as of August 31, 2015 were as follows:

Year Ending August 31,	Amount
2016	\$ 137,968
2017	148,124
2018	155,886
2019	165,084
2020	173,929
Thereafter	4,474,821
	\$ 5,255,812

AAMA's construction loan agreements for MPEC and the ALC contain various covenants. AAMA was compliant with those covenants.

AAMA has a revolving line of credit of \$500,000 with a variable interest rate based upon an index which is Libor rate plus 3.479%. AAMA did not draw on this line of credit in the current fiscal year. The revolving line of credit expires May 9, 2016.

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For the years ended August 31, 2015 and 2014, AAMA recorded interest expense of \$58,368 and \$90,053, respectively. No interest expense was capitalized for the years ended August 31, 2015 and 2014.

9. INTEREST RATE SWAP CONTRACT

With respect to the Note/Bond 2006A payable for MPEC, the construction loan agreement signed on September 14, 2006, AAMA signed a general swap master contract dated September 14, 2006, and entered into an interest rate swap transaction with the lending bank to pay interest on the outstanding loan balance at a fixed rate of 5.68% per annum for the period beginning September 14, 2006 through September 14, 2021.

An interest rate swap contract is used by AAMA to mitigate the risk of changes in interest rates associated with variable interest rate indebtedness. The interest rate swap contract is a derivative instrument that is required to be marked to fair value and recorded on the statement of financial position. At August 31, 2015 and 2014, the notional principal amounts under the interest rate swap contract, amounted to \$2,137,991 and \$2,653,496, respectively. The estimated fair value of the interest rate swap contract was a liability of \$413,059 and \$576,023, and is included in the accompanying statements of financial position as of August 31, 2015 and 2014, respectively. Of these totals, \$75,859 and \$95,165 represent amounts that are currently due as of August 31, 2015 and 2014, respectively.

The change in fair value on this interest rate swap agreement was a gain of \$60,182 and \$35,374 for the years ended August 31, 2015 and 2014, respectively, and is included in the statements of activities.

The following table represents the interest rate swap liability, measured at fair value, on a recurring basis at August 31, 2015 and 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate swap liability at August 31, 2015	\$ -	\$ 413,059	\$ -	\$ 413,059
Interest rate swap liability at August 31, 2014	\$ -	\$ 576,023	\$ -	\$ 576,023

For the valuation of the interest rate swap at August 31, 2015 and 2014, AAMA used significant other observable inputs as of the valuation date (Level 2). The value was determined and adjusted to reflect nonperformance risk of both the counterparty and AAMA. See Note 4 for definition of Levels 1, 2 and 3.

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10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets amounting to \$83,606 and \$84,493, respectively, as of August 31, 2015 and 2014, and summarized below, represent contributions to AAMA, which the donors have restricted for use in future periods:

	Year Ended August 31,	
	2015	2014
Specific purpose restrictions	\$ 83,606	\$ 84,493

In accordance with the requirement of House Bill 6, of the 77th Texas Legislative Session, all Foundation School Programs and other State Aid received after September 1, 2001 by AAMA is considered temporarily restricted funds to be held in trust by AAMA for the benefit of the students of the George I. Sanchez charter schools. During the years ended August 31, 2015 and 2014, net assets of \$6,899,023 and \$6,496,587, respectively, were released from the Texas Education Agency restrictions by satisfying the restrictions.

11. STATE FOUNDATION PROGRAM REVENUE

George I. Sanchez charter schools had six (6) days of instruction in August, 2015. Based on the estimated State Foundation Program revenue for the 2014-2015 and 2013-2014 school years, as provided by the Texas Education Agency, the charter schools earned and accrued \$206,363 and \$148,344 of State Foundation Program revenue for these days of instruction as of August 31, 2015 and 2014, respectively. These amounts have been recorded as revenues and receivables in fiscal years 2015 and 2014.

12. MULTIEMPLOYER PENSION PLANS

AAMA is a participating employer in multiemployer defined benefit pension plan for the benefit of George I. Sanchez ("GIS") School employees. AAMA contributes for GIS School employees to the Teacher Retirement System of Texas ("TRS"), a public employee retirement system. TRS administers service retirement and disability annuities, and death and survivor benefits to TRS' members and beneficiaries. TRS operates under the authority of provisions contained primarily in the Texas Government Code, Title 8, *Public Retirement Systems*, Subtitle C, *Teacher Retirement System of Texas*, which is subject to amendment by the Texas legislature. 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,

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or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

The risk of participating in this multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if an entity chooses to stop participating in one of its multiemployer plans, it may be required to pay a withdrawal liability to the plan. AAMA has no plans to withdraw from its multiemployer plan.

The following presents information about AAMA's multiemployer pension plan as of August 31, 2015, and for the years ended August 31, 2015 and 2014:

Name of Pension Fund	EIN and Plan Number, if Available	Pension Protection Act Zone Status		FIP/RP Status	Contributions for the Year Ended August 31,		Surcharge Imposed	Expiration of Collective Bargaining Agreement
		2015	2014		2015	2014		
TRS	N/A	N/A	N/A	N/A	\$431,000	\$334,192	No	N/A

Funding Policy

Under provisions in the State of Texas law, TRS members are required to contribute 6.70% of their annual covered salary for TRS Retirement and 0.65% of their annual covered salary to TRS Care. The State of Texas contributes an amount equal to 6.80% of the covered payroll of the participating employees compensated with State funds for TRS Retirement and 1% for TRS Care. George I. Sanchez charter schools employees' contributions to the TRS System were as follows:

	Year Ended August 31,	
	2015	2014
TRS Retirement	\$ 258,497	\$ 226,597
TRS Care	25,079	23,014
	<u>\$ 283,576</u>	<u>\$ 249,611</u>

Under provisions in the State of Texas law, AAMA is required to pay a 0.55% administrative TRS entity fee and an entity payment of 1.5% for Non-OASDI members for covered salary.

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George I. Sanchez charter schools employers' total administrative fee to the TRS was as follows:

	Year Ended August 31,	
	2015	2014
TRS Entity Fee	\$ 21,219	\$ 19,473
TRS Entity Payment for Non-OASDI Members	57,874	-
	\$ 79,093	\$ 19,473

For payroll covered by federal government funded grants, AAMA is required to contribute to the defined benefit plan matching contribution amount of 6.80% to TRS Retirement and 1% for TRS Care for the charter school's covered payroll. The employer's contributions made by George I. Sanchez charter school to the TRS were as follows:

	Year Ended August 31,	
	2015	2014
TRS Retirement	\$ 61,338	\$ 57,368
TRS Care	6,993	7,739
	\$ 68,331	\$ 65,107

13. DEFINED CONTRIBUTION PLAN

AAMA sponsors a 403(b) plan (the "Plan") covering substantially all employees. The Plan permits employees to make contributions to the Plan, however, AAMA does not contribute to the Plan. The employee's contributions to the Plan for the fiscal year ended August 31, 2015 and 2014 amounted to \$146,276 and \$130,609, respectively.

14. HEALTH CARE COVERAGE

During the years ended August 31, 2015 and 2014, employees of AAMA were covered by a health insurance plan (the Plan). During fiscal year 2015, AAMA's contribution ranged from \$358 to \$841 per month per employee to the Plan based on coverage. During fiscal year 2014, AAMA's contribution ranged from \$339 to \$796 per month per employee to the Plan based on coverage.

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15. INSURANCE COVERAGE

AAMA is exposed to various risks of loss related to torts, injuries to employees, property losses and natural disasters. AAMA carries commercial insurance to mitigate losses to which it may be exposed.

On August 31, 2015 and 2014, AAMA had insurance policy coverage as follows:

	Year Ended August 31,	
	2015	2014
Buildings	\$ 16,145,000	\$ 14,950,000
Personal property	2,730,000	2,695,568
Business income/interruption	3,640,000	2,465,000
Commercial automobile	11,000,000	6,000,000
General and professional liability	11,000,000	6,000,000
Sexual abuse	2,000,000	2,000,000
Directors and officers/Employment practices	2,000,000	2,000,000
Commercial crime	500,000	500,000
Student/Volunteer accident	50,000	50,000
Excess student accident	1,000,000	1,000,000
Employers liability	11,000,000	6,000,000
Fiduciary liability	1,000,000	None

16. RELATED PARTY TRANSACTIONS

Certain members of the board of directors and management of AAMA made cash contributions in support of AAMA activities. Total contributions amounted to \$40,363 and \$49,455 for fiscal years ended August 31, 2015 and 2014, respectively.

17. CONTINGENCIES

From time to time, AAMA is a defendant in legal proceedings related to its operations. In the best judgment of AAMA's management, and after consultation with its legal counsel, the outcome of any present legal proceedings will not have a material adverse effect on the accompanying financial statements.

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AAMA receives grants from Federal, State, and local sources that are governed by various statutes and regulations and are subject to review and audit by the funding sources. State program funding is based primarily on student attendance data submitted to the TEA and is subject to audit and adjustment. In addition, expenses charged to federal and state programs are subject to audit and adjustment by the grantor agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs resulting in a liability. Consequently, any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by AAMA with the terms of the grants/contracts. However, in the opinion of AAMA's management, such disallowances, if any, will not have a material effect on any of the 2015 and 2014 financial statements of AAMA.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 22, 2015; the date financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, as a result of this evaluation.

SUPPLEMENTARY INFORMATION

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
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Schedule I

GEORGE I. SANCHEZ CHARTER SCHOOL – HOUSTON
SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS
AUGUST 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents, restricted	\$ 2,641,266	\$ 2,640,717
Certificate of deposit, restricted	251,058	-
Grants receivable and reimbursable grant expenses	281,331	242,938
Prepaid expenses	37,227	27,126
Other assets	3,000	-
	3,213,882	2,910,781
NONCURRENT ASSETS:		
Property and equipment, net	218,875	242,826
	218,875	242,826
TOTAL ASSETS	\$ 3,432,757	\$ 3,153,607
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 284,341	\$ 313,617
Unearned revenue	117,390	79,956
	401,731	393,573
TOTAL LIABILITIES	401,731	393,573
NET ASSETS:		
Unrestricted	3,031,026	2,760,034
Total net assets	3,031,026	2,760,034
TOTAL LIABILITIES AND NET ASSETS	\$ 3,432,757	\$ 3,153,607

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Schedule II

GEORGE I. SANCHEZ CHARTER SCHOOL – HOUSTON
SCHEDULES OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015
(with Memorandum Totals for the Year Ended August 31, 2014)

	Unrestricted	Temporarily Restricted	Totals	
			2015	2014
REVENUES:				
Local support:				
5740 Other revenues from local sources	\$ 468,732	\$ -	\$ 468,732	\$ 413,641
5750 Revenue from co-curricular, enterprising services or activities	93,734	-	93,734	111,364
Total local support	562,466	-	562,466	525,005
State program revenues:				
5810 Foundation school program act revenues	-	6,085,054	6,085,054	5,204,987
5820 State program revenues distributed by the Texas Education Agency	-	7,999	7,999	6,309
Total state program revenues	-	6,093,053	6,093,053	5,211,296
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	-	803,728	803,728	1,019,662
Net assets released from restrictions:				
Restrictions satisfied by payments	6,896,781	(6,896,781)	-	-
TOTAL REVENUES	7,459,247	-	7,459,247	6,755,963
EXPENSES:				
11 Instruction	3,281,006	-	3,281,006	2,738,645
13 Curriculum development and instructional staff development	79,464	-	79,464	94,945
21 Instructional leadership	-	-	-	13,242
23 School leadership	421,562	-	421,562	514,297
31 Guidance, counseling and evaluation services	364,583	-	364,583	214,437
32 Social work services	102,843	-	102,843	129,160
34 Student (pupil) transportation	87,910	-	87,910	70,390
35 Food services	328,441	-	328,441	283,267
36 Extracurricular activities	22,514	-	22,514	14,108
41 General administration	874,486	-	874,486	797,325
51 Plant maintenance and operations	1,329,052	-	1,329,052	1,329,477
52 Security and monitoring services	144,943	-	144,943	120,649
53 Data processing services	45,422	-	45,422	55,467
61 Community services	106,029	-	106,029	183,946
71 Debt service	-	-	-	90
TOTAL EXPENSES	7,188,255	-	7,188,255	6,559,445
CHANGE IN NET ASSETS	270,992	-	270,992	196,518
NET ASSETS, BEGINNING OF YEAR	2,760,034	-	2,760,034	2,563,516
NET ASSETS, END OF YEAR	\$ 3,031,026	\$ -	\$ 3,031,026	\$ 2,760,034

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GEORGE I. SANCHEZ CHARTER SCHOOL – HOUSTON
SCHEDULES OF CASH FLOWS
YEARS ENDED AUGUST 31, 2015 AND 2014

Schedule III

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 270,992	\$ 196,518
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	60,256	91,368
Changes in operating assets and liabilities:		
Grants receivable	(38,393)	522,373
Prepaid expenses	(10,101)	1,448
Other assets	(3,000)	
Accounts payable and accrued liabilities	(29,276)	(123,107)
Unearned revenue	37,434	57,248
Total adjustments	<u>16,920</u>	<u>549,330</u>
Net cash provided by operating activities	<u>287,912</u>	<u>745,848</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	(36,305)	(32,175)
Purchase of certificate of deposit	(250,000)	-
Reinvestment of earnings from certificate of deposit	(1,058)	-
Net cash used in investing activities	<u>(287,363)</u>	<u>(32,175)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of short-term loan	-	(24,817)
Net cash used in financing activities	<u>-</u>	<u>(24,817)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	549	688,856
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,640,717</u>	<u>1,951,861</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,641,266</u>	<u>\$ 2,640,717</u>

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GEORGE I. SANCHEZ CHARTER SCHOOL – HOUSTON
SCHEDULES OF EXPENSES
YEARS ENDED AUGUST 31, 2015 AND 2014

Schedule IV

		TOTALS	
		2015	2014
EXPENSES:			
6100	Payroll costs	\$ 4,792,082	\$ 4,240,612
6200	Professional and contracted services	1,574,027	1,508,427
6300	Supplies and materials	468,757	429,968
6400	Other operating costs	353,389	380,348
6500	Debt	-	90
		<u>7,188,255</u>	<u>6,559,445</u>

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

GEORGE I. SANCHEZ CHARTER SCHOOL – HOUSTON
SCHEDULES OF CAPITAL ASSETS
AUGUST 31, 2015 AND 2014

Schedule V

	2015				2014			
	Ownership Interest			Total	Ownership Interest			Total
	Local	State	Federal		Local	State	Federal	
Buildings and improvements	\$ 7,330	170,441	\$ 361,882	\$ 539,653	\$ 7,330	170,441	\$ 361,882	\$ 539,653
Furniture and equipment	27,316	446,439	403,905	877,660	27,316	410,132	403,905	841,353
Total capital assets	\$ 34,646	\$ 616,880	\$ 765,787	\$ 1,417,313	\$ 34,646	\$ 580,573	\$ 765,787	\$ 1,381,006

Reconciliation of Total Assets Shown on the Schedule of Capital Assets, see above, to the Schedule of Assets, Liabilities and Net Assets on page 26

	2015 - Total		2014 - Total	
<i>Building and improvements:</i>				
Per the Schedule of Capital Assets	\$ 539,653		\$ 539,653	
Less: Accumulated depreciation as of year end	(411,305)	128,348	(391,732)	147,921
<i>Furniture and Equipment:</i>				
Per the Schedule of Capital Assets	\$ 877,660		\$ 841,353	
Less: Accumulated depreciation as of year end	(787,133)	90,527	(746,448)	94,905
Per Schedule of Assets, Liabilities & Net Assets, Page 26		\$ 218,875		\$ 242,826

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

GEORGE I. SANCHEZ CHARTER SCHOOL – HOUSTON
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2015

Schedule VI

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>\$ Variance</u>	<u>% Variance</u>	<u>Explanation Unaudited</u>
	<u>Original</u>	<u>Final</u>				
REVENUES:						
Local support:						
5740 Other revenues from local sources	\$ 175,400	\$ 356,045	\$ 468,732	\$ 112,687	32%	Budget did not include additional local funds
5750 Revenue from co-curricular, enterprising services or activities	84,251	65,892	93,734	27,842	42%	Budget did not include additional local funds
Total local support	<u>259,651</u>	<u>421,937</u>	<u>562,466</u>	<u>140,529</u>		
State program revenues:						
5810 Foundation school program activity revenues	5,688,038	6,005,885	6,085,054	79,169	1%	
5820 State program revenues distributed by the Texas Education Agency	6,312	7,992	7,999	7	0%	
Total state program revenues	<u>5,694,350</u>	<u>6,013,877</u>	<u>6,093,053</u>	<u>79,176</u>		
Federal program revenues:						
5920 Federal revenues distributed by the Texas Education Agency	656,138	713,095	803,728	90,633	13%	Idea B Budget not included
TOTAL REVENUES	<u>6,610,139</u>	<u>7,148,909</u>	<u>7,459,247</u>	<u>310,338</u>	6,610,139	
EXPENSES:						
11 Instruction	2,592,107	3,136,707	3,281,006	(144,299)	-5%	
13 Curriculum development and instructional staff development	26,545	65,545	79,464	(13,919)	-21%	Start up professional development costs for new campus staff and new teacher training for existing campus.
23 School leadership	357,805	346,805	421,562	(74,757)	-22%	Start up costs for new campus and stipends/extra duty pay
31 Guidance, counseling and evaluation services	257,145	232,145	364,583	(132,438)	-57%	Underbudgeted personnel cost. Budget did not include additional local funds.
32 Social work services	128,959	94,959	102,843	(7,884)	-8%	
34 Student (pupil) transportation	96,152	88,152	87,910	242	0%	
35 Food services	274,662	317,019	328,441	(11,422)	-4%	
36 Extracurricular activities	68,314	79,314	22,514	56,800	72%	Overbudgeted. Supplemental grants covered expenses
41 General administration	970,188	890,188	874,486	15,702	2%	
51 Plant maintenance and operations	1,353,619	1,293,732	1,329,052	(35,320)	-3%	
52 Security and monitoring services	132,057	140,057	144,943	(4,886)	-3%	
53 Data processing services	36,309	52,309	45,422	6,887	13%	Start up IT costs for new campus
61 Community services	203,547	106,947	106,029	918	1%	
TOTAL EXPENSES	<u>6,497,409</u>	<u>6,843,879</u>	<u>7,188,255</u>	<u>(344,376)</u>		
CHANGE IN NET ASSETS	112,730	305,030	270,992	(34,038)		
NET ASSETS, BEGINNING OF YEAR	<u>1,700,307</u>	<u>1,800,646</u>	<u>2,760,034</u>	<u>959,388</u>		
NET ASSETS, END OF YEAR	<u>\$ 1,813,037</u>	<u>\$ 2,105,676</u>	<u>\$ 3,031,026</u>	<u>925,350</u>		

SINGLE AUDIT SECTION

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through or Grantor's Number	Expenditures
U.S. Department of Health and Human Services			
Passed-through Texas Department of State Health Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2015-046579-001 SA/YPU	\$ 90,894
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2015-046701-001 SA/HIV	94,703
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2015-046668-001 SA/HEI	76,973
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2015-046623-001 SA/TRA	91,270
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2015-046824-001 SA/TRA	350,726
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2015-046944-002 SA/TRY	410,343
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2015-046944-001 SA/TRY	359,158
HIV Prevention Activities – Health Department Based	93.940	2014-001319-00	649
Total Passed-Through Texas Department of State Health Services			<u>1,474,716</u>
Total - U.S. Department of Health and Human Services			<u>1,474,716</u>
U.S. Department of Education			
Passed-Through Texas Education Agency:			
ESEA, Title I, Grants to Local Educational Agencies:			
Part A, Improving Basic Programs	84.010A	15610101101804	277,245
Part A, Improving Basic Programs	84.010A	14610101101804	32,967
Part D, Prevention and Intervention Programs for Children and Youth who are Neglected, Delinquent, or At-risk	84.010A	15610103101804	30,652
Part D, Prevention and Intervention Programs for Children and Youth who are Neglected, Delinquent, or At-risk	84.010A	14610103101804	2,058
Total ESEA, Title I			<u>342,922</u>
ESEA, Title II, Preparing, Training, and Recruiting High Quality Teachers and Principals:			
Part A – Teacher and Principal Training and Recruiting	84.367A	15694501101804	29,764
Part A – Teacher and Principal Training and Recruiting	84.367A	14694501101804	8,705
Total ESEA Title II			<u>38,469</u>
ESEA, Title III, Language Instruction for Limited English Proficient and Immigrant Students:			
Part A – English Language Acquisition, Language Enhancement, and Academic Achievement	84.365A	15671001101804	\$ 34,902

Continued

See accompanying notes to the schedule of expenditures of federal awards.

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONT'D
YEAR ENDED AUGUST 31, 2015

Part A – English Language Acquisition, Language Enhancement, and Academic Achievement – Houston	84.365A	14671001101804	\$	1,082
Total ESEA, Title III				35,984
IDEA, Part B, Special Education – Grants to States	84.027A	1566000110180266		84,624
IDEA, Part B, Special Education	84.027A	1566100110180266		252
Total IDEA, Part B				84,876
Grants for State Assessments and Related Activities	84.369A	69551402		1,107
Total Grants for State Assessments and Related Activities				1,107
Total Passed-Through Texas Education Agency				503,358
Passed-through Houston Community College				
Adult Education – Basic Grants to States	84.002	2114802865013405		711,132
Total Passed-through Houston Community College		800		711,132
Total - U.S. Department of Education				1,214,490
U.S. Department of Agriculture				
Passed-through Texas Education Agency:				
National School Lunch Program – Cash	10.555	71301501		224,447
National School Lunch Program - Cash	10.555	71301401		27,900
School Breakfast Program	10.553	71401501		29,965
School Breakfast Program	10.553	71401401		4,283
Noncash Assistance (Commodities)	10.555	101203A		13,776
Total Passed-through - Texas Education Agency				300,371
Total - U.S. Department of Agriculture				300,371
Total Expenditure of Federal Awards			\$	2,989,577

See accompanying notes to the schedule of expenditures of federal awards.

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes federal grant activities of AAMA under programs of the federal government for the year ended August 31, 2015. The information in the Schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of AAMA's operations, they are not intended to and do not present the financial position, changes in net assets, and cash flows of AAMA as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. RELATIONSHIP OF THE SCHEDULE TO FINANCIAL REPORTS SUBMITTED TO GRANTOR AGENCIES

Amounts reflected in the financial reports filed with grantor agencies for the programs and the Schedule may not agree because of accruals which would be included in the next report filed with the agencies, matching requirements not included in the Schedule and different program year ends.

4. COMMITMENTS AND CONTINGENCIES

Federal grants received by AAMA are subject to review and audit by grantor agencies. AAMA's management believes that the results of such audits will not have a material effect on the Schedule.

5. RECONCILIATION TO BASIC FINANCIAL STATEMENTS

The following reconciles federal award expenditures as included in the Schedule to the expenditures reported in the financial statements of AAMA for the year ended August 31, 2015:

	<u>Amount</u>
Total expenditures per the statement of activities	\$ 12,411,488
Less: Non-federal expenditures	(8,857,206)
Depreciation	<u>(564,705)</u>
Total expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 2,989,577</u>

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

6. RECONCILIATION TO TEA REPORTING

Reconciliation of TEA - Federal:

TEA Payment Report 2015	\$	714,312
Pass-Through TEA (per the Schedule)		
U.S. Department of Education	418,482	
U.S. Department of Agriculture	286,595	705,077
Difference		9,235
Accounts receivable 2014	(52,406)	
Accounts receivable 2015	43,171	(9,235)
Difference	\$	<u> -</u>

Reconciliation of TEA - State

TEA Payment Report 2015	\$	6,023,144
Pass-Through TEA		
U.S. Department of Education		139,816
FSP Anticipated payment adjustment 2014-2015	2,409	
FSP revenue settled-up near final accrual 2015	9,480	
Accrued revenue - 6 days FSP GIS Houston 2015	206,363	
Reverse accrual - 5 days FSP GIS Houston 2014	(148,344)	
Foundation School Program - Houston	6,093,052	6,162,960
Difference	\$	<u> -</u>



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

To the Board of Directors of the
Association for the Advancement of Mexican-Americans

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 the Association for the Advancement of Mexican-Americans ("AAMA"), which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AAMA'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 AAMA's internal control. Accordingly, we do not express an opinion on the effectiveness of AAMA'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

McConell & Jones LLP

Houston, Texas

December 22, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of the
Association for the Advancement of Mexican-Americans

Report on Compliance for Each Major Federal Program

We have audited the Association for the Advancement of Mexican-Americans' ("AAMA") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of AAMA's major federal programs for the year ended August 31, 2015. AAMA'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of AAMA'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 AAMA'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 AAMA's compliance.

Opinion on Each Major Federal Program

In our opinion, AAMA 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item number 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

AAMA's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. AAMA'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 AAMA 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 AAMA'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 OMB Circular A-133, 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 AAMA'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 our 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McConell & Jones LLP

Houston, Texas
December 22, 2015

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

PART 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified? | No |
| c) Noncompliance material to the financial statements noted? | No |

Federal Awards Section

- | | |
|--|------------|
| 1. Internal control over major programs: | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified that is not considered to be a material weakness? | No |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed, which are required to be reported in accordance with Section 510(a) of Circular A-133 and the State of Texas Single Audit Circular? | No |
| 4. Identification of major programs: | |

Federal - CFDA Number Name of Federal Program or Cluster

93.959	Block Grants for Prevention and Treatment of Substance Abuse
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B federal programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | Yes |

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

PART II: FINDINGS – FINANCIAL STATEMENT AUDIT

None reported.

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

Finding No. 2015-001: Compliance with Reporting Requirements

<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>	Questioned Costs
Prevention and Treatment of Substance Abuse Block Grants – CFDA 93.959	None

Condition: During our review of AAMA's compliance with grant reporting requirements, we noted that the second and third quarters' performance reports for the HIV Early Intervention Services Program and the HIV Outreach Services Program were submitted three (3) days and one (1) date late, respectively. The second quarter's report was submitted on 3/18/2015 (due date was 3/15/2015), while the third quarter's report was submitted on 6/16/2015 (due date was 6/15/2015).

Criteria: In accordance with the terms of the grant agreements, AAMA was required to submit its quarterly performance report by the 15th day of the month following the end of each quarter to the Department of State Health Services ("DSHS").

Cause: AAMA's procedures related to the preparation and submission of DSHS's grant reports were not sufficient to ensure that these reports were submitted by the due dates.

Effect: With respect to the two instances noted above, AAMA did not comply with the terms of the grant agreements.

Recommendation: We recommend that AAMA establish procedures to ensure that reports are submitted in accordance with the provisions of the contract agreements.

Views of Responsible Officials and Planned Corrective Actions: AAMA has strengthened its procedures to ensure timely submission of all DSHS reports. Such improvements include the identification of all due dates by the Program Manager and a follow-up by both the Quality Assurance Manager and the Director of Programs to ensure timely compliance with each program's requirements. Subsequent to the above late submissions, AAMA has received new contracts for both the HIV and HEI programs.

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
(A Texas Nonprofit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2014

There were no prior year audit findings to report on.