

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

**Annual Financial and
Compliance Audit**

Years Ended August 31, 2021 and 2020

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, 2021 and 2020, 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.

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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, 2021 and 2020, 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 schedule of expenditures of federal awards on pages 27 through 28 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is 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 January 21, 2022, 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.

Houston, Texas
January 21, 2022

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS

(A Texas Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION**AUGUST 31, 2021 AND 2020**

ASSETS:	2021	2020
CURRENT ASSETS:		
Cash and cash equivalents, unrestricted	\$ 3,098,991	\$ 2,155,890
Cash and cash equivalents, restricted	2,135,813	3,427,496
Grants receivable and reimbursable grant expenses	1,780,413	1,729,268
Prepaid expenses	133,155	326,414
Total current assets	7,148,372	7,639,068
NONCURRENT ASSETS:		
Land, property and equipment		
Land (non-depreciable)	175,800	175,800
Building and improvements	16,048,864	15,941,425
Furniture and equipment	3,960,864	3,814,894
Less: accumulated depreciation	(13,099,177)	(12,271,364)
Land, property and equipment, net	7,086,351	7,660,755
Other assets	46,868	48,414
Total noncurrent assets	7,133,219	7,709,169
TOTAL ASSETS	\$ 14,281,591	\$ 15,348,237
LIABILITIES & NET ASSETS:		
CURRENT LIABILITIES:		
Accounts payable	\$ 620,926	\$ 423,002
Accrued liabilities	688,239	542,191
Unearned revenue	371,544	552,151
Bonds and notes payable, current portion	4,165,702	184,694
Liability under an interest rate swap contract, current portion	-	50,956
Total current liabilities	5,846,411	1,752,994
Bonds and notes payable, net of current portion	-	4,124,403
PPP loan payable	-	2,098,907
Total noncurrent liabilities	-	6,223,310
TOTAL LIABILITIES	5,846,411	7,976,304
NET ASSETS:		
Without donor restrictions	7,923,921	6,649,907
With donor restrictions	511,259	722,026
TOTAL NET ASSETS	8,435,180	7,371,933
TOTAL LIABILITIES AND NET ASSETS	\$ 14,281,591	\$ 15,348,237

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, 2021

	Without donor restrictions	With donor restrictions	Total
REVENUE			
Federal grants	\$ 3,388,485	\$ 3,847,329	\$ 7,235,814
State, city, county, and other school grants	705,778	10,322,295	11,028,073
Fundraisers	150,696	-	150,696
Contributions	16,003	-	16,003
Net assets released from restrictions	14,380,391	(14,380,391)	-
Other	502,541	-	502,541
TOTAL REVENUE	19,143,894	(210,767)	18,933,127
EXPENDITURES			
Program services:			
Health and human services	2,919,624	-	2,919,624
Educational	13,907,833	-	13,907,833
Total program services	16,827,457	-	16,827,457
Support services:			
Management and general	1,035,768	-	1,035,768
Fundraising activities	6,655	-	6,655
Total support services	1,042,423	-	1,042,423
TOTAL EXPENDITURES	17,869,880	-	17,869,880
CHANGE IN NET ASSETS	1,274,014	(210,767)	1,063,247
NET ASSETS, BEGINNING OF YEAR	6,649,907	722,026	7,371,933
NET ASSETS, END OF YEAR	\$ 7,923,921	\$ 511,259	\$ 8,435,180

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, 2020

	Without donor restrictions	With donor restrictions	Total
REVENUE			
Federal grants	\$ 2,601,247	\$ 2,536,414	\$ 5,137,661
State, city, county, and other school grants	1,448,526	9,975,845	11,424,371
Fundraisers	285,033	-	285,033
Contributions	16,681	51,437	68,118
Property and rental income	2,376,964	-	2,376,964
Net assets released from restrictions	12,123,114	(12,123,114)	-
Other	564,295	-	564,295
TOTAL REVENUE	19,415,860	440,582	19,856,442
EXPENDITURES			
Program services:			
Health and human services	3,881,095	-	3,881,095
Educational	13,554,382	-	13,554,382
Total program services	17,435,477	-	17,435,477
Support services:			
Management and general	2,186,718	-	2,186,718
Fundraising activities	93,411	-	93,411
Total support services	2,280,129	-	2,280,129
TOTAL EXPENDITURES	19,715,606	-	19,715,606
CHANGE IN NET ASSETS	(299,746)	440,582	140,836
NET ASSETS, BEGINNING OF YEAR	6,949,653	281,444	7,231,097
NET ASSETS, END OF YEAR	\$ 6,649,907	\$ 722,026	\$ 7,371,933

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, 2021

	Health and Human Services		Educational					Supporting Services					Total
	Prevention and Counseling	Sub-Total	George I. Sanchez Houston	Early Childhood Development Center	Adelante	Work & Learn Center	Sub-Total Educational	Total Program Services	Management and General	Fundraising	Total		
		Health and Human Services									Support Services		
Salaries	\$ 1,634,882	\$ 1,634,882	\$ 6,574,907	\$ 85,728	\$ 388,394	\$ 164,104	\$ 7,213,133	\$ 8,848,015	\$ 256,355	\$ -	\$ 256,355	\$ 9,104,370	
Employee fringe benefits	153,556	153,556	917,360	5,223	26,587	14,095	963,265	1,116,821	18,734	-	18,734	1,135,555	
Payroll taxes	118,199	118,199	103,044	6,094	28,326	11,631	149,095	267,294	17,149	-	17,149	284,443	
Professional fees and contract services payments	395,219	395,219	255,020	217	7,326	2	262,565	657,784	99,016	6,655	105,671	763,455	
Indirect allocation	-	-	1,309,377	-	-	-	1,309,377	1,309,377	-	-	-	1,309,377	
Food, clothing and other	-	-	149,177	-	-	-	149,177	149,177	-	-	-	149,177	
Insurance - other	15,265	15,265	70,485	266	266	53	71,070	86,335	53	-	53	86,388	
Equipment rental/maintenance	88,253	88,253	268,031	2,891	4,308	2,147	277,377	365,630	201	-	201	365,831	
Rent-Facility Allocation	18,672	18,672	1,481,177	140,536	62,157	18,159	1,702,029	1,720,701	19,755	-	19,755	1,740,456	
Rent-office	119,974	119,974	230,274	200	2,531	-	233,005	352,979	-	-	-	352,979	
Supplies	138,649	138,649	622,110	2,168	11,321	1,729	637,328	775,977	88	-	88	776,065	
Travel/seminars	15,377	15,377	30,716	-	17	-	30,733	46,110	17,436	-	17,436	63,546	
Utilities	56,409	56,409	54,080	16	1,240	-	55,336	111,745	-	-	-	111,745	
Miscellaneous	95,514	95,514	107,467	1,576	32,140	31,238	172,421	267,935	76,378	-	76,378	344,313	
Interest/bank charges	-	-	70,068	-	5,190	-	75,258	75,258	2,595	-	2,595	77,853	
Bad Debt Allowance	48,859	48,859	305,941	-	10,919	-	316,860	365,719	15,938	-	15,938	381,657	
Depreciation of property and equipment	20,796	20,796	234,747	-	55,057	-	289,804	310,600	512,070	-	512,070	822,670	
TOTAL EXPENSES	\$ 2,919,624	\$ 2,919,624	\$ 12,783,981	\$ 244,915	\$ 635,779	\$ 243,158	\$ 13,907,833	\$ 16,827,457	\$ 1,035,768	\$ 6,655	\$ 1,042,423	\$ 17,869,880	

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, 2020

	Health and Human Services			Educational				Total Program Services	Supporting Services			Total
	Residential/ Outpatient	Prevention/ Intervention	Sub-Total Health and Human Services	George I. Sanchez Houston	Adelante	Work & Learn Center	Sub-Total Educational		Management and General	Fundraising	Total Support Services	
Salaries	\$ 1,933,404	\$ 533,793	\$ 2,467,197	\$ 7,201,502	\$ 443,696	\$ 190,412	\$ 7,835,610	\$ 10,302,807	\$ 396,241	\$ -	\$ 396,241	\$ 10,699,048
Employee fringe benefits	142,376	41,524	183,900	1,134,100	36,466	17,626	1,188,192	1,372,092	47,720	-	47,720	1,419,812
Payroll taxes	132,785	38,464	171,249	142,207	32,512	12,607	187,326	358,575	22,626	-	22,626	381,201
Professional fees and contract services payments	253,921	43,623	297,544	304,396	70,082	-	374,478	672,022	161,571	93,411	254,982	927,004
Food, clothing and other	13,819	-	13,819	239,576	-	-	239,576	253,395	-	-	-	253,395
Insurance - other	46,956	19,518	66,474	191,306	17,223	212	208,741	275,215	13,644	-	13,644	288,859
Equipment rental/maintenance	76,730	28,716	105,446	192,319	10	6	192,335	297,781	491,539	-	491,539	789,320
Rent-Facility Allocation	-	-	-	2,211,696	-	-	2,211,696	2,211,696	-	-	-	2,211,696
Rent-office	130,085	1,105.00	131,190	205,728	3,798	77	209,603	340,793	2,966	-	2,966	343,759
Supplies	130,318	30,913	161,231	373,606	22,224	17,817	413,647	574,878	16,204	-	16,204	591,082
Travel/seminars	18,275	41,992	60,267	32,785	2,328	10,381	45,494	105,761	25,931	-	25,931	131,692
Utilities	63,076	17,689	80,765	65,902	3,061	251	69,214	149,979	240,842	-	240,842	390,821
Miscellaneous	106,251	22,372	128,623	83,563	28,869	23,117	135,549	264,172	45,359	-	45,359	309,531
Interest/bank charges	-	-	-	-	-	-	-	-	186,025	-	186,025	186,025
Depreciation of property and equipment	8,728	4,662	13,390	223,595	19,326	-	242,921	256,311	536,050	-	536,050	792,361
TOTAL EXPENSES	\$ 3,056,724	\$ 824,371	\$ 3,881,095	\$ 12,602,281	\$ 679,595	\$ 272,506	\$ 13,554,382	\$ 17,435,477	\$ 2,186,718	\$ 93,411	\$ 2,280,129	\$ 19,715,606

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, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,063,247	\$ 140,836
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt allowance	381,657	-
PPP loan forgiveness	(2,098,907)	-
Depreciation	827,813	792,361
Change in the fair value of liability under an interest rate swap contract	-	56,080
Change in operating assets and liabilities:		
Grants receivable	(432,802)	(761,385)
Prepaid expenses	193,259	(51,076)
Other assets	1,546	-
Accounts payable	197,924	86,197
Accrued liabilities	146,048	51,286
Unearned revenue	(180,607)	296,517
Total adjustments	(964,069)	469,980
Net cash provided by operating activities	99,178	610,816
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(253,409)	(588,434)
Net cash used in investing activities	(253,409)	(588,434)
CASH FLOWS USED BY FINANCING ACTIVITIES:		
Payments to a counterparty under an interest rate swap contract	(50,956)	(71,520)
Proceeds from PPP loan	-	2,098,907
Repayment of borrowings	(143,395)	(138,298)
Net cash (used in) / provided by financing activities	(194,351)	1,889,089
Net (decrease) / increase in cash and cash equivalents, unrestricted and restricted	(348,582)	1,911,471
CASH AND CASH EQUIVALENTS, UNRESTRICTED AND RESTRICTED, BEGINNING OF YEAR		
	5,583,386	3,671,915
CASH AND CASH EQUIVALENTS, UNRESTRICTED AND RESTRICTED, END OF YEAR		
	\$ 5,234,804	\$ 5,583,386
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS, UNRESTRICTED AND RESTRICTED, END OF YEAR TO STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents, unrestricted	\$ 3,098,991	\$ 2,155,890
Cash and cash equivalents, restricted	2,135,813	3,427,496
	\$ 5,234,804	\$ 5,583,386
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid during the year	\$ 86,504	\$ 123,077

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

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

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.

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:

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 AAMA. Net assets without donor restrictions may be designated for any specific purpose by action of the Board of Directors.

Net assets with donor restrictions – 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. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

In addition, AAMA is required by FASB ASC Topic 958-205, *Financial Statements of Not-for-Profit Organization*, to present statements of activities 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.

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
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NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

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 revenues when received or unconditionally promised by a third party. Revenues from special events are generally 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 recognized once the barriers to entitlement are overcome.

Cash and Cash Equivalents

AAMA considers all monies in banks and highly liquid investments with maturities of three months or less from the 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, 2021 and 2020 was \$5,234,804 and \$5,583,386, respectively.

As of August 31, 2021 and 2020, AAMA had restricted cash and cash equivalents of \$2,135,813 and \$3,427,496, 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 and Reimbursable Grant Expenses

Grants receivable and reimbursable grant expenses represent revenues earned and 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.

An allowance for contributions receivable is provided when it is believed that balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and analysis of individual balances for each

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period. It is possible that management's estimate regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables. For the years ended August 31, 2021 and 2020, AAMA recorded allowance for delinquent grants receivable of \$381,657 and \$0, respectively.

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.

AAMA'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.

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. In addition, full-time non-school employees are eligible to receive up to 12 days of sick / personal leave time per year in accordance with AAMA's policy. Carryovers of unused sick / personal leave time are not permitted. 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

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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.

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. 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 96% and 83% of AAMA's total revenues for the years ended August 31, 2021 and 2020, respectively, were 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.

In-kind Contributions / Donated Materials and Services

Contributed materials, services and use of facilities are recognized as contributions at fair value when an unconditional commitment is received from the donor. The related expense is

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NOTES TO THE FINANCIAL STATEMENTS

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recognized as contributed materials, services and facilities are used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recognized in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles.

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, 2021 and 2020, 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.

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.

Functional Allocation of Expenses

Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and occupancy costs are allocated based on square footage. Data lines, postage, supplies and non-assignable and non-depreciable equipment depreciation are allocated based on square footage.

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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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$5,234,804	\$5,583,386
Grants receivable and reimbursable grant expenses	1,780,413	1,729,268
Total	<u>\$7,015,217</u>	<u>\$7,312,654</u>

As part of AAMA's liquidity management, the organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due, both as they pertain to the AAMA's school program and other program areas. In addition, AAMA and/ or George I. Sanchez School (GIS), as the case may be, invests its cash in money market accounts and other short-term investments to be used, among other purposes, for planned grade level expansion activities and accumulating funds in anticipation of two mortgages being refinanced in 2021. AAMA also currently has a \$750,000 line-of-credit available from one of its banks that can be used if any unexpected liquidity events were to occur.

Reclassification

Certain expenses for the year ended August 31, 2020 were reclassified to a different category or program under the statement of functional expenses to be consistent with the financial reporting for the year ended August 31, 2021 based on AAMA's management decision for better clarification.

New Accounting Pronouncement In Consideration

Not-for-Profit Entities (Topic 842) – In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 – Leases (Topic 842): Leases, which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and recognize expenses on their income statements in a manner similar to current accounting. This update will be effective for organizations for fiscal years beginning after December 15, 2021. Management is in the process of evaluating.

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2. PROGRAM SERVICES

AAMA is structured into distinct divisions, each with its own unique focus as reported in the accompanying statements of functional expenses, as follows:

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 provides educational choices and opportunities for families and children, focusing on a child's earliest years to build a strong foundation for a lifelong love of learning. By situating AAMA's quality schools within community centers, families have access to a full range of family-centered programs to ensure academic success for their children.

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 Pre-Kindergarten and the 6th through the 12th grades on two campuses in Houston, Texas.

Early Childhood Development Center – AAMA's Early Childhood Development Center (ECDC) offers developmentally appropriate classes for infants through 4 years. ECDC is licensed by the Texas Department of Health and Human Services and accredited by the National Association for the Education of Young Children (NAEYC). This community-based approach allows students to transition into GIS, providing an enriched program for the students' education. The program's hands-on experiential approach engages and supports parents in learning about their children's developmental stages.

Adelante – This program provides adult basic education including GED, ESL, Civics, Family Literacy, and workforce development programs.

Work and Learn Center – The Work and Learn Center offers a pathway for opportunity youth who are young people ages 16-24 disconnected from employment and educational pathways. The Work and Learn Center helps students define and pursue their goals for their education, employment, finances, and personal lives. Through engaging workshops, peer-to-peer learning, and hands-on projects, our 8-week Career Readiness & Design and Digital

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Literacy program provide students with paid training in career readiness, digital literacy, and graphic design. Upon completion of the program, students receive a free new laptop. The program also offers personalized career counseling and opportunities to connect with employers to help students implement this training outside of the classroom and take steps to achieve their individual goals.

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 its banks as of August 31, 2021 and 2020, which was subject to custodial credit risk, was \$5,006,181 and \$5,709,218, respectively. As of August 31, 2021 and 2020, AAMA's deposits at one of its banks included the sum of \$1,926,000 and \$1,185,000, respectively, in funds collateralized by U.S. Treasury Bills which provided additional coverage leaving the un-insured balance of \$2,021,569 and \$3,272,532 as of August 31, 2021 and 2020, 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.

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, 2021 and 2020, 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 as of August 31, 2021 and 2020 were as follows:

	2021		
	GIS	Non-GIS	Total
Land (non-depreciable)	\$ -	\$ 175,800	\$ 175,800
Buildings and improvements	1,263,511	14,785,353	16,048,864
Furniture and equipment	2,040,293	1,920,571	3,960,864
	<u>3,303,804</u>	<u>16,881,724</u>	<u>20,185,528</u>
Less: accumulated depreciation on depreciable assets	<u>2,268,052</u>	<u>10,831,125</u>	<u>13,099,177</u>
Property and equipment, net	<u><u>\$ 1,035,752</u></u>	<u><u>\$ 6,050,599</u></u>	<u><u>\$ 7,086,351</u></u>

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	2020		
	GIS	Non-GIS	Total
Land (non-depreciable)	\$ -	\$ 175,800	\$ 175,800
Buildings and improvements	1,156,072	14,785,353	15,941,425
Furniture and equipment	1,929,433	1,885,461	3,814,894
	3,085,505	16,846,614	19,932,119
Less: accumulated depreciation on depreciable assets	2,033,306	10,238,058	12,271,364
Property and equipment, net	\$ 1,052,199	\$ 6,608,556	\$ 7,660,755

Depreciation expense for the years ended August 31, 2021 and 2020 was \$822,670 and \$792,361, respectively.

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 in the report issued January 21, 2022.

6. ACCRUED SALARIES

During August 31, 2021 and 2020, AAMA accrued \$294,682 to be paid after September 1, 2021 and \$411,584 after September 1, 2020 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 2021 and 2020 amounted to \$304,058 and \$265,465, respectively. Office equipment rent expense for 2021 and 2020 amounted to \$27,291 and \$47,128, respectively.

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

Year Ended August 31,	Amount
2022	\$ 319,341

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8. BONDS AND NOTES PAYABLE

Bonds and notes payable to a bank at August 31, 2021 and 2020 consisted of the following:

	2021	2020
Note/Bond 2006A payable construction loan for Multi-Purpose Education Center (MPEC), due in monthly installments of principal and variable interest rate. Under a swap agreement, and a variable interest rate, the combined interest does not exceed 5.68%. Outstanding principal and interest due in September 2021.	\$ 1,356,921	\$ 1,448,809
Note/Bond 2006B payable construction loan for the new 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 due in September 2021.	2,808,781	2,860,288
Total debt	4,165,702	4,309,097
Less current portion	4,165,702	184,694
	\$ -	\$ 4,124,403

All bank notes payables are secured by a deed of trust on land and buildings.

The future maturities of AAMA's bonds and notes payable as of August 31, 2021 were as follows:

Year Ended August 31,	Amount
2021	4,165,702
2022	-
	\$ 4,165,702

AAMA's construction loan agreements for MPEC and the ALC (Notes) contain various covenants. Although both Notes were subsequently paid off in September of 2021 according to their terms, the required inclusion of the current maturity amount of \$4,165,702 in the calculation of two financial covenants resulted in a technical noncompliance. The creditor bank issued a waiver of such technical noncompliance.

In September 2021, AAMA repaid the two Notes with its original lender and refinanced them with another bank. The new note is in the amount of \$4,172,852, due in monthly installments of principal and a variable interest rate. The note has a 10-year maturity date with a 20-year amortization. With AAMA's use of a swap agreement with a variable interest rate for the new loan, the combined interest rate was fixed at 3.05% for the 10-year term.

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For the years ended August 31, 2021 and 2020, AAMA recorded interest expense of \$77,853 and \$186,025, respectively. No interest expense was capitalized for the years ended August 31, 2021 and 2020.

9. LOAN FROM PAYCHECK PROTECTION PROGRAM

COVID-19: On March 11, 2020, the World Health Organization (WHO) classified the global coronavirus outbreak of COVID-19 as a pandemic. As a result of the CARES Act, The Paycheck Protection Program (PPP) was established. On May 1, 2020, the Organization received the PPP loan in the amount of \$2,098,907.

The Organization utilized the proceeds for purposes consistent with the PPP requirements for forgiveness. The Organization submitted its application to the lender for forgiveness of the PPP loan on August 4, 2021 and it was subsequently forgiven in total during the fiscal year ended August 31, 2021. The Organization has accounted for its receipt of the PPP proceeds in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-605 Not-for Profit Entities: Revenue Recognition as a conditional contribution. \$2,098,907 and \$0 was recognized for the years ended August 31, 2021 and 2020, respectively, as federal contributions among allowable program divisions.

10. 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, 2021 and 2020, the notional principal amounts under the interest rate swap contract, amounted to \$1,356,921 and \$1,448,810, respectively. The estimated fair value of the interest rate swap contract was \$0 and a liability of \$52,976, and is included in the accompanying statements of financial position as of August 31, 2021 and 2020, respectively. Of these totals, \$50,956 and \$50,956 represent amounts that are currently due as of August 31, 2021 and 2020, respectively.

The change in fair value on this interest rate swap agreement was a gain of \$50,956 for the year ended August 31, 2021 and a loss of \$45,831 for the year ended August 31, 2020, respectively, and is included in the statements of activities.

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The following table represents the interest rate swap liability, measured at fair value, on a recurring basis at August 31, 2021 and 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate swap liability at August 31, 2021	\$ -	\$ -	\$ -	\$ -
Interest rate swap liability at August 31, 2020	\$ -	\$52,976	\$ -	\$52,976

For the valuation of the interest rate swap at August 31, 2021 and 2020, 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 the definition of Levels 1, 2 and 3.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions amounting to \$511,259 and \$722,026, respectively, as of August 31, 2021 and 2020, and summarized below, represent contributions to AAMA, which the donors have restricted for use in future periods:

	<u>Year Ended August 31,</u>	
	<u>2021</u>	<u>2020</u>
Restricted for capital improvement	\$ -	\$ 7,786
Restricted for food services	508,801	583,056
Restricted for special education	998	127,559
Restricted for scholarships	1,460	3,625
Total restricted net assets	\$ 511,259	\$ 722,026

During the years ended August 31, 2021 and 2020, net assets of \$14,380,391 and \$12,123,114, respectively, were released from donors' restrictions by satisfying the restrictions.

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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, 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 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, 2021 and 2020:

<u>Name of Pension Fund</u>	<u>EIN and Plan Number</u>	(in thousands)		Obligations		% funded	
		2021	2020	2021	2020	2021	2020
TRS	N/A	\$223,172,755	\$184,361,871	\$227,273,464	\$218,974,205	88.79%	75.54%

The following presents information about AAMA's involvement in such multiemployer pension plan for the years ended August 31, 2021 and 2020:

<u>Collective Bargaining Agreement</u>	Ended August 31,		<u>More than 5% of Total Contributions</u>	<u>FIP/RP Status</u>	<u>Surcharge Imposed</u>
	2021	2020			
N/A	\$1,039,525	\$1,151,172	No	N/A	No

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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 7.50% of the covered payroll of the participating employees compensated with State funds for TRS Retirement and 1.25% for TRS Care. George I. Sanchez charter schools employees' contributions to the TRS System were as follows:

	Year Ended August 31	
	2021	2020
TRS Retirement	\$ 556,000	\$ 568,439
TRS Care	46,934	47,985
	\$ 602,934	\$ 616,424

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 1.6% for Non-OASDI members for covered salary. George I. Sanchez charter schools employers' total administrative fee to the TRS was as follows:

	Year Ended August 31	
	2021	2020
TRS Entity Fee	\$ 54,155	\$ 55,369
TRS Entity Payment for Non-OASDI Members	115,532	110,735
	\$ 169,687	\$ 166,104

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For payroll covered by federal government funded grants, AAMA is required to contribute to the defined benefit plan matching contribution amount of 7.50% 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	
	<u>2021</u>	<u>2020</u>
TRS Retirement	\$ 140,853	\$ 246,769
TRS Care	21,504	38,085
	<u>\$ 162,357</u>	<u>\$ 284,854</u>

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, 2021 and 2020 amounted to \$165,152 and \$178,829, respectively.

14. HEALTH CARE COVERAGE

During the years ended August 31, 2021 and 2020, employees of AAMA were covered by a health insurance plan (the Plan). During the fiscal year 2021, AAMA's contribution ranged from \$464 to \$947 per month per employee to the Plan based on coverage. During the fiscal year 2020, AAMA's contribution ranged from \$451 to \$1,058 per month per employee to the Plan based on coverage.

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.

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On August 31, 2021 and 2020, AAMA had insurance policy coverage as follows:

	<u>Year Ended August 31,</u>	
	<u>2021</u>	<u>2020</u>
Buildings	\$ 17,379,059	\$ 16,744,094
Personal property	2,097,700	3,015,200
Business income/interruption	3,840,000	4,215,000
Commercial automobile	16,000,000	16,000,000
General Liability	16,000,000	16,000,000
Professional Liability	11,000,000	16,000,000
Sexual abuse (Aggregate)	3,000,000	3,000,000
Directors and officers/Employment practice	2,000,000	2,000,000
Commercial crime	500,000	500,000
Lead Student/Volunteer accident	100,000	100,000
Excess student accident	6,000,000	6,000,000
Employers liability	16,000,000	16,000,000
Fiduciary liability	1,000,000	1,000,000

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 \$14,497 and \$15,195 for fiscal years ended August 31, 2021 and 2020, 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.

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 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. 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

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management, such as disallowances, if any, will not have a material effect on any of the 2021 and 2020 financial statements of AAMA.

18. RISK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization classified 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.

The extent of the impact of COVID-19 on AAMA's operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on our neighbors, donors, employees, and vendors, all of which are uncertain and cannot be predicted. Therefore, while AAMA expects this matter to impact its operating results and financial position negatively, the financial impact cannot be reasonably estimated at this time.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 21, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

SINGLE AUDIT SECTION

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through or Grantor's Number	Total Federal Expenditures
U.S Department of Health and Human Services			
Passed-through Texas Health and Human Services Commission:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048537-003 SA/TRA	\$ 1,782
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048581-003 SA/TRA	9,197
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048376-003 SA/TRY	2,982
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2016-048377-003 SA/TRY	1,602
Total Passed-Through Texas Health and Human Services Commission			15,563
UT Health San Antonio	93.788	HHS000878900001	1,376,871
HIV – Core and Client Level	93.940	HHS000077800006	331,281
SAMHSA – CSAT Substance Abuse & Mental Health Services Administration	93.243	1H79SP081536-01	301,388
SAMHSA – CSAT Substance Abuse & Mental Health Services Administration	93.243	1H79TI082482-01	490,837
			792,225
Total - U.S. Department of Health and Human Services			2,515,940
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	21610101101804	523,655
* 1003 School Improvement	84.010A	21610141101804	149,106
* 1003 School Improvement	84.010A	20610141101804	6,118
Total ESEA, Title I			678,879
ESEA, Title II, Preparing, Training, and Recruiting High Quality Teachers and Principals:			
* Part A – Teacher and Principal Training and Recruiting	84.367A	21694501101804	47,779
* Part A – Teacher and Principal Training and Recruiting	84.367A	20694501101804	3,010
Total ESEA Title II			\$ 50,789

Continue

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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONT'D
YEAR ENDED AUGUST 31, 2021

ESEA, Title III, Language Instruction for Limited English Proficient and Immigrant Students:			
* Part A – English Language Acquisition, Language Enhancement, and Academic Achievement	84.365A	21671001101804	\$ 40,093
* Part A – English Language Acquisition, Language Enhancement, and Academic Achievement – Houston	84.365A	20671001101804	<u>2,458</u>
Total ESEA, Title III			<u>42,551</u>
* IDEA, Part B, Special Education – Grants to States	84.027A	H027A200008	145,701
* IDEA, Part B, Preschool	84.173A	H173A200004	998
* COVID 19 ESSER Grant 266	84.425D	20521001101804	110,443
* COVID 19 CRRSA ESSER II	84.425D	21521001101804	99,628
* COVID 19 APR ESSER III	84.425U	21528001101804	20,238
* COVID 19 Prior Purch Reimbursement Program (PPRP)	84.425D	5212135	120,814
* ESEA, Title IV, Part A – Subpart 1, Student Support and Academic Enrichment Program	84.424A	21680101101804	<u>31,463</u>
Total Passed-Through Texas Education Agency			<u>1,301,505</u>
Passed-through HGAC Workforce Solutions			
* Adult Education and Family Literacy Act	84.002A	224-21	<u>630,876</u>
Total Passed-through HGAC Workforce Solutions			<u>630,876</u>
Total - U.S. Department of Education			<u>1,932,380</u>
U.S. Department of Agriculture			
Passed-through Texas Education Agency:			
* National School Lunch Program – Cash	10.555	71302101	276,288
* National School Lunch Program – Cash	10.555	71302001	29,548
* School Breakfast Program	10.553	71402101	168,635
* School Breakfast Program	10.553	71402001	<u>18,569</u>
Total Passed-through - Texas Education Agency			<u>493,040</u>
* National School Lunch Program (NSLP)	10.555	216TX332N1099	27,296
* Noncash Assistance (Commodities)	10.555	00474	<u>17,742</u>
Total - U.S. Department of Agriculture			<u>538,078</u>
Total Expenditure of Federal Awards			<u>\$ 4,986,398</u>
* Federal funds for GIS			

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, 2021

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, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). 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 Subpart E of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. AAMA has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

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.

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2021

5. RECONCILIATION TO TEA REPORTING

Reconciliation of TEA - Federal:

TEA Payment Report 2020	\$	1,673,046
Pass-Through TEA (per the Schedule)		
U.S. Department of Education	1,154,805	
U.S. Department of Agriculture	493,039	1,647,844
Difference		25,202
Accounts receivable 2020	(345,787)	
Accounts receivable 2021	248,962	
TEA pass-through through other distributors	71,623	(25,202)
Difference	\$	<u> -</u>

Reconciliation of TEA - State

TEA Payment Report 2021	\$	10,321,194
		<u>10,321,194</u>
FSP accounts receivable 2020	61,637	
FSP estimated accrued for 2021	(54,182)	
Reversed FSP revenue settled-up final 2021	(8,556)	
Foundation School Program - Houston	10,322,295	10,321,194
Difference	\$	<u> -</u>



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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 INDEPENDENT AUDITOR'S REPORT

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, 2021 and 2020, 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 January 21, 2022.

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

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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.

Houston, Texas
January 21, 2022



McConnell Jones

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE INDEPENDENT AUDITOR'S REPORT

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) Compliance Supplement* that could have a direct and material effect on each of AAMA's major federal program for the year ended August 31, 2021. AAMA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about AAMA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for AAMA's 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, 2021.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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



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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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of AAMA as of and for the year ended August 31, 2021, and have issued our report thereon dated January 21, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Houston, Texas
January 21, 2022

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2021

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 are 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 2 CFR Section 200.516(a) and the State of Texas Single Audit Circular? | No |
| 4. Identification of major programs: | |

Federal - CFDA Number Name of Federal Program or Cluster

93.788	UT Health San Antonio
93.243	SAMHSA - CSAP Substance Abuse & Mental Health Services Administration

- | | |
|-------------------------------------------------------------------------------------|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B federal programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.520? | Yes |

ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2021

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, 2021

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

None reported.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CURRENT STATUS
YEAR ENDED AUGUST 31, 2021

None reported.