

**GEORGE I. SANCHEZ CHARTER
SCHOOL - HOUSTON**

**AN UNINCORPORATED DIVISION OF
ASSOCIATION FOR THE ADVANCEMENT
OF MEXICAN-AMERICANS
(A Texas Nonprofit Organization)**

**Annual Financial Statements and Independent
Auditor's Report**

Years Ended August 31, 2020 and 2019

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GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

Years Ended August 31, 2020 and 2019

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Officers

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George I. Sanchez Charter School CERTIFICATE OF BOARD

**George I. Sanchez
Harris County
Country-District Number: 101-804**

**We, the undersigned, certify that the attached Financial and
Compliance Report for the year ended August 31, 2020 of
George I. Sanchez was reviewed and X approved ____
disapproved at a meeting of the Board of Directors of AAMA
on the 22nd day of January, 2021.**



Signature of Board Secretary



Signature of Board President

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
George I. Sanchez Charter School - Houston

Report on the Financial Statements

We have audited the accompanying financial statements of George I. Sanchez Charter School - Houston (the "School"), which comprise the statements of financial position as of August 31, 2020 and 2019, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of August 31, 2020 and 2019, 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*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules, as listed in the table of contents, as required by the Texas Education Agency, are presented for purposes of additional analysis and are 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 22, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Houston, Texas
January 22, 2021

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GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

Statements of Financial Position**August 31, 2020 and 2019**

ASSETS:	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,101,401	\$ 1,484,989
Grants receivable and reimbursable grant expenses	446,193	326,825
Prepaid expenses	282,017	164,786
Other assets	14,394	14,394
Total current assets	2,844,005	1,990,994
NONCURRENT ASSETS:		
Buildings and improvements	1,156,072	1,078,161
Furniture and equipment	1,929,433	1,833,693
Less: accumulated depreciation	(2,033,306)	(1,809,711)
Property and equipment, net	1,052,199	1,102,143
Total noncurrent assets	1,052,199	1,102,143
TOTAL ASSETS	\$ 3,896,204	\$ 3,093,137
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Accounts payable	\$ 99,732	\$ 207,822
Accrued liabilities	30,351	57,098
Unearned revenues	361,250	55,514
Due to AAMA	870,938	-
Total current liabilities	1,362,271	320,434
TOTAL LIABILITIES	1,362,271	320,434
NET ASSETS:		
Without donor restrictions	1,853,068	2,504,864
With donor restrictions	680,865	267,839
TOTAL NET ASSETS	2,533,933	2,772,703
TOTAL LIABILITIES AND NET ASSETS	\$ 3,896,204	\$ 3,093,137

The accompanying notes are an integral part of these financial statements

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON
(A Texas Nonprofit Organization)

Statements of Activities
For the Year Ended August 31, 2020
(With comparative totals for 2019)

		Without Donor Restrictions	With Donor Restrictions	Totals	
				2020	2019
REVENUES:					
Local support:					
5740	Other revenues from local sources	\$ 287,803	\$ -	\$ 287,803	\$ 251,265
5750	Revenue from cocurricular, enterprising services or activities	72,995	-	72,995	109,048
5769	Revenue from the city, county or other non-school district local government or administrative unit	129,184	-	129,184	224,361
	Total local support	489,982	-	489,982	584,674
State program revenues:					
5810	Foundation school program act revenues	-	9,894,591	9,894,591	9,250,309
5820	State program revenues distributed by the Texas Education Agency	-	81,254	81,254	81,818
	Total state program revenues	-	9,975,845	9,975,845	9,332,127
Federal program revenues:					
5920	Federal revenues distributed by the Texas Education Agency	-	1,883,686	1,883,686	1,322,934
5930	Federal revenues distributed by Other State of Texas government agencies	-	13,998	13,998	-
	Total federal program revenues	-	1,897,684	1,897,684	1,322,934
Net assets released from restrictions:					
	Restrictions satisfied by payments	11,460,503	(11,460,503)	-	-
	TOTAL REVENUES	11,950,485	413,026	12,363,511	11,239,735
EXPENSES:					
Program Services:					
	Instructions and Instructional Services	5,936,790	-	5,936,790	4,776,454
	Instructional and School Leadership	793,660	-	793,660	636,341
Support Services:					
	General Administration	1,320,305	-	1,320,305	1,090,403
	Support Services - Student (Pupil)	1,208,422	-	1,208,422	1,309,883
	Support Services - Non-Student Based	3,055,303	-	3,055,303	2,952,260
	Community Services	287,801	-	287,801	224,129
	TOTAL EXPENSES	12,602,281	-	12,602,281	10,989,470
	CHANGE IN NET ASSETS	(651,796)	413,026	(238,770)	250,265
	NET ASSETS, BEGINNING OF YEAR	2,504,864	267,839	2,772,703	2,522,438
	NET ASSETS, END OF YEAR	\$ 1,853,068	\$ 680,865	\$ 2,533,933	\$ 2,772,703

The accompanying notes are an integral part of these financial statements

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON
(A Texas Nonprofit Organization)

Statement of Functional Expenses
For the Year Ended August 31, 2020

		Program Services			Supporting Services					
		Instruction and Instructional Services	Instructional and School Leadership	Total Program Services	Support Services - Student (Pupil)	Support Services - Non-student based	Community Services	General Administration	Total Support Services	Total Expenditures
EXPENSES:										
6110	Teachers and Other Professional Personnel	\$ 3,976,040	\$ 379,263	\$ 4,355,303	\$ 361,769	\$ 77,551	\$ 81,856	\$ 621,969	\$ 1,143,145	\$ 5,498,448
6120	Support Personnel	638,208	283,053	921,261	350,244	140,294	142,664	141,117	774,319	1,695,580
6130	Employee Allowances	685	1,825	2,510	825	482	54	3,603	4,964	7,474
6140	Employee Benefits	834,224	110,336	944,560	137,606	34,993	53,458	105,690	331,747	1,276,307
	Total Payroll Expenses	5,449,157	774,477	6,223,634	850,444	253,320	278,032	872,379	2,254,175	8,477,809
6210	Professional Services	15,581	-	15,581	-	-	-	56,862	56,862	72,443
6230	Education Service Center	31,802	-	31,802	395	4,555	-	20,513	25,463	57,265
6240	Contracted Maintenance and Repair	-	-	-	16,146	150,350	-	160	166,656	166,656
6250	Utilities	-	-	-	-	59,270	-	6,632	65,902	65,902
6260	Rentals—Operating Leases	-	-	-	-	2,203,689	-	213,735	2,417,424	2,417,424
6290	Miscellaneous Contracted Services	27,919	-	27,919	25,134	71,992	-	49,643	146,769	174,688
6310	Maintenance Supplies	-	-	-	19,313	23,623	-	-	42,936	42,936
6320	Instructional Materials	29,562	-	29,562	-	-	-	-	-	29,562
6330	Testing Materials	2,243	-	2,243	-	-	-	-	-	2,243
6340	Food Service	-	-	-	239,576	-	-	-	239,576	239,576
6390	Supplies and Materials—General	270,689	9,447	280,136	4,273	27,127	6,244	24,021	61,665	341,801
6410	Travel, Subsistence, and Stipends	9,670	141	9,811	4,790	487	-	424	5,701	15,512
6420	Insurance and Bonding Costs	52,564	6,255	58,819	36,713	41,461	3,076	51,237	132,487	191,306
6440	Depreciation Expense	6,920	-	6,920	-	216,675	-	-	216,675	223,595
6490	Miscellaneous Operating Costs	40,683	3,340	44,023	11,638	2,754	449	24,699	39,540	83,563
	Total Non-payroll Expenses	487,633	19,183	506,816	357,978	2,801,983	9,769	447,926	3,617,656	4,124,472
TOTAL EXPENSES		<u>\$ 5,936,790</u>	<u>\$ 793,660</u>	<u>\$ 6,730,450</u>	<u>\$ 1,208,422</u>	<u>\$ 3,055,303</u>	<u>\$ 287,801</u>	<u>\$ 1,320,305</u>	<u>\$ 5,871,831</u>	<u>\$ 12,602,281</u>

The accompanying notes are an integral part of these financial statements

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON
(A Texas Nonprofit Organization)

**Statement of Functional Expenses
For the Year Ended August 31, 2019**

		Program Services			Supporting Services					
		Instruction and Instructional Services	Instructional and School Leadership	Total Program Services	Support Services - Student (Pupil)	Support Services - Non- student based	Community Services	General Administration	Total Support Services	Total Expenditures
EXPENSES:										
6110	Teachers and Other Professional Personnel	\$ 3,305,476	\$ 324,732	\$ 3,630,208	\$ 413,852	\$ 22,177	\$ 33,182	\$ 187,960	\$ 657,171	\$ 4,287,379
6120	Support Personnel	536,250	232,336	768,586	353,742	174,905	135,699	479,305	1,143,651	1,912,237
6130	Employee Allowances	-	-	-	-	416	-	3,224	3,640	3,640
6140	Employee Benefits	559,682	63,271	622,953	142,202	31,234	33,235	70,702	277,373	900,326
	Total Payroll Expenses	4,401,408	620,339	5,021,747	909,796	228,732	202,116	741,191	2,081,835	7,103,582
6210	Professional Services	2,842	-	2,842	-	-	-	58,938	58,938	61,780
6230	Education Service Center	4,455	-	4,455	-	4,091	-	1,188	5,279	9,734
6240	Contracted Maintenance and Repair	-	-	-	23,337	80,984	-	-	104,321	104,321
6250	Utilities	-	-	-	-	53,778	-	6,115	59,893	59,893
6260	Rentals—Operating Leases	-	-	-	-	2,154,812	-	213,139	2,367,951	2,367,951
6290	Miscellaneous Contracted Services	9,579	4,395	13,974	26,938	23,796	-	30,173	80,907	94,881
6310	Maintenance Supplies	-	-	-	16,907	10,472	-	-	27,379	27,379
6320	Instructional Materials	584	-	584	-	-	-	-	-	584
6330	Testing Materials	2,000	-	2,000	-	-	-	-	-	2,000
6340	Food Service	-	-	-	281,431	-	-	-	281,431	281,431
6390	Supplies and Materials—General	252,029	5,352	257,381	8,157	60,713	17,761	10,348	96,979	354,360
6410	Travel, Subsistence, and Stipends	17,648	-	17,648	3,081	620	-	1,216	4,917	22,565
6420	Insurance and Bonding Costs	52,133	6,255	58,388	29,556	60,953	3,383	21,442	115,334	173,722
6440	Depreciation Expense	-	-	-	-	272,790	-	-	272,790	272,790
6490	Miscellaneous Operating Costs	33,776	-	33,776	10,680	519	869	6,653	18,721	52,497
	Total Non-payroll Expenses	375,046	16,002	391,048	400,087	2,723,528	22,013	349,212	3,494,840	3,885,888
TOTAL EXPENSES		\$ 4,776,454	\$ 636,341	\$ 5,412,795	\$ 1,309,883	\$ 2,952,260	\$ 224,129	\$ 1,090,403	\$ 5,576,675	\$ 10,989,470

The accompanying notes are an integral part of these financial statements

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON
(A Texas Nonprofit Organization)

Statements of Cash Flows
For the Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
State grant receipts	\$ 9,908,363	\$ 9,391,084
Federal grant receipts	1,744,291	1,430,785
Receipts from miscellaneous sources	500,855	447,145
Payments to or on behalf of employees for services rendered	(8,504,556)	(7,064,702)
Payments to vendors for goods and services rendered	<u>(4,126,198)</u>	<u>(3,782,989)</u>
Net cash (used in) / provided by operating activities	<u>(477,245)</u>	<u>421,323</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Building improvements and purchases of equipment	<u>(173,651)</u>	<u>(670,636)</u>
Net cash used in investing activities	<u>(173,651)</u>	<u>(670,636)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from AAMA funding	<u>1,267,308</u>	<u>-</u>
Net cash provided by financing activities	<u>1,267,308</u>	<u>-</u>
NET DECREASE IN CASH	616,412	(249,313)
CASH, BEGINNING OF YEAR	<u>1,484,989</u>	<u>1,734,302</u>
CASH, END OF YEAR	<u>\$ 2,101,401</u>	<u>\$ 1,484,989</u>
Reconciliation of change in net assets		
to net cash used in operating activities:		
Change in net assets	<u>\$ (238,770)</u>	<u>\$ 250,265</u>
Adjustments to reconcile change in net assets to net cash		
(used in)/provided by operating activities:		
Depreciation	223,595	272,790
Changes in operating assets and liabilities:		
Grants receivable	(515,738)	55,762
Prepaid expenses	(117,231)	(43,140)
Accounts payable	(108,090)	(126,751)
Accrued liabilities	(26,747)	38,880
Unearned revenue	<u>305,736</u>	<u>(26,483)</u>
Total adjustments	<u>(238,475)</u>	<u>171,058</u>
Net cash (used in) / provided by operating activities	<u>\$ (477,245)</u>	<u>\$ 421,323</u>

The accompanying notes are an integral part of these financial statements

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GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

Notes to the Financial Statements

August 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The School is operated by the Association for the Advancement of Mexican-Americans (“AAMA”), a not-for-profit human service organization founded on November 23, 1970. The School and AAMA are governed by a Board of Directors selected pursuant to the bylaws of AAMA. The Board has the primary accountability for the fiscal affairs of the School and AAMA.

The School in 2020 served approximately 1020 students throughout Houston, serving Pre-Kinder and 6th – 12th grade. The School was organized to provide educational services to disadvantaged populations with extensive and individualized academic, social, and emotional support to help students overcome barriers to ensure they are on a path to success in career and life. Our model positions us to effectively serve students in two Houston campuses. In addition to the School’s educational services, AAMA also provides adult education through its Adelante division in Houston, and health and human services to clients in Houston, San Antonio, and Laredo. AAMA’s mission is accomplished through an array of innovative programs that advance the lives of at-risk youth and families and strengthen surrounding communities.

Federal income tax status – AAMA is incorporated in the State of Texas and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The financial statements of George I. Sanchez Charter School - Houston (the “School”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) in conjunction with the Texas Education Agency’s Financial Accountability System Resource Guide (“Resource Guide”).

Financial Statement Presentation

The School is required by accounting principles generally accepted in the United States of America to report information regarding its financial position and activities according to two classes of net assets as defined below:

Net assets without donor restrictions – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the School. Net assets without donor restrictions may be designated for specific purpose by action of the Board of Directors.

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

Notes to the Financial Statements For the Years Ended August 31, 2020 and 2019

Net assets with donor restrictions – These are resources that are subject to donor-imposed stipulations that may be met, either by actions of the School and/or the passage of time. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

In addition, the School is required by Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Not-for-Profit Entities-Presentation of Financial Statements*, to present statements of activities and cash flows.

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

Cash and Cash Equivalents

For financial statement purposes, the School considers all highly liquid investment instruments with an original maturity of three months or less from the date of purchase to be cash equivalents. The carrying value approximates fair value because of the short maturities of those financial instruments. The school did not have any cash equivalents as of August 31, 2020 and 2019.

Grant Receivable and Reimbursable Grant Expenses

Grants receivable and reimbursable grant expenses represent pending reimbursements of program expenses incurred and billed as of August 31, 2020 and 2019 and expected to be received from the funding sources in the subsequent year. Management considers grants receivable and reimbursable grant expenses as of August 31, 2020 and 2019 to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statements.

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.

The School's policy is to capitalize all asset acquisitions with a 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.

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

Notes to the Financial Statements For the Years Ended August 31, 2020 and 2019

Compensable Absences

Vacation and personal leave time are granted to AAMA employees. 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 the 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 are 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

Grants received in advance of the delivery of goods or performance of services are reported as unearned revenues.

Revenue Recognition

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

Texas Education Agency Financial Accountability Guide

For all federal and state programs, the 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.

Contributions

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Amounts received that are designated for future periods or restricted by the donors are reported as restricted contributions and as increases in net assets with donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as contributions without donor restrictions and as increases in net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

Notes to the Financial Statements For the Years Ended August 31, 2020 and 2019

time or purpose restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Services

The School recognizes contributed services at their fair value if the services provide value to the School and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors, as established by FASB ASC Topic 958-605. As of August 31, 2020 and 2019, the School did not receive any services that would meet the criteria for recognition in the financial statements as prescribed in FASB ASC 958-605.

Income Taxes

The School is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Accordingly, income taxes are not provided for in the accompanying financial statements. In addition, the School 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.

The School applies the provisions of FASB ASC 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 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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 the School's financial statements relate primarily to the calculation of 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.

Fair Value Measurements

The majority of the School's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value; or at carrying amounts that approximate fair value because of the short maturity of the instrument. The recorded value of the financial instruments approximated fair value as of August 31, 2020 and 2019.

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

Notes to the Financial Statements For the Years Ended August 31, 2020 and 2019

Functional Allocation of Expenses

The costs of providing various programs and other activities of the School 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 the School'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 the School.

Liquidity and Availability of Financial Assets

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

	2020	2019
Cash and cash equivalents	\$ 2,101,401	\$ 1,484,989
Grants receivable and reimbursable grant expenses	446,193	326,825
Total	<u>\$ 2,547,594</u>	<u>\$ 1,811,814</u>

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

As part of the School's liquidity management, the School structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the School invests its cash in money market accounts and other short-term investments to be used for anticipated grade level expansion activities, including leasehold improvements and the purchase of related personal assets. The School also monitors its liquidity levels in order to maximize its financial ratings under the State's Financial Rating System of Texas (FIRST Ratings).

New Accounting Pronouncement Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-15 – Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update provided clarified guidance on certain cash flow classification issues. AAMA adopted ASU 2016-15 during its fiscal year ended August 31, 2020 retrospectively. There is no material impact to Statement of Cash Flows from the adoption of ASU 2016-15.

In November 2016, the FASB issued ASU 2016-18 – Statement of Cash Flows (Topic 230), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. AAMA retrospectively adopted ASU 2016-18 during its fiscal year ended August 31, 2020. The adoption of the ASU resulted in certain reclassification in the Statements of Cash Flows for fiscal years ended August 31, 2020 and 2019, respectively.

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Notes to the Financial Statements For the Years Ended August 31, 2020 and 2019

In June 2018, the FASB issued ASU 2018-08 – Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU assists entities to evaluate whether transactions should be accounted for as contribution (nonreciprocal transactions) within the scope of Topic 958, Not-for Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. In addition, it helps entities determine whether a contribution is conditional. AAMA retrospectively adopted ASU 2016-18 during its fiscal year ended August 31, 2020. The adoption of the ASU did not result in any significant financial impact for fiscal years ended August 31, 2020 and 2019, respectively.

New Accounting Pronouncement In Consideration

In February 2016, the FASB issued ASU 2016-02 – Leases (Topic 842), which supersedes existing guidance on leases and amends and supersedes a number of other paragraphs throughout the FASB ASC. This update will be effective for AAMA's 2022 annual financial statements. Management is currently evaluating the impact this ASU will have on the financial statements.

NOTE 2: CONCENTRATION OF CREDIT AND BUSINESS RISKS

The School maintains cash balances with a financial institution in the state. As of August 31, 2020 and 2019, respectively, the School's cash balance at the financial institution exceeded the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per customer by \$1,173,384 and \$414,787. As of August 31, 2020 and 2019, AAMA's School deposits at one of its banks included the sum of \$1,185,000 and \$477,000, respectively, in funds collateralized by U.S. Treasury Bills which provided additional coverage. 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 receivables is minimal due to the credit worthiness of the federal, state, and local funding agencies.

The State of Texas and Federal Government provided 81% and 15%, respectively, of the School's total revenues for the year ended August 31, 2020, and 83% and 12%, respectively, for the year ended August 31, 2019.

NOTE 3: PROPERTY AND EQUIPMENT

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

Depreciation expense was \$223,595 and \$272,790 for the year ended August 31, 2020 and 2019, respectively.

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

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Notes to the Financial Statements For the Years Ended August 31, 2020 and 2019

Property and equipment as of August 31, 2020 and 2019 were as follows:

	2020	2019
Buildings and improvements	\$ 1,156,072	\$ 1,078,161
Furniture and equipment	1,929,433	1,833,693
Total Property and equipment	3,085,505	2,911,854
Less: accumulated depreciation	(2,033,306)	(1,809,711)
Property and equipment, net	\$ 1,052,199	\$ 1,102,143

NOTE 4: NET ASSETS WITH DONOR RESTRICTIONS

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 the School is considered temporarily restricted funds to be held in trust by the School for the benefit of the students of the School. During the years ended August 31, 2020 and 2019, net assets of \$11,460,503 and \$10,387,222, respectively, were released from the Texas Education Agency's and other donors' restrictions by satisfying the restrictions. Assets with donor restrictions amounted at \$680,865 and \$267,839 as of August 31, 2020 and 2019, respectively.

NOTE 5: STATE FOUNDATION PROGRAM REVENUE

The school had zero (0) and five (5) days of instruction in August 2020 and 2019, respectively. Based on the estimated State Foundation Program revenue for the 2019-2020 and 2018-2019 school years, as provided by the Texas Education Agency, the charter schools earned and accrued \$0 and \$242,419 of State Foundation Program revenue for these days of instruction as of August 31, 2020 and 2019, respectively. These amounts have been recorded as revenues and receivables in fiscal years 2020 and 2019.

NOTE 6: MULTIEMPLOYER PENSION PLANS

AAMA is a participating employer in a multiemployer defined benefit pension plan for the benefit of the School's employees. AAMA contributes for the 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, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

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**Notes to the Financial Statements
For the Years Ended August 31, 2020 and 2019**

The risk of participating in this multiemployer defined benefit pension plan is 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, 2020 and 2019:

Name of Pension Fund	EIN and Plan Number	(in thousands)		Obligations		% funded	
		2020	2019	2020	2019	2020	2019
TRS	N/A	\$184,361,871	\$181,800,159	\$218,974,205	\$209,961,325	75.54%	75.24%

The following presents information about AAMA's involvement in such multiemployer pension plan for the year ended August 31, 2020 and 2019:

<u>Collective Bargaining Agreement</u>	Ended August 31,		<u>More than 5% of</u>	<u>FIP/RP Status</u>	<u>Surcharge</u>
	2020	2019	Total Contributions		Imposed
N/A	\$1,151,172	\$786,164	No	N/A	No

Funding Policy

Under provisions in the State of Texas law, TRS members are required to contribute 7.70% 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 1.25% for TRS Care. The School's employees' contributions to the TRS System were as follows:

	Year Ended August 31	
	2020	2019
TRS Retirement	\$ 568,439	\$ 489,522
TRS Care	47,985	41,324
	<u>\$ 616,424</u>	<u>\$ 530,846</u>

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

**Notes to the Financial Statements
For the Years Ended August 31, 2020 and 2019**

Under provisions in the State of Texas law, AAMA is required to pay a 0.75% administrative TRS entity fee and an entity payment of 1.5% for Non-OASDI members for covered salary. The school's employers' total administrative fee to the TRS was as follows:

	Year Ended August 31	
	2020	2019
TRS Entity Fee	\$ 55,369	\$ 47,683
TRS Entity Payment for Non-OASDI Members	110,735	95,352
	<u>\$ 166,104</u>	<u>\$ 143,035</u>

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 1.25% 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	
	2020	2019
TRS Retirement	\$ 246,769	\$ 96,789
TRS Care	38,085	15,664
	<u>\$ 284,854</u>	<u>\$ 112,453</u>

NOTE 7: 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, 2020 and 2019 amounted to \$178,829 and \$183,389, respectively.

NOTE 8: HEALTH CARE COVERAGE

During the years ended August 31, 2020 and 2019, employees of AAMA were covered by a health insurance plan (the Plan). During fiscal year 2020, AAMA's contribution ranged from \$451 to \$1,058 per month per employee to the Plan based on coverage. During fiscal year 2019, AAMA's contribution ranged from \$451 to \$1,058 per month per employee to the Plan based on coverage.

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON
(A Texas Nonprofit Organization)

Notes to the Financial Statements
For the Years Ended August 31, 2020 and 2019

NOTE 9: COMMITMENTS AND CONTINGENCIES

Contingencies

The School 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 (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. The programs administered by the School have multiple compliance requirements, and should state or federal auditors discover areas of noncompliance, the funds may be subject to refund if so determined by the TEA or the grantor agencies. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Litigation

No reportable litigation was pending against the School as of August 31, 2020 and 2019.

NOTE 10: RELATED ORGANIZATIONS

As described in Note 1, the School was established to assist in providing educational services to at-risk students. The School is an unincorporated division of AAMA and subject to its control procedures. During the years ended August 31, 2020 and 2019, the division reimbursed AAMA for administrative costs, which were primarily personnel costs for accounting and controllership. The AAMA fiscal year-end is August 31st of each year.

During the year ended August 31, 2020, AAMA applied and received proceeds under the Paycheck Protection Program (PPP) and covered a portion of the School's personnel costs with such proceeds. The amount of such funding received by the School from AAMA for the year ended August 31, 2020 is recorded under the financing activities on the Statement of Cash Flows, and the unreimbursed balance from the School to AAMA is recorded as Due to AAMA on the Statement of Financial Position as of August 31, 2020.

NOTE 11: RISK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization classified the global coronavirus outbreak ("COVID-19") as a pandemic ("Pandemic"). On March 13, 2020, the Governor of Texas ("Governor") declared a state of disaster for all Texas countries in response to the Pandemic. On March 19, 2020, the Governor issues Executive Order GA08 which temporarily closed schools in the State of Texas. Under TEA's guidance, GIS reopened remotely for all scholars on March 31, 2020 and finished the 2019-2020 school year remotely.

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

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Notes to the Financial Statements For the Years Ended August 31, 2020 and 2019

Due to the continuing uncertainties around COVID-19, TEA allow schools to delay face to face instruction for the first 4 weeks of school. Schools were permitted to start by providing instruction virtually. GIS started the 2020-2021 school year virtually on August 17, 2020 and started offering face to face instruction as of September 15, 2020. GIS continues to take proper actions to maintain the health and safety of the employees and students of the School as well as regular operations of the School.

As of October 1, 2020, TEA announced that the minimum funding guarantee established for the pandemic would extent through the first half of the 2020-2021 school year. TEA will address further funding adjustments for the second half of the school year by January 2021. As of the report date, no new information has been released by TEA.

NOTE 12: SUBSEQUENT EVENTS

The School has evaluated subsequent events through January 22, 2021, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON
(A Texas Nonprofit Organization)

Statements of Activities (with Comparative Totals for 2019)
For the Years Ended August 31, 2020 and 2019

			Totals	
	Unrestricted	Temporarily Restricted	2020	2019
REVENUES:				
Local support:				
5740 Other revenues from local sources	\$ 287,803	\$ -	\$ 287,803	\$ 251,265
5750 Revenue from cocurricular, enterprising services or activities	72,995	-	72,995	109,048
5769 Revenue from the city, county or other non-school district local government or administrative unit	129,184	-	129,184	224,361
Total local support	489,982	-	489,982	584,674
State program revenues:				
5810 Foundation school program act revenues	-	9,894,591	9,894,591	9,250,309
5820 State program revenues distributed by the Texas Education Agency	-	81,254	81,254	81,818
Total state program revenues	-	9,975,845	9,975,845	9,332,127
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	-	1,883,686	1,883,686	1,322,934
5930 Federal revenues distributed by Other State of Texas government agencies	-	13,998	13,998	-
Total federal program revenues	-	1,897,684	1,897,684	1,322,934
Net assets released from restrictions:				
Restrictions satisfied by payments	11,460,503	(11,460,503)	-	-
TOTAL REVENUES	11,950,485	413,026	12,363,511	11,239,735
EXPENSES:				
11 Instruction	5,877,673	-	5,877,673	4,753,530
13 Curriculum and instructional staff development	59,117	-	59,117	22,924
23 School leadership	793,660	-	793,660	636,341
31 Guidance, counseling and evaluation services	295,583	-	295,583	336,112
32 Social work services	78,033	-	78,033	97,942
34 Student (pupil) transportation	201,679	-	201,679	207,746
35 Food services	469,396	-	469,396	502,498
36 Cocurricular/extracurricular activities	163,731	-	163,731	165,585
41 General administration	1,320,305	-	1,320,305	1,090,403
51 Plant maintenance and operations	2,649,851	-	2,649,851	2,623,644
52 Security and monitoring services	237,514	-	237,514	179,261
53 Data processing services	167,938	-	167,938	149,355
61 Community services	287,801	-	287,801	224,129
TOTAL EXPENSES	12,602,281	-	12,602,281	10,989,470
CHANGE IN NET ASSETS	(651,796)	413,026	(238,770)	250,265
NET ASSETS, BEGINNING OF YEAR	2,504,864	267,839	2,772,703	2,522,438
NET ASSETS, END OF YEAR	\$ 1,853,068	\$ 680,865	\$ 2,533,933	\$ 2,772,703

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON
(A Texas Nonprofit Organization)

Schedules of Expenses
For the Years Ended August 31, 2020 and 2019

		TOTALS	
		2020	2019
EXPENSES:			
6100	Payroll costs	\$ 8,477,809	\$ 7,103,582
6200	Professional and contracted services	2,954,378	2,698,560
6300	Supplies and materials	656,118	665,754
6400	Other operating costs	513,976	521,574
		<u>\$ 12,602,281</u>	<u>\$ 10,989,470</u>

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON
(A Texas Nonprofit Organization)

Schedules of Capital Assets
For the Years Ended August 31, 2020 and 2019

	2020				2019			
	Ownership Interest				Ownership Interest			
	Local	State	Federal	Total	Local	State	Federal	Total
Building and improvements	\$ 7,330	\$ 786,860	\$ 361,882	\$ 1,156,072	\$ 7,330	\$ 708,949	\$ 361,882	\$ 1,078,161
Furniture and equipment	60,122	1,701,627	167,684	1,929,433	37,597	1,263,691	532,405	1,833,693
Total capital assets	<u>\$ 67,452</u>	<u>\$ 2,488,487</u>	<u>\$ 529,566</u>	<u>\$ 3,085,505</u>	<u>\$ 44,927</u>	<u>\$ 1,972,640</u>	<u>\$ 894,287</u>	<u>\$ 2,911,854</u>

Reconciliation of Total Assets Shown on the Schedule of Capital Assets, see above, to Note 3 on page 13:

	2020 - Total	2019 - Total
<i>Building and Improvements:</i>		
Per Schedule of Capital Assets (see schedule above)	\$ 1,156,072	\$ 1,078,161
Less: Accumulated depreciation as of year end	<u>(788,641)</u>	<u>(713,834)</u>
	\$ 367,431	\$ 364,327
<i>Furniture and Equipment:</i>		
Per Schedule of Capital Assets (see schedule above)	1,929,433	1,833,693
Less: Accumulated depreciation as of year end	<u>(1,244,665)</u>	<u>(1,095,877)</u>
	684,768	737,816
<i>Construction in progress:</i>	<u>-</u>	<u>-</u>
Per Schedule of Assets, Liabilities & Net Assets	<u>\$ 1,052,199</u>	<u>\$ 1,102,143</u>

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON
(A Texas Nonprofit Organization)

**Budgetary Comparison Schedule
For the Year Ended August 31, 2020**

	Budgeted Amounts			Actual Compared to Final Budgeted Amounts		Explanation (see references)	Final Compared to Original Budgeted Amounts		Explanation (see references)
	Original	Final	Actual Amounts	\$ Variance	% Variance	Unaudited	\$ Variance	% Variance	Unaudited
REVENUES:									
Local support:									
5740 Other revenues from local sources	\$ 252,365	\$ 252,365	\$ 287,803	\$ 35,438	14%	{a}	\$ -	0%	
5750 Revenue from co-curricular, enterprising services or activities	-	-	72,995	72,995	100%	{a}	-	0%	
5760 Miscellaneous Revenue from Intermediate Sources	-	-	129,184	129,184	100%	{a}	-	0%	
Total local support	252,365	252,365	489,982	237,617			-		
State program revenues:									
5810 Foundation school program act revenues	10,534,650	10,534,650	9,894,591	(640,059)	-6%	{b}	-	0%	
5820 State program revenues distributed by the Texas Education Agency	84,000	84,000	81,254	(2,746)	-3%		-	0%	
Total state program revenues	10,618,650	10,618,650	9,975,845	(642,805)			-		
Federal program revenues:									
5920 Federal revenues distributed by the Texas Education Agency	1,411,267	1,411,267	1,883,686	472,419	33%	{b}	-	0%	
5930 Federal revenues distributed by Other State of Texas government agencies	-	-	13,998	13,998	100%	{b}	-	0%	
Total state program revenues	1,411,267	1,411,267	1,897,684	486,417			-		
TOTAL REVENUES	12,282,282	12,282,282	12,363,511	81,229			-		
EXPENSES:									
11 Instruction	5,496,271	5,496,271	5,877,673	(381,402)	-7%	{b}	-	0%	
13 Curriculum and instructional staff development	60,000	60,000	59,117	883	1%		-	0%	
23 School leadership	810,000	810,000	793,660	16,340	2%		-	0%	
31 Guidance, counseling and evaluation services	300,000	300,000	295,583	4,417	1%		-	0%	
32 Social work services	80,000	80,000	78,033	1,967	2%		-	0%	
34 Student (pupil) transportation	205,000	205,000	201,679	3,321	2%		-	0%	
35 Food services	475,000	475,000	469,396	5,604	1%		-	0%	
36 Cocurricular/extracurricular activities	165,000	165,000	163,731	1,269	1%		-	0%	
41 General administration	1,360,000	1,360,000	1,320,305	39,695	3%		-	0%	
51 Plant maintenance and operations	2,700,000	2,700,000	2,649,851	50,149	2%		-	0%	
52 Security and monitoring services	240,000	240,000	237,514	2,486	1%		-	0%	
53 Data processing services	165,000	165,000	167,938	(2,938)	-2%		-	0%	
61 Community services	290,000	290,000	287,801	2,199	1%		-	0%	
TOTAL EXPENSES	12,346,271	12,346,271	12,602,281	(256,010)			-		
CHANGE IN NET ASSETS	(63,989)	(63,989)	(238,770)	(174,781)			-		
NET ASSETS, BEGINNING OF YEAR	991,612	991,612	2,772,703	1,781,091			-		
NET ASSETS, END OF YEAR	\$ 927,623	\$ 927,623	\$ 2,533,933	\$ 1,606,310			\$ -		

Reference:

{a} Budget did not include additional local funds.

{b} Budget did not include new grants.

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COMPLIANCE AND INTERNAL CONTROLS

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**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
George I. Sanchez Charter School - Houston

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 George I. Sanchez Charter School - Houston (the "School"), which comprise the statement of financial position as of August 31, 2020, 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 22, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Houston, Texas
January 22, 2021

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

**Summary Schedule of Findings and Responses
Year Ended August 31, 2020**

SECTION 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 weakness identified?	No
b) Significant deficiencies identified, which are not considered to be material weaknesses?	No
c) Noncompliance material to financial statements noted?	No

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

Summary Schedule of Findings and Responses

Year Ended August 31, 2020

SECTION 2:

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

Summary Schedule of Findings and Responses

Year Ended August 31, 2020

FINDINGS – STATE COMPLIANCE AND REPORTING REQUIREMENTS

None reported

GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON
(A Texas Nonprofit Organization)

Summary Schedule of Prior Year Findings and Current Status
Year Ended August 31, 2020

None reported