

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

**Annual Financial and  
Compliance Audit**

**Years Ended  
August 31, 2022 and 2021**

**ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS**  
(A Texas Nonprofit Corporation)  
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**AUGUST 31, 2022 AND 2021**

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## Independent Auditor's Report

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

### ***Opinion***

We have audited the 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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AAMA as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of AAMA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AAMA’s ability to continue as a going concern for within one year after the date that the financial statements are available to be issued.

### ***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an



auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AAMA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AAMA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional



# McConnell Jones

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 US GAAS. In our opinion, such 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 20, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AAMA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AAMA's internal control over financial reporting and compliance.

Houston, Texas  
January 20, 2023

**ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS**

(A Texas Nonprofit Corporation)

**STATEMENTS OF FINANCIAL POSITION****AUGUST 31, 2022 AND 2021**

ASSETS:	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,362,277	\$ 5,234,804
Grants receivable and reimbursable grant expenses	2,912,093	1,138,680
Other accounts receivable	434,591	813,253
Prepaid expenses	188,707	133,155
SWAP assets, current portion	40,542	-
Total current assets	<u>6,938,210</u>	<u>7,319,892</u>
NONCURRENT ASSETS:		
Land, property and equipment		
Land (non-depreciable)	175,800	175,800
Building and improvements	16,250,077	16,048,864
Furniture and equipment	4,307,660	3,960,864
Construction in progress	-	-
Less: accumulated depreciation	<u>(13,969,697)</u>	<u>(13,099,177)</u>
Land, property and equipment, net	6,763,840	7,086,351
Other assets	46,868	46,868
SWAP assets, net of current portion	189,715	-
Total noncurrent assets	<u>7,000,423</u>	<u>7,133,219</u>
TOTAL ASSETS	<u>\$ 13,938,633</u>	<u>\$ 14,453,111</u>
LIABILITIES & NET ASSETS:		
CURRENT LIABILITIES:		
Accounts payable	\$ -	\$ 620,926
Accrued liabilities	790,488	859,759
Unearned revenue	250,453	371,544
Bonds and notes payable, current portion	<u>161,600</u>	<u>4,165,702</u>
Total current liabilities	1,202,541	6,017,931
Bonds and notes payable, net of current portion	<u>3,860,002</u>	<u>-</u>
Total noncurrent liabilities	<u>3,860,002</u>	<u>-</u>
TOTAL LIABILITIES	<u>5,062,543</u>	<u>6,017,931</u>
NET ASSETS:		
Without donor restrictions	8,387,173	7,923,921
With donor restrictions	<u>488,917</u>	<u>511,259</u>
TOTAL NET ASSETS	<u>8,876,090</u>	<u>8,435,180</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,938,633</u>	<u>\$ 14,453,111</u>

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

**ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS**  
(A Texas Nonprofit Corporation)  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2022**

	Without donor restrictions	With donor restrictions	Total
<b>REVENUE</b>			
Federal grants	\$ 2,119,282	\$ 5,339,445	\$ 7,458,727
State, city, county, and other school grants	1,315,694	10,051,905	11,367,599
Fundraisers	198,809	-	198,809
Contributions	999,460	-	999,460
Net assets released from restrictions	15,413,692	(15,413,692)	-
Other	392,899	-	392,899
<b>TOTAL REVENUE</b>	<b>20,439,836</b>	<b>(22,342)</b>	<b>20,417,494</b>
<b>EXPENDITURES</b>			
Program services:			
Health and human services	3,612,401	-	3,612,401
Educational	15,062,328	-	15,062,328
<b>Total program services</b>	<b>18,674,729</b>	<b>-</b>	<b>18,674,729</b>
Support services:			
Management and general	852,716	-	852,716
Fundraising activities	449,139	-	449,139
<b>Total support services</b>	<b>1,301,855</b>	<b>-</b>	<b>1,301,855</b>
<b>TOTAL EXPENDITURES</b>	<b>19,976,584</b>	<b>-</b>	<b>19,976,584</b>
<b>CHANGE IN NET ASSETS</b>	<b>463,252</b>	<b>(22,342)</b>	<b>440,910</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>7,923,921</b>	<b>511,259</b>	<b>8,435,180</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 8,387,173</b>	<b>\$ 488,917</b>	<b>\$ 8,876,090</b>

*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
<b>REVENUE</b>			
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
<b>TOTAL REVENUE</b>	<b>19,143,894</b>	<b>(210,767)</b>	<b>18,933,127</b>
<b>EXPENDITURES</b>			
Program services:			
Health and human services	2,919,624	-	2,919,624
Educational	13,907,833	-	13,907,833
<b>Total program services</b>	<b>16,827,457</b>	<b>-</b>	<b>16,827,457</b>
Support services:			
Management and general	596,104	-	596,104
Fundraising activities	446,319	-	446,319
<b>Total support services</b>	<b>1,042,423</b>	<b>-</b>	<b>1,042,423</b>
<b>TOTAL EXPENDITURES</b>	<b>17,869,880</b>	<b>-</b>	<b>17,869,880</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,274,014</b>	<b>(210,767)</b>	<b>1,063,247</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>6,649,907</b>	<b>722,026</b>	<b>7,371,933</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 7,923,921</b>	<b>\$ 511,259</b>	<b>\$ 8,435,180</b>

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**ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS**  
(A Texas Nonprofit Corporation)  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2022**

	Health and Human Services	Educational					Total Program Services	Supporting Services			Total
		George I. Sanchez Houston	Early Childhood Development Center	Adelante	Work & Learn Center	Sub-Total Educational		Management and General	Fundraising	Total Support Services	
Salaries	\$ 2,063,053	\$ 6,786,749	\$ 228,134	\$ 431,454	\$ 146,615	\$ 7,592,952	\$ 9,656,005	\$ 1,441,172	\$ 213,330	\$ 1,654,502	\$ 11,310,507
Employee fringe benefits	135,016	867,558	14,258	29,984	8,033	919,833	1,054,849	555,366	16,594	571,960	1,626,809
Payroll taxes	151,968	106,028	16,187	32,066	10,572	164,853	316,821	3,853	15,814	19,667	336,488
Professional fees and contract services payments	537,618	1,104,258	515	12,538	12,009	1,129,320	1,666,938	1,019,336	169,719	1,189,055	2,855,993
Food, clothing and other	-	299,034	-	-	-	299,034	299,034	-	-	-	299,034
Insurance - other	11,201	40,530	1,000	1,730	-	43,260	54,461	-	-	-	54,461
Equipment rental/maintenance	91,944	535,143	15,595	20,512	5,583	576,833	668,777	16,575	-	16,575	685,352
Interfund allocation	141,244	2,379,925	174,551	96,725	16,130	2,667,331	2,808,575	(2,825,738)	17,163	(2,808,575)	-
Rent-office	106,050	372,797	92	2,456	-	375,345	481,395	-	-	-	481,395
Supplies	198,180	374,905	4,282	29,369	11,719	420,275	618,455	1,057	24	1,081	619,536
Travel/seminars	24,966	71,335	-	3,183	34,772	109,290	134,256	41	8,410	8,451	142,707
Utilities	52,966	105,341	16	142	-	105,499	158,465	-	-	-	158,465
Miscellaneous	69,645	245,449	3,379	26,676	5,990	281,494	351,139	56,454	6,981	63,435	414,574
Interest/bank charges	5,549	53,236	8,057	4,453	743	66,489	72,038	48,679	-	48,679	120,717
Bad Debt Allowance	26	-	-	-	-	-	26	-	-	-	26
Depreciation of property and equipment	22,975	297,801	-	12,719	-	310,520	333,495	535,921	1,104	537,025	870,520
<b>TOTAL EXPENSES</b>	<b>\$ 3,612,401</b>	<b>\$ 13,640,089</b>	<b>\$ 466,066</b>	<b>\$ 704,007</b>	<b>\$ 252,166</b>	<b>\$ 15,062,328</b>	<b>\$ 18,674,729</b>	<b>\$ 852,716</b>	<b>\$ 449,139</b>	<b>\$ 1,301,855</b>	<b>\$ 19,976,584</b>

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**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					Total Program Services	Supporting Services			Total	
	George I. Sanchez Houston	Early Childhood Development Center	Adelante	Work & Learn Center	Sub-Total Educational		Management and General	Fundraising	Total Support Services		
	Salaries	\$ 1,634,882	\$ 6,574,907	\$ 85,728	\$ 388,394		\$ 164,104	\$ 7,213,133	\$ 8,848,015		\$ 1,237,918
Employee fringe benefits	153,556	917,360	5,223	26,587	14,095	963,265	1,116,821	134,289	18,719	153,008	1,269,829
Payroll taxes	118,199	103,044	6,094	28,326	11,631	149,095	267,294	339	16,810	17,149	284,443
Professional fees and contract services payments	395,219	255,020	217	7,326	47	262,610	657,829	1,701,001	109,803	1,810,804	2,468,633
Food, clothing and other	-	149,177	-	-	-	149,177	149,177	-	-	-	149,177
Insurance - other	15,265	70,485	266	266	53	71,070	86,335	-	53	53	86,388
Equipment rental/maintenance	88,253	268,031	2,891	4,308	2,102	277,332	365,585	201	-	201	365,786
Interfund allocation	18,672	2,790,554	140,536	62,157	18,159	3,011,406	3,030,078	(3,071,579)	41,501	(3,030,078)	-
Rent-office	119,974	230,274	200	2,531	-	233,005	352,979	-	-	-	352,979
Supplies	138,649	622,110	2,168	11,321	1,729	637,328	775,977	88	-	88	776,065
Travel/seminars	15,377	30,716	-	17	-	30,733	46,110	-	17,436	17,436	63,546
Utilities	56,409	54,080	16	1,240	-	55,336	111,745	-	-	-	111,745
Miscellaneous	95,514	107,467	1,576	32,140	31,238	172,421	267,935	64,348	12,030	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	305,941	-	10,919	-	316,860	365,719	15,938	-	15,938	381,657
Depreciation of property and equipment	20,796	234,747	-	55,057	-	289,804	310,600	510,966	1,104	512,070	822,670
<b>TOTAL EXPENSES</b>	<b>\$ 2,919,624</b>	<b>\$ 12,783,981</b>	<b>\$ 244,915</b>	<b>\$ 635,779</b>	<b>\$ 243,158</b>	<b>\$ 13,907,833</b>	<b>\$ 16,827,457</b>	<b>\$ 596,104</b>	<b>\$ 446,319</b>	<b>\$ 1,042,423</b>	<b>\$ 17,869,880</b>

*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, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 440,910	\$ 1,063,247
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt allowance	26	381,657
PPP loan forgiveness	-	(2,098,907)
Depreciation	870,520	827,813
Change in the fair value of SWAP assets	(230,257)	-
Change in operating assets and liabilities:		
Grants receivable	(1,773,439)	(432,802)
Other receivable	378,662	-
Prepaid expenses	(55,552)	193,259
Other assets	-	1,546
Accounts payable	(620,926)	197,924
Accrued liabilities	(69,271)	146,048
Unearned revenue	(121,091)	(180,607)
Total adjustments	(1,621,328)	(964,069)
Net cash (used in) / provided by operating activities	(1,180,418)	99,178
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(548,009)	(253,409)
Net cash used in investing activities	(548,009)	(253,409)
<b>CASH FLOWS USED BY FINANCING ACTIVITIES:</b>		
Payments to a counterparty under an interest rate swap contract	-	(50,956)
Proceeds from borrowings	4,172,852	-
Repayment of borrowings	(4,316,952)	(143,395)
Net cash used in financing activities	(144,100)	(194,351)
Net decrease in cash and cash equivalents	(1,872,527)	(348,582)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,234,804	5,583,386
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,362,277	\$ 5,234,804
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid during the year	\$ 75,087	\$ 86,504

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

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**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, 2022 AND 2021**

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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, 2022 and 2021 was \$3,362,277 and \$5,234,804, respectively.

As of August 31, 2022 and 2021, respectively, AAMA did not have any restricted cash and cash equivalents.

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

**ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

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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, 2022 and 2021, AAMA recorded allowance for delinquent grants receivable of \$26 and \$381,657, 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 92% and 96% of AAMA's total revenues for the years ended August 31, 2022 and 2021, 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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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, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,362,277	\$ 5,234,804
Grants receivable and reimbursable grant expenses	2,912,093	1,138,680
Total	<u>\$ 6,274,370</u>	<u>\$ 6,373,484</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 with a mortgage 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, 2021 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, 2022 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***

Outpatient Adult and Adolescent Treatment – Programs provide adult and teen outpatient treatment for substance use disorders in Houston, Texas and the surrounding areas. Treatment includes HIV/STD/Hep C and M Pox education, testing and intervention. In Laredo, Texas AAMA provides medication assisted treatment and outpatient treatment for adults.

Prevention/Intervention – 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. Programs include family and teen counseling as well as opportunities for GED and vocational training.

***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 6<sup>th</sup> through the 12<sup>th</sup> 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

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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 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, 2022 and 2021, which was subject to custodial credit risk, was \$3,670,608 and \$5,006,181, respectively. As of August 31, 2022 and 2021, AAMA's deposits at one of its banks included the sum of \$2,469,000 and \$1,926,000, respectively, in funds collateralized by U.S. Treasury Bills which provided additional coverage leaving the un-insured balance of \$2,107,964 and \$2,021,569 as of August 31, 2022 and 2021, 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.*

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*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.*

*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, 2022 and 2021, respectively, 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, 2022 and 2021 were as follows:

	<b>2022</b>		
	<b>GIS</b>	<b>Non-GIS</b>	<b>Total</b>
Land (non-depreciable)	\$ -	\$ 175,800	\$ 175,800
Buildings and improvements	1,441,658	14,808,419	16,250,077
Furniture and equipment	2,367,029	1,940,631	4,307,660
	<u>3,808,687</u>	<u>16,924,850</u>	<u>20,733,537</u>
Less: accumulated depreciation on depreciable assets	<u>2,565,853</u>	<u>11,403,844</u>	<u>13,969,697</u>
Property and equipment, net	<u>\$ 1,242,834</u>	<u>\$ 5,521,006</u>	<u>\$ 6,763,840</u>

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	<b>2021</b>		
	<b>GIS</b>	<b>Non-GIS</b>	<b>Total</b>
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
	3,303,804	16,881,724	20,185,528
Less: accumulated depreciation on depreciable assets	2,268,052	10,831,125	13,099,177
Property and equipment, net	\$ 1,035,752	\$ 6,050,599	\$ 7,086,351

Depreciation expense for the years ended August 31, 2022 and 2021 was \$870,520 and \$822,670, 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 20, 2023.

**6. ACCRUED SALARIES**

During August 31, 2022 and 2021, AAMA accrued \$735,413 to be paid after September 1, 2022 and \$712,581 after September 1, 2021 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 2022 and 2021 amounted to \$446,289 and \$304,058, respectively. Office equipment rent expense for 2022 and 2021 amounted to \$35,106 and \$27,291, respectively.

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

Year Ended August 31,	Amount
2023	\$ 336,449
2024	231,816
2025	231,816
2026	231,816
2027	134,400
Thereafter	112,000
Total	\$ 1,278,297

**8. BONDS AND NOTES PAYABLE**

Bonds and notes payable to a bank at August 31, 2022 and 2021 consisted of the following:

	2022	2021
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
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
Note/Bond 2021 payable, principal and interest payments due monthly with a variable interest rate based on LIBOR on the first day of each month plus a spread of 1.6%. Outstanding principal and interest due in September 2031.	4,021,602	-
Total debt	4,021,602	4,165,702
Less current portion	161,600	4,165,702
	\$ 3,860,002	\$ -

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

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The future maturities of AAMA's bonds and notes payable as of August 31, 2022 were as follows:

Year Ended August 31,	Amount
2023	\$ 161,600
2024	166,400
2025	171,200
2026	176,000
2027	180,800
Thereafter	3,165,602
	<u>\$ 4,021,602</u>

AAMA's construction loan agreements (Notes) contain various covenants. AAMA was compliant with those covenants.

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.

For the years ended August 31, 2022 and 2021, AAMA recorded interest expense of \$120,717 and \$77,853, respectively. No interest expense was capitalized for the years ended August 31, 2022 and 2021.

**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. \$0 and \$2,098,907 were recognized for the years ended August 31, 2022 and 2021, respectively, as federal contributions among allowable program divisions.

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**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.

With respect to the Note/Bond 2021 payable, the loan agreement signed on September 14, 2021, AAMA signed a general swap master contract dated September 14, 2021, 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 3.05% per annum for the period beginning September 14, 2021 through September 14, 2031.

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, 2022 and 2021, the notional principal amounts under these interest rate swap contracts, amounted to \$4,028,752 and \$1,356,921, respectively. The estimated fair value of the interest rate swap contracts was \$230,257 and \$0, and is included in the accompanying statements of financial position as of August 31, 2022 and 2021, respectively. Of these totals, \$40,542 and \$50,956 represent amounts that are currently due from as of August 31, 2022 and due to as of August 31, 2021, respectively.

The change in fair value on these interest rate swap agreements was a gain of \$230,257 and \$50,956 for the year ended August 31, 2022 and 2021, respectively, and is included in the statements of activities.

For the valuation of the interest rate swap at August 31, 2022 and 2021, 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.

The following table represents the interest rate swap liability, measured at fair value, on a recurring basis at August 31, 2022 and 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate SWAP asset at August 31, 2022	\$ -	\$ 230,257	\$ -	\$ 230,257
Interest rate SWAP asset at August 31, 2021	\$ -	\$ -	\$ -	\$ -



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**11. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions amounting to \$488,917 and \$511,259, respectively, as of August 31, 2022 and 2021, and summarized below, represent contributions to AAMA, which the donors have restricted for use in future periods:

	<b>Year Ended August 31,</b>	
	<u>2022</u>	<u>2021</u>
Restricted for food services	\$ 486,459	\$ 508,801
Restricted for special education	998	998
Restricted for scholarships	1,460	1,460
Total restricted net assets	<u>\$ 488,917</u>	<u>\$ 511,259</u>

During the years ended August 31, 2022 and 2021, net assets of \$15,413,692 and \$14,380,391, respectively, were released from donors' restrictions by satisfying the restrictions.

**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](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.

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The following presents information about AAMA's multiemployer pension plan as of August 31, 2022 and 2021:

<u>Name of Pension Fund</u>	<u>EIN and Plan Number</u>	(in thousands)		Obligations		% funded	
		2022	2021	2022	2021	2022	2021
TRS	N/A	\$207,621,898	\$223,172,755	\$243,553,045	\$227,273,464	75.62%	88.79%

The following presents information about AAMA's involvement in such multiemployer pension plan for the years ended August 31, 2022 and 2021:

<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>
	2022	2021			
N/A	\$1,100,441	\$1,039,525	No	N/A	No

Funding Policy

Under provisions in the State of Texas law, TRS members are required to contribute 8.00% 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 7.75% 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:

	<b>Year Ended August 31</b>	
	2022	2021
TRS Retirement	\$ 591,010	\$ 556,000
TRS Care	48,019	46,934
	\$ 639,029	\$ 602,934

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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 1.7% for Non-OASDI members for covered salary. George I. Sanchez charter schools employers' total administrative fee to the TRS was as follows:

	<b>Year Ended August 31</b>	
	2022	2021
TRS Entity Fee	\$ 55,407	\$ 54,155
TRS Entity Payment for Non-OASDI Members	125,590	115,532
	<b>\$ 180,997</b>	<b>\$ 169,687</b>

For payroll covered by federal government funded grants, AAMA is required to contribute to the defined benefit plan matching contribution amount of 7.75% 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>	
	2022	2021
TRS Retirement	\$ 145,099	\$ 140,853
TRS Care	19,352	21,504
	<b>\$ 164,451</b>	<b>\$ 162,357</b>

**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, 2022 and 2021 amounted to \$176,831 and \$165,152, respectively.

**14. HEALTH CARE COVERAGE**

During the years ended August 31, 2022 and 2021, employees of AAMA were covered by a health insurance plan (the Plan). During the fiscal year 2022, AAMA's contribution ranged from \$491 to \$1,048 per month per employee to the Plan based on coverage. During the fiscal year 2021, AAMA's contribution ranged from \$464 to \$947 per month per employee to the Plan based on coverage.

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**15. INSURANCE COVERAGE**

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

On August 31, 2022 and 2021, AAMA had insurance policy coverage as follows:

	<b>Year Ended August 31,</b>	
	<b>2022</b>	<b>2021</b>
Buildings	\$ 18,046,238	\$ 17,379,059
Personal property	2,055,200	2,097,700
Business income/interruption	3,740,000	3,840,000
Commercial automobile	11,000,000	16,000,000
General Liability	11,000,000	16,000,000
Professional Liability	11,000,000	11,000,000
Sexual abuse (Aggregate)	2,000,000	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	11,000,000	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 \$23,424 and \$14,497 for fiscal years ended August 31, 2022 and 2021, 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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

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reviews and audits could result in the discovery of unallowable activities and unallowable costs resulting in a liability. Consequently, any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by AAMA with the terms of the grants/contracts. However, in the opinion of AAMA's management, such disallowances, if any, will not have a material effect on any of the 2022 and 2021 financial statements of AAMA.

**18. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 20, 2023, 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**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2022**

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through or Grantor's Number	Total Federal Expenditures
<b>U.S Department of Health and Human Services</b>			
UT Health San Antonio	93.788	HHS000878900001	\$ 1,555,848
HIV – Core and Client Level	93.940	HHS000077800006	344,425
SAMHSA – CSAP Substance Abuse & Mental Health Services Administration	93.243	19SP81536A	341,572
SAMHSA – CSAT Substance Abuse & Mental Health Services Administration	93.243	19TI82482A	563,374
SAMHSA – Paso Libre Substance Abuse & Mental Health Services Administration	93.243	21TI84220A	404,545
Total SAMHSA			1,309,491
<b>Total - U.S. Department of Health and Human Services</b>			3,209,764
<b>U.S. Department of Education</b>			
Passed-Through Texas Education Agency:			
ESEA, Title I, Grants to Local Educational Agencies:			
* Part A, Improving Basic Programs	84.010A	22610101101804	478,425
* Part A, Improving Basic Programs	84.010A	21610101101804	33,552
* 1003 School Improvement	84.010A	22610141101804	34,020
* 1003 School Improvement	84.010A	21610141101804	9,165
Total ESEA, Title I			555,162
ESEA, Title II, Preparing, Training, and Recruiting High Quality Teachers and Principals:			
* Part A – Teacher and Principal Training and Recruiting	84.367A	22694501101804	37,668
* Part A – Teacher and Principal Training and Recruiting	84.367A	21694501101804	11,811
Total ESEA Title II			\$ 49,479

*Continue*

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

**ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS**  
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONT'D**  
**YEAR ENDED AUGUST 31, 2022**

ESEA, Title III, Language Instruction for Limited English Proficient and Immigrant Students:			
* Part A – English Language Acquisition, Language Enhancement, and Academic Achievement	84.365A	22671001101804	\$ 50,782
* Part A – English Language Acquisition, Language Enhancement, and Academic Achievement – Houston	84.365A	21671001101804	<u>1,257</u>
Total ESEA, Title III			<u>52,039</u>
* IDEA, Part B, Special Education – Grants to States	84.027A	226600011018026600	81,440
* Grants for State Assessments and Related Activities – LEP Summer School	84.369A	69552002	2,949
* COVID 19 - CRRSA ESSER II	84.425D	21521001101804	649,828
* COVID 19 - APR ESSER III	84.425U	21528001101804	832,889
* COVID 19 - TCLAS ESSER III	84.425U	21528042101804	<u>143,321</u>
Total ESSER			<u>1,626,038</u>
* ESEA, Title IV, Part A – Subpart 1, Student Support and Academic Enrichment Program	84.424A	22680101101804	<u>9,216</u>
Total Passed-Through Texas Education Agency			<u>2,376,323</u>
Passed-through HGAC Workforce Solutions			
* Adult Education and Family Literacy Act	84.002A	224-72	<u>689,654</u>
Total Passed-through HGAC Workforce Solutions			<u>689,654</u>
<b>Total - U.S. Department of Education</b>			<u>3,065,977</u>
<b>U.S. Department of Agriculture</b>			
Passed-through Texas Education Agency:			
* National School Lunch Program – Cash	10.555	71302201	396,522
* National School Lunch Program – Cash	10.555	71302101	69,757
* School Breakfast Program	10.553	71402201	167,187
* School Breakfast Program	10.553	71402101	<u>37,629</u>
Total Passed-through - Texas Education Agency			<u>671,095</u>
* National School Lunch Program (NSLP)	10.555	6TX300400	14,064
* Noncash Assistance (Commodities)	10.555	00474	<u>32,460</u>
<b>Total - U.S. Department of Agriculture</b>			<u>717,619</u>
<b>Federal Communications Commission</b>			
Emergency Connectivity Fund	32.009	ECF202107449	97,500
<b>Total Expenditure of Federal Awards</b>			<u>\$ 7,090,860</u>
* Federal funds for GIS			

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



**ASSOCIATION FOR THE ADVANCEMENT OF MEXICAN-AMERICANS**  
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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2022**

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**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, 2022. 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, 2022**

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**5. RECONCILIATION TO TEA REPORTING**

Reconciliation of TEA - Federal:

TEA Payment Report 2022	\$	2,726,803
Pass-Through TEA (per the Schedule)		
U.S. Department of Education	2,376,323	
U.S. Department of Agriculture	<u>671,095</u>	<u>3,047,418</u>
Difference		<u>(320,615)</u>
Accounts receivable 2021	(248,962)	
Accounts receivable 2022	523,626	
TEA pass-through through other distributors	<u>45,951</u>	<u>320,615</u>
Difference	\$	<u><u>-</u></u>

Reconciliation of TEA - State

TEA Payment Report 2022	\$	<u>9,192,842</u>
		<u>9,192,842</u>
FSP accounts receivable 2021	54,182	
FSP accounts receivable 2022	(12,957)	
FSP estimated accrued for 2022	(900,288)	
Foundation School Program - Houston	<u>10,051,905</u>	<u>9,192,842</u>
Difference	\$	<u><u>-</u></u>



**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 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, 2022 and 2021, 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 20, 2023.

**Report on 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) as a basis for designing 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 AAMA’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. 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 or significant deficiencies may exist that have not been identified.

### **Report on 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 financial statements. 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 20, 2023



**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**

***Opinion on Each Major Federal Program***

We have audited compliance of the Association for the Advancement of Mexican-Americans (“AAMA”) with the types of compliance requirements identified as subject to audit 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 programs for the year ended August 31, 2022. AAMA’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor’s Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of AAMA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of AAMA’s compliance with the compliance requirements referred to above.



## *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to AAMA's federal programs.

## *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on AAMA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about AAMA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding AAMA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of AAMA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 AAMA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



## Report on 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 a 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Houston, Texas  
January 20, 2023

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED AUGUST 31, 2022**

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**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

84.425D	CRRSA ESSER II
84.425U	APR ESSER III
84.425U	TCLAS ESSER III

- |   |           |
|---|-----------|
| 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, 2022**

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**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, 2022**

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**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, 2022**

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None reported.