

**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, 2021 and 2020**

[This page intentionally left blank]

# GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

Years Ended August 31, 2021 and 2020

## TABLE OF CONTENTS

### **Certificate of Board**

<b>Independent Auditor's Report</b>	<b>1</b>
-------------------------------------	----------

### **Financial Statements:**

Statements of Financial Position	3
----------------------------------	---

Statements of Activities	4
--------------------------	---

Statements of Functional Expenses	5-6
-----------------------------------	-----

Statements of Cash Flows	7
--------------------------	---

Notes to the Financial Statements	8
-----------------------------------	---

### **Supplementary Information:**

Statements of Activities (with Comparative Totals for 2020)	18
---	----

Schedules of Expenses	19
-----------------------	----

Schedules of Capital Assets	20
-----------------------------	----

Budgetary Comparison Schedule	21
-------------------------------	----

Schedule of Real Property Ownership Interest	22
--	----

Schedule of Related Party Transactions	23
--	----

Schedule of Related Party Compensation and Benefits	24
---	----

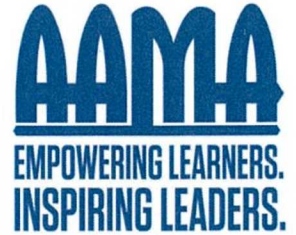
### **Compliance and Internal Control**

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 <i>Government Auditing Standards</i>	25
---	----

Summary Schedule of Findings and Responses	27
--	----

Summary Schedule of Prior Year Findings and Current Status	30
--	----

[This page intentionally left blank]



**Officers**

January 21, 2022

Benjamin Hernandez  
Human Age Digital  
Board Chairman

Telisa Shead  
Amegy Bank  
Board Chair-elect

Daisy Morales  
Community Health Choice  
Board Secretary

Juan Alonso  
HEB  
Immediate Past Board Chairman

**Association for the Advancement of  
Mexican-Americans (“AAMA”)  
Charter Holder**

**George I. Sanchez  
Charter School**

**CERTIFICATE OF BOARD**

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

**Directors**

Trung Doan  
Studio RED Architects

Cynthia Cisneros  
ABC13 Retired

Christian Diaz  
Trafigura

Adrian G. Morales  
Starbucks

Pamela Quiroz, PhD  
University of Houston

Terrance Ransfer  
Metroclean

Alfonso Rubio  
Kelsey Seybold

**We, the undersigned, certify that the attached Financial and Compliance Report for the year ended August 31, 2021, of George I. Sanchez was reviewed and X approved \_\_\_ disapproved at a meeting of the Board of Directors of AAMA on the 21<sup>st</sup> day of January 2022.**

**Director Emeritus**

Maria (Cris) Garza †  
Raul Dominguez †

  
\_\_\_\_\_  
**Signature of Board Secretary**

**President and CEO**

Joe Jimenez

  
\_\_\_\_\_  
**Signature of Board President**

[This page intentionally left blank]



# McConnell Jones

## 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, 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 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.

4828 Loop Central Dr.  
Suite 1000  
Houston, TX 77081  
Phone: 713.968.1600  
Fax: 713.968.1601

WWW.MCCONNELLJONES.COM



# McConnell Jones

## **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, 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**

### *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 21, 2022, 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 21, 2022



[This page intentionally left blank]

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

(A Texas Nonprofit Organization)

**Statements of Financial Position****August 31, 2021 and 2020**

ASSETS:	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,285,711	\$ 2,101,401
Grants receivable and reimbursable grant expenses	518,326	446,193
Prepaid expenses	92,651	282,017
Other assets	14,394	14,394
Total current assets	<u>2,911,082</u>	<u>2,844,005</u>
NONCURRENT ASSETS:		
Buildings and improvements	1,263,511	1,156,072
Furniture and equipment	2,040,293	1,929,433
Less: accumulated depreciation	<u>(2,268,052)</u>	<u>(2,033,306)</u>
Property and equipment, net	<u>1,035,752</u>	<u>1,052,199</u>
Total noncurrent assets	<u>1,035,752</u>	<u>1,052,199</u>
TOTAL ASSETS	<u>\$ 3,946,834</u>	<u>\$ 3,896,204</u>
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Accounts payable	\$ 510,403	\$ 99,732
Accrued liabilities	350,971	30,351
Unearned revenues	352,783	361,250
Due to AAMA	153,831	870,938
Total current liabilities	<u>1,367,988</u>	<u>1,362,271</u>
TOTAL LIABILITIES	<u>1,367,988</u>	<u>1,362,271</u>
NET ASSETS:		
Without donor restrictions	2,069,047	1,853,068
With donor restrictions	<u>509,799</u>	<u>680,865</u>
TOTAL NET ASSETS	<u>2,578,846</u>	<u>2,533,933</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,946,834</u>	<u>\$ 3,896,204</u>

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

(A Texas Nonprofit Organization)

**Statements of Activities  
For the Year Ended August 31, 2021  
(With comparative totals for 2020)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
<b>REVENUES:</b>				
Local support:				
5740 Other revenues from local sources	\$ 96,311	\$ -	\$ 96,311	\$ 287,803
5750 Revenue from cocurricular, enterprising services or activities	19,867	-	19,867	72,995
5769 Revenue from the city, county or other non-school district local government or administrative unit	133,316	-	133,316	129,184
Total local support	249,494	-	249,494	489,982
State program revenues:				
5810 Foundation school program act revenues	-	10,322,295	10,322,295	9,894,591
5820 State program revenues distributed by the Texas Education Agency	-	-	-	81,254
Total state program revenues	-	10,322,295	10,322,295	9,975,845
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	-	1,812,286	1,812,286	1,883,686
5930 Federal revenues distributed by Other State of Texas government agencies	-	27,296	27,296	13,998
5940 Federal revenues distributed directly by Federal Government	417,523	-	417,523	-
Total federal program revenues	417,523	1,839,582	2,257,105	1,897,684
Net assets released from restrictions:				
Restrictions satisfied by payments	12,332,943	(12,332,943)	-	-
<b>TOTAL REVENUES</b>	<b>12,999,960</b>	<b>(171,066)</b>	<b>12,828,894</b>	<b>12,363,511</b>
<b>EXPENSES:</b>				
Program Services:				
Instructions and Instructional Services	6,381,536	-	6,381,536	5,936,790
Instructional and School Leadership	826,225	-	826,225	793,660
Support Services:				
General Administration	1,958,097	-	1,958,097	1,320,305
Support Services - Student (Pupil)	1,007,320	-	1,007,320	1,208,422
Support Services - Non-Student Based	2,605,985	-	2,605,985	3,055,303
Community Services	4,818	-	4,818	287,801
<b>TOTAL EXPENSES</b>	<b>12,783,981</b>	<b>-</b>	<b>12,783,981</b>	<b>12,602,281</b>
CHANGE IN NET ASSETS	215,979	(171,066)	44,913	(238,770)
NET ASSETS, BEGINNING OF YEAR	1,853,068	680,865	2,533,933	2,772,703
NET ASSETS, END OF YEAR	\$ 2,069,047	\$ 509,799	\$ 2,578,846	\$ 2,533,933

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

**Statement of Functional Expenses**  
**For the Year Ended August 31, 2021**

	Program Services			Supporting Services						Total Expenditures
	Instructional 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		
<b>EXPENSES:</b>										
6110 Teachers and Other Professional Personnel	\$ 4,322,355	\$ 326,998	\$ 4,649,353	\$ 299,504	\$ -	\$ 1,850	\$ 446,224	\$ 747,578	\$ 5,396,931	
6120 Support Personnel	382,517	297,783	680,300	368,076	85,483	2,130	33,912	489,601	1,169,901	
6130 Employee Allowances	1,075	3,375	4,450	1,250	-	-	2,375	3,625	8,075	
6140 Employee Benefits	746,381	85,785	832,166	106,560	16,680	838	64,160	188,238	1,020,404	
Total Payroll Expenses	5,452,328	713,941	6,166,269	775,390	102,163	4,818	546,671	1,429,042	7,595,311	
6210 Professional Services	-	-	-	-	7,300	-	15,742	23,042	23,042	
6216 Indirect Allocation	-	-	-	-	-	-	1,309,377	1,309,377	1,309,377	
6230 Education Service Center	22,169	-	22,169	1,228	-	-	21,292	22,520	44,689	
6240 Contracted Maintenance and Repair	-	-	-	15,245	210,013	-	-	225,258	225,258	
6250 Utilities	-	-	-	-	54,080	-	-	54,080	54,080	
6255 Rentals—Facility Allocation	-	-	-	-	1,475,947	-	5,230	1,481,177	1,481,177	
6260 Rentals—Operating Leases	-	-	-	-	230,274	-	-	230,274	230,274	
6290 Miscellaneous Contracted Services	97,967	-	97,967	3,500	78,105	-	7,717	89,322	187,289	
6310 Maintenance Supplies	-	-	-	17,645	42,330	-	-	59,975	59,975	
6320 Instructional Materials	39,002	-	39,002	-	-	-	-	-	39,002	
6340 Food Service	-	-	-	149,177	-	-	-	149,177	149,177	
6390 Supplies and Materials—General	393,285	109,821	503,106	11,503	48,945	-	19,554	80,002	583,108	
6410 Travel, Subsistence, and Stipends	19	-	19	291	332	-	12,872	13,495	13,514	
6420 Insurance and Bonding Costs	-	-	-	27,602	42,883	-	-	70,485	70,485	
6440 Depreciation Expense	16,608	-	16,608	-	218,139	-	-	218,139	234,747	
6490 Miscellaneous Operating Costs	54,217	2,463	56,680	5,739	25,406	-	19,642	50,787	107,467	
6590 Debt Service	-	-	-	-	70,068	-	-	70,068	70,068	
6594 Bad Debt Allowance	305,941	-	305,941	-	-	-	-	-	305,941	
Total Non-payroll Expenses	929,208	112,284	1,041,492	231,930	2,503,822	-	1,411,426	4,147,178	5,188,670	
<b>TOTAL EXPENSES</b>	<b>\$ 6,381,536</b>	<b>\$ 826,225</b>	<b>\$ 7,207,761</b>	<b>\$ 1,007,320</b>	<b>\$ 2,605,985</b>	<b>\$ 4,818</b>	<b>\$ 1,958,097</b>	<b>\$ 5,576,220</b>	<b>\$ 12,783,981</b>	

**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
<b>EXPENSES:</b>									
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
6255 Rentals—Facility Allocation	-	-	-	-	2,000,460	-	211,236	2,211,696	2,211,696
6260 Rentals—Operating Leases	-	-	-	-	203,229	-	2,499	205,728	205,728
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
<b>TOTAL EXPENSES</b>	<b>\$ 5,936,790</b>	<b>\$ 793,660</b>	<b>\$ 6,730,450</b>	<b>\$ 1,208,422</b>	<b>\$ 3,055,303</b>	<b>\$ 287,801</b>	<b>\$ 1,320,305</b>	<b>\$ 5,871,831</b>	<b>\$ 12,602,281</b>

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

(A Texas Nonprofit Organization)

**Statements of Cash Flows  
For the Years Ended August 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
State grant receipts	\$ 10,195,731	\$ 9,908,363
Federal grant receipts	1,257,442	1,744,291
Receipts from miscellaneous sources	202,005	500,855
Payments to or on behalf of employees for services rendered	(7,274,691)	(8,504,556)
Payments to vendors for goods and services rendered	<u>(3,977,877)</u>	<u>(4,126,198)</u>
Net cash provided by / (used in) operating activities	<u>402,610</u>	<u>(477,245)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>		
Building improvements and purchases of equipment	<u>(218,300)</u>	<u>(173,651)</u>
Net cash used in investing activities	<u>(218,300)</u>	<u>(173,651)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from AAMA funding	<u>-</u>	<u>1,267,308</u>
Net cash provided by financing activities	<u>-</u>	<u>1,267,308</u>
<b>NET INCREASE IN CASH</b>	184,310	616,412
<b>CASH, BEGINNING OF YEAR</b>	<u>2,101,401</u>	<u>1,484,989</u>
<b>CASH, END OF YEAR</b>	<u>\$ 2,285,711</u>	<u>\$ 2,101,401</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	<u>\$ 44,913</u>	<u>\$ (238,770)</u>
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Bad debt allowance	305,941	-
PPP loan forgiveness	(717,107)	-
Depreciation	234,747	223,595
Changes in operating assets and liabilities:		
Grants receivable	(378,074)	(515,738)
Prepaid expenses	189,366	(117,231)
Accounts payable	410,671	(108,090)
Accrued liabilities	320,620	(26,747)
Unearned revenue	<u>(8,467)</u>	<u>305,736</u>
Total adjustments	<u>357,697</u>	<u>(238,475)</u>
Net cash (used in) / provided by operating activities	<u>\$ 402,610</u>	<u>\$ (477,245)</u>

[This page intentionally left blank]

# GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

## Notes to the Financial Statements For the Years Ended August 31, 2021 and 2020

### 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 2021 served approximately 960 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, 2021 and 2020

**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, 2021 and 2020.

### 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, 2021 and 2020 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 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, the School recorded allowance for delinquent grants receivable of \$305,941 and \$0, respectively.

### 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

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

(A Texas Nonprofit Organization)

### **Notes to the Financial Statements For the Years Ended August 31, 2021 and 2020**

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. 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

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

(A Texas Nonprofit Organization)

## **Notes to the Financial Statements For the Years Ended August 31, 2021 and 2020**

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 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, 2021 and 2020, 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.

# GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

## Notes to the Financial Statements For the Years Ended August 31, 2021 and 2020

### 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, 2021 and 2020.

### 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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,285,711	\$ 2,101,401
Grants receivable and reimbursable grant expenses	518,326	446,193
Total	<u>\$ 2,804,037</u>	<u>\$ 2,547,594</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).

# GEORGE I. SANCHEZ CHARTER SCHOOL - HOUSTON

(A Texas Nonprofit Organization)

## Notes to the Financial Statements For the Years Ended August 31, 2021 and 2020

### 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.

### **NOTE 2: CONCENTRATION OF CREDIT AND BUSINESS RISKS**

The School maintains cash balances with a financial institution in the state. As of August 31, 2021 and 2020, 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 \$1,706,457 and \$1,173,384. As of August 31, 2021 and 2020, AAMA's School 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. 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 80% and 18%, respectively, of the School's total revenues for the year ended August 31, 2021, and 81% and 15%, respectively, for the year ended August 31, 2020.

### **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 \$234,747 and \$223,595 for the year ended August 31, 2021 and 2020, respectively.

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

	<b>2021</b>	<b>2020</b>
Building and Improvements	\$ 1,263,511	\$ 1,156,072
Furniture and Equipment	2,040,293	1,929,433
Total Property and Equipment	3,303,804	3,085,505
Less: Accumulated depreciation	(2,268,052)	(2,033,306)
Property and Equipment, net	<u>\$ 1,035,752</u>	<u>\$ 1,052,199</u>

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

(A Texas Nonprofit Organization)

**Notes to the Financial Statements  
For the Years Ended August 31, 2021 and 2020**

**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, 2021 and 2020, net assets of \$12,332,943 and \$11,460,503, respectively, were released from the Texas Education Agency's and other donors' restrictions by satisfying the restrictions. Below is a summary of assets with donor restrictions as of August 31, 2021 and 2020, respectively:

	<b>Year Ended August 31,</b>	
	<b>2021</b>	<b>2020</b>
Restricted for food services	\$508,801	\$583,056
Restricted for special education	998	97,809
Total restricted net assets	<u>\$509,799</u>	<u>\$680,865</u>

**NOTE 5: 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](http://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.

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

**Notes to the Financial Statements**  
**For the Years Ended August 31, 2021 and 2020**

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)		(in thousands)		% funded	
		2021	2020	2021	2020	2021	2020
TRS	N/A	\$223,172,755	\$184,361,871	\$227,273,464	\$218,974,205	88.79%	75.24%

The following presents information about AAMA's involvement in such multiemployer pension plan for the year 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

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. The School's employees' contributions to the TRS System were as follows:

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

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. The school's employers' total administrative fee to the TRS was as follows:

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

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

(A Texas Nonprofit Organization)

**Notes to the Financial Statements  
For the Years Ended August 31, 2021 and 2020**

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:

	<b>Year Ended August 31</b>	
	<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>

**NOTE 6: 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.

**NOTE 7: 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 fiscal year 2021, AAMA's contribution ranged from \$464 to \$947 per month per employee to the Plan based on coverage. During fiscal year 2020, AAMA's contribution ranged from \$451 to \$1,058 per month per employee to the Plan based on coverage.

**NOTE 8: 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.



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

**Notes to the Financial Statements**  
**For the Years Ended August 31, 2021 and 2020**

Litigation

No reportable litigation was pending against the School as of August 31, 2021 and 2020.

**NOTE 9: RELATED ORGANIZATIONS**

As described in Note 1, the School was established to assist in providing educational services to at-risk students. AAMA provides payroll services, facility maintenance and administrative support to the School. The AAMA fiscal year-end is August 31<sup>st</sup> 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. AAMA 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 School 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. \$870,938 and \$0 was recognized for the years ended August 31, 2021 and 2020, respectively, as federal contributions among allowable program divisions.

**NOTE 10: 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.

Due to the continuing uncertainties around COVID-19, TEA allowed schools to delay face to face instruction for the first 4 weeks of school. Schools were permitted to start by providing instruction virtually. GIS The school started the 2020-2021 school year virtually on August 17, 2020 and started offering face to face instruction as of September 15, 2020. Though it is impossible to predict future impacts on the financial statements related to the novel Corona virus, TEA is keeping the schools financially whole with additional resources to support the challenging environment.

**NOTE 11: 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.

## **SUPPLEMENTARY INFORMATION**

[This page intentionally left blank]

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

**Statements of Activities (with Comparative Totals for 2020)**  
**For the Years Ended August 31, 2021 and 2020**

	Unrestricted	Temporarily Restricted	Totals	
			2021	2020
<b>REVENUES:</b>				
Local support:				
5740 Other revenues from local sources	\$ 96,311	\$ -	\$ 96,311	\$ 287,803
5750 Revenue from cocurricular, enterprising services or activities	19,867	-	19,867	72,995
5769 Revenue from the city, county or other non-school district local government or administrative unit	133,316	-	133,316	129,184
Total local support	249,494	-	249,494	489,982
State program revenues:				
5810 Foundation school program act revenues	-	10,322,295	10,322,295	9,894,591
5820 State program revenues distributed by the Texas Education Agency	-	-	-	81,254
Total state program revenues	-	10,322,295	10,322,295	9,975,845
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	-	1,812,286	1,812,286	1,883,686
5930 Federal revenues distributed by Other State of Texas government agencies	-	27,296	27,296	1,897,684
5940 Federal revenues distributed directly by Federal Government	417,523	-	417,523	13,998
Total federal program revenues	417,523	1,839,582	2,257,105	3,795,368
Net assets released from restrictions:				
Restrictions satisfied by payments	12,332,943	(12,332,943)	-	-
<b>TOTAL REVENUES</b>	<b>12,999,960</b>	<b>(171,066)</b>	<b>12,828,894</b>	<b>14,261,195</b>
<b>EXPENSES:</b>				
11 Instruction	6,164,738	-	6,164,738	5,877,673
13 Curriculum and instructional staff development	216,518	-	216,518	59,117
23 School leadership	826,225	-	826,225	793,660
31 Guidance, counseling and evaluation services	219,437	-	219,437	295,583
32 Social work services	100,151	-	100,151	78,033
34 Student (pupil) transportation	190,759	-	190,759	201,679
35 Food services	399,484	-	399,484	469,396
36 Cocurricular/extracurricular activities	97,769	-	97,769	163,731
41 General administration	1,958,097	-	1,958,097	1,320,305
51 Plant maintenance and operations	2,179,296	-	2,179,296	2,649,851
52 Security and monitoring services	306,623	-	306,623	237,514
53 Data processing services	120,066	-	120,066	167,938
61 Community services	4,818	-	4,818	287,801
<b>TOTAL EXPENSES</b>	<b>12,783,981</b>	<b>-</b>	<b>12,783,981</b>	<b>12,602,281</b>
<b>CHANGE IN NET ASSETS</b>	<b>215,979</b>	<b>(171,066)</b>	<b>44,913</b>	<b>1,658,914</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,853,068</b>	<b>680,865</b>	<b>2,533,933</b>	<b>2,772,703</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,069,047</b>	<b>\$ 509,799</b>	<b>\$ 2,578,846</b>	<b>\$ 4,431,617</b>

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

**Schedules of Expenses**  
**For the Years Ended August 31, 2021 and 2020**

		<b>TOTALS</b>	
		<b>2021</b>	<b>2020</b>
<b>EXPENSES:</b>			
6100	Payroll costs	\$ 7,595,311	\$ 8,477,809
6200	Professional and contracted services	3,555,186	2,954,378
6300	Supplies and materials	831,262	656,118
6400	Other operating costs	426,213	513,976
6500	Debt Service	376,009	-
		<u>\$ 12,783,981</u>	<u>\$ 12,602,281</u>

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

**Schedules of Capital Assets**  
**For the Years Ended August 31, 2021 and 2020**

	2021				2020			
	Ownership Interest			Total	Ownership Interest			Total
	Local	State	Federal		Local	State	Federal	
Building and improvements	\$ -	\$ 901,628	\$ 361,882	\$ 1,263,511	\$ 7,330	\$ 786,860	\$ 361,882	\$ 1,156,072
Furniture and equipment	60,122	1,790,055	190,116	2,040,293	60,122	1,701,627	167,684	1,929,433
Total capital assets	<u>\$ 60,122</u>	<u>\$ 2,691,683</u>	<u>\$ 551,998</u>	<u>\$ 3,303,804</u>	<u>\$ 67,452</u>	<u>\$ 2,488,487</u>	<u>\$ 529,566</u>	<u>\$ 3,085,505</u>

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

	<u>2021 - Total</u>	<u>2020 - Total</u>
<b><i>Building and Improvements:</i></b>		
Per Schedule of Capital Assets (see schedule above)	\$ 1,263,511	\$ 1,156,072
Less: Accumulated depreciation as of year end	<u>(866,613)</u>	<u>(788,641)</u>
	\$ 396,898	\$ 367,431
<b><i>Furniture and Equipment:</i></b>		
Per Schedule of Capital Assets (see schedule above)	2,040,293	1,929,433
Less: Accumulated depreciation as of year end	<u>(1,401,439)</u>	<u>(1,244,665)</u>
	638,854	684,768
<b><i>Construction in progress:</i></b>	<u>-</u>	<u>-</u>
Per Schedule of Assets, Liabilities & Net Assets	<u>\$ 1,035,752</u>	<u>\$ 1,052,199</u>

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

**Budgetary Comparison Schedule  
For the Year Ended August 31, 2021**

	Budgeted Amounts		Actual Amounts	Actual Compared to Final Budgeted Amounts		Explanation (see references)	Final Compared to Original Budgeted Amounts		Explanation (see references)
	Original	Final		\$ Variance	% Variance		\$ Variance	% Variance	
<b>REVENUES:</b>									
Local support:									
5740 Other revenues from local sources	\$ 119,000	\$ 119,000	\$ 96,311	\$ (22,689)	-19%	{a}	\$ -	0%	
5750 Revenue from co-curricular, enterprising services or activities	20,000	20,000	19,867	(133)	-1%		-	0%	
5760 Miscellaneous Revenue from Intermediate Sources	-	-	133,316	133,316	100%	{b}	-	0%	
Total local support	139,000	139,000	249,494	110,494			-		
State program revenues:									
5810 Foundation school program act revenues	9,875,595	9,875,595	10,322,295	446,700	5%		-	0%	
5820 State program revenues distributed by the Texas Education Agency	84,000	84,000	-	(84,000)	-100%	{c}	-	0%	
Total state program revenues	9,959,595	9,959,595	10,322,295	362,700			-		
Federal program revenues:									
5920 Federal revenues distributed by the Texas Education Agency	2,481,493	2,481,493	1,812,286	(669,207)	-27%	{d}	-	0%	
5930 Federal revenues distributed by Other State of Texas government agencies	-	-	27,296	27,296	100%	{e}	-	0%	
5940 Federal revenues distributed directly by Federal Government	-	-	417,523	417,523	100%	{e}	-	0%	
Total state program revenues	2,481,493	2,481,493	2,257,105	(224,388)			-		
<b>TOTAL REVENUES</b>	<b>12,580,088</b>	<b>12,580,088</b>	<b>12,828,894</b>	<b>248,806</b>			<b>-</b>		
<b>EXPENSES:</b>									
11 Instruction	5,721,190	5,721,190	6,164,738	(443,548)	-8%		-	0%	
13 Curriculum and instructional staff development	217,000	217,000	216,518	482	0%		-	0%	
23 School leadership	827,035	827,035	826,225	810	0%		-	0%	
31 Guidance, counseling and evaluation services	220,000	220,000	219,437	563	0%		-	0%	
32 Social work services	101,000	101,000	100,151	849	1%		-	0%	
34 Student (pupil) transportation	191,000	191,000	190,759	241	0%		-	0%	
35 Food services	400,000	400,000	399,484	516	0%		-	0%	
36 Cocurricular/extracurricular activities	98,000	98,000	97,769	231	0%		-	0%	
41 General administration	1,960,000	1,960,000	1,958,097	1,903	0%		-	0%	
51 Plant maintenance and operations	2,180,000	2,180,000	2,179,296	704	0%		-	0%	
52 Security and monitoring services	307,000	307,000	306,623	377	0%		-	0%	
53 Data processing services	121,000	121,000	120,066	934	1%		-	0%	
61 Community services	4,900	4,900	4,818	82	2%		-	0%	
<b>TOTAL EXPENSES</b>	<b>12,348,125</b>	<b>12,348,125</b>	<b>12,783,981</b>	<b>(435,856)</b>			<b>-</b>		
<b>CHANGE IN NET ASSETS</b>	<b>231,963</b>	<b>231,963</b>	<b>44,913</b>	<b>(187,050)</b>			<b>-</b>		
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>991,612</b>	<b>991,612</b>	<b>2,772,703</b>	<b>1,781,091</b>			<b>-</b>		
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,223,575</b>	<b>\$ 1,223,575</b>	<b>\$ 2,817,616</b>	<b>\$ 1,594,041</b>			<b>\$ -</b>		

Reference:

- {a} Decreased in fundraising amount due to COVID-19
- {b} Budget did not include additional local funds.
- {c} Grant application was rejected by the grantor.
- {d} Budget was not fully utilized.
- {e} Budget did not include new grants.

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

**Schedule of Real Property Ownership Interest  
 For the Year Ended August 31, 2021**

Description (list each parcel separately)	Property Address	Total Assessed Value	Ownership Interest - Local	Ownership Interest - State	Ownership Interest - Federal
Sanchez North Campus	215 Rittenhouse St. Houston, Tx 77076	\$ 1,263,511	\$ -	\$ 901,628	\$ 361,882



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

**Schedule of Related Party Transactions  
For the Year Ended August 31, 2021**

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During FY</u>	<u>Principal Balance Due</u>
AAMA	Program in Non-Profit	Charter Holder	Occupancy	Intercompany cost paid through charter holder	State Foundation	Monthly	\$ 1,481,177	\$ -
AAMA	Program in Non-Profit	Charter Holder	Indirect	Intercompany cost paid through charter holder	State Foundation	Monthly	\$ 1,309,375	\$ 153,831

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

**Schedule of Related Party Compensation and Benefits**  
**For the Year Ended August 31, 2021**

None reported

[This page intentionally left blank]

## **COMPLIANCE AND INTERNAL CONTROLS**

[This page intentionally left blank]



# McConnell Jones

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

### INDEPENDENT AUDITOR'S REPORT

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, 2021, 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 21, 2022.

#### *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.

4828 Loop Central Dr.  
Suite 1000  
Houston, TX 77081  
Phone: 713.968.1600  
Fax: 713.968.1601

WWW.MCCONNELLJONES.COM



# McConnell Jones

## *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 21, 2022

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

(A Texas Nonprofit Organization)

**Summary Schedule of Findings and Responses  
Year Ended August 31, 2021**

**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, 2021**

**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, 2021**

**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, 2021**

None reported