

*ANNUAL FINANCIAL REPORT*

of the

**ALIEF MONTESSORI  
COMMUNITY SCHOOL**

For the Years Ended  
June 30, 2020 and 2019

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# ALIEF MONTESSORI COMMUNITY SCHOOL

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June 30, 2020 and 2019

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**ALIEF MONTESSORI COMMUNITY SCHOOL**  
*CERTIFICATE OF BOARD*

Alief Montessori Community School  
Name of Charter Holder

76-0555382  
Federal Employer ID Number

Alief Montessori Community School  
Name of Charter School

Harris  
County

101-815  
Co. Dist. Number

We, the undersigned, certify that the attached financial and compliance report of the above named Charter Holder was reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended June 30, 2020 at a meeting of the governing body of the Charter Holder on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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

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

NOTE: If the governing body of the Charter Holder does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

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## ***INDEPENDENT AUDITORS' REPORT***

To the Board of Directors of  
Alief Montessori Community School:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Alief Montessori Community School (the "Charter Holder") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Charter Holder'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 Charter Holder's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter Holder as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial schedules noted as supplementary information in the table of contents are presented for purposes of additional analysis and are not required parts 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 November 3, 2020 on our consideration of the Charter Holder'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 the effectiveness of the Charter Holder'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 the Charter Holder's internal control over financial reporting and compliance.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
November 3, 2020



***FINANCIAL STATEMENTS***

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# ALIEF MONTESSORI COMMUNITY SCHOOL

## STATEMENTS OF FINANCIAL POSITION - EXHIBIT A-1

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 4,446,945	\$ 5,185,178
Investments	250,992	490,926
Due from state	541,956	365,230
Other receivables	7,086	-
Total current assets	<u>5,246,979</u>	<u>6,041,334</u>
Noncurrent assets:		
Property and equipment, net	7,103,651	4,366,195
Total noncurrent assets	<u>7,103,651</u>	<u>4,366,195</u>
<b>Total Assets</b>	<b><u>\$ 12,350,630</u></b>	<b><u>\$ 10,407,529</u></b>
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable and other liabilities	\$ 988,049	\$ 278,708
Deferred revenue	32,821	24,922
Due to state	18,365	-
Total current liabilities	<u>1,039,235</u>	<u>303,630</u>
<b>Total Liabilities</b>	<b><u>1,039,235</u></b>	<b><u>303,630</u></b>
Net assets:		
Without donor restrictions	7,933,940	5,261,237
With donor restrictions	3,377,455	4,842,662
<b>Total Net Assets</b>	<b><u>11,311,395</u></b>	<b><u>10,103,899</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 12,350,630</u></b>	<b><u>\$ 10,407,529</u></b>

See Notes to Financial Statements.

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# ALIEF MONTESSORI COMMUNITY SCHOOL

## STATEMENTS OF ACTIVITIES - EXHIBIT A-2

For the Years Ended June 30, 2020 and 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues</b>				
Local support:				
5720 Local revenue resulting from services rendered to other schools	\$ 13,631	\$ -	\$ 13,631	\$ 20
5730 Local revenue resulting from services	-	-	-	7,107
5740 Other revenues from local sources	187,151	-	187,151	260,782
5750 Revenues from enterprising services	-	60	60	17,659
5760 Revenues-intermediate sources	-	-	-	888
Total local support	200,782	60	200,842	286,456
State program revenues:				
5810 Foundation school program act revenues	-	2,974,594	2,974,594	2,323,807
5820 State program revenues distributed by Texas Education Agency	-	31,284	31,284	17,306
Total state program revenue	-	3,005,878	3,005,878	2,341,113
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	-	222,426	222,426	291,138
Total federal program revenue	-	222,426	222,426	291,138
Net assets released from restrictions:				
Restriction satisfied by payments	4,693,571	(4,693,571)	-	-
<b>Total Revenues</b>	4,894,353	(1,465,207)	3,429,146	2,918,707
<b>Expenses</b>				
Program services:				
Educational services	1,728,431	-	1,728,431	1,593,636
Support services:				
Administrative support services	493,219	-	493,219	499,915
<b>Total Expenses</b>	2,221,650	-	2,221,650	2,093,551
<b>Change in Net Assets</b>	2,672,703	(1,465,207)	1,207,496	825,156
Beginning net assets	5,261,237	4,842,662	10,103,899	9,278,743
<b>Ending Net Assets</b>	\$ 7,933,940	\$ 3,377,455	\$ 11,311,395	\$ 10,103,899

See Notes to Financial Statements.

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# ALIEF MONTESSORI COMMUNITY SCHOOL

## STATEMENTS OF FUNCTIONAL EXPENSES - EXHIBIT A-2a

For the Years Ended June 30, 2020 and 2019

<u>Expenses</u>	2020			2019
	Program Activities	Supporting Activities	Total	Total
	Educational Services	General and Administrative		
Salaries and wages	\$ 1,244,609	\$ 124,549	\$ 1,369,158	\$ 1,249,744
Benefits and payroll taxes	208,186	15,367	223,553	205,759
Total payroll expenses	1,452,795	139,916	1,592,711	1,455,503
Rental expenses	-	4,046	4,046	7,632
Contract labor	17,557	5,818	23,375	32,514
Maintenance and repairs	4,335	41,061	45,396	63,999
Utilities	-	43,418	43,418	33,535
Depreciation	-	140,353	140,353	140,353
Supplies	64,641	22,534	87,175	78,420
Food	54,469	-	54,469	49,230
Travel	5,837	-	5,837	14,434
Instructional materials	3,779	-	3,779	2,986
Furniture and equipment	-	-	-	10,421
Insurance and bonding	-	32,578	32,578	31,990
Professional fees and dues	118,663	17,665	136,328	139,547
Other	6,355	45,830	52,185	32,987
Total nonpayroll expenses	275,636	353,303	628,939	638,048
<b>Total Expenses</b>	\$ 1,728,431	\$ 493,219	\$ 2,221,650	\$ 2,093,551

See Notes to Financial Statements.

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# ALIEF MONTESSORI COMMUNITY SCHOOL

## STATEMENTS OF CASH FLOWS - EXHIBIT A-3

For the Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Revenue from co-curricular or enterprising	\$ 60	\$ 17,659
Foundation school program payments	2,847,517	2,397,455
Grant payments	222,426	291,138
Miscellaneous sources	200,782	268,797
Payments to vendors for goods and services rendered	220,755	(319,676)
Payments to charter school personnel for services rendered	(1,591,898)	(1,455,503)
<b>Net Cash Provided by Operating Activities</b>	1,899,642	1,199,870
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	-	(448)
Proceeds from sale of investments	239,934	-
Purchase of capital assets, net of disposals	(2,877,809)	(334,632)
<b>Net Cash (Used) by Investing Activities</b>	(2,637,875)	(335,080)
<b>Net Change in Cash and Cash Equivalents</b>	(738,233)	864,790
Beginning cash and cash equivalents	5,185,178	4,320,388
<b>Ending Cash and Cash Equivalents</b>	\$ 4,446,945	\$ 5,185,178
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Change in net assets	\$ 1,207,496	\$ 825,156
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	140,353	140,353
(Increase) decrease in current assets:		
Due from other governments	(176,726)	56,342
Other receivables	(7,086)	-
Increase (decrease) in current liabilities:		
Accounts payable	709,341	172,049
Due to state	18,365	(1,052)
Deferred revenue	7,899	7,022
<b>Net Cash Provided by Operating Activities</b>	\$ 1,899,642	\$ 1,199,870

See Notes to Financial Statements.

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# ALIEF MONTESSORI COMMUNITY SCHOOL

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of Alief Montessori Community School (the “Charter Holder”) were prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

#### **Reporting Entity**

The Charter Holder is a not-for-profit organization incorporated in the State of Texas in 1998 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter Holder is governed by a board of directors comprised of ten members. The Board of Directors (the “Board”) is selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions, appoint the chief executive officer of the Charter Holder, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of the Charter Holder.

Since the Charter Holder receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

#### **Corporate Operations**

In 1998, the State Board of Education of the State of Texas granted the Charter Holder an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Alief Montessori Community School was opened for the academic year beginning September 1998. The Charter Holder was organized to provide educational services to students in pre-kindergarten through eighth grade. The Charter Holder’s Board governs its programs, services, activities, and functions.

#### **Basis of Accounting and Presentation**

The accompanying general purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, Board-designated.

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

# ALIEF MONTESSORI COMMUNITY SCHOOL

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2020 and 2019

### Contributions

The Charter Holder accounts for contributions as without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to without donor restrictions net assets and reported in the Statement of Activities as net assets released from restrictions.

### Cash and Cash Equivalents

For financial statement purposes, the Charter Holder considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

### Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the general purpose financial statements. Capital assets are defined by the Charter Holder as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from 5 to 30 years, using the straight-line method of depreciation. Expenditures for additions, major renewals, and improvements are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at acquisition value at the date of donation, which is then treated as cost.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Income Taxes

The Charter Holder qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

### NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents held as of June 30, 2020 were as follows:

	2020	
	Cost Basis	Market Value
Cash on hand and in financial institutions	\$ 888,106	\$ 888,106
LOGIC	3,558,839	3,558,839
<b>Total</b>	<b>\$ 4,446,945</b>	<b>\$ 4,446,945</b>

# ALIEF MONTESSORI COMMUNITY SCHOOL

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2020 and 2019

Cash and cash equivalents held as of June 30, 2019 were as follows:

	2019	
	Cost Basis	Market Value
Cash on hand and in financial institutions	\$ 1,686,026	\$ 1,686,026
LOGIC	3,499,152	3,499,152
<b>Total</b>	<b>\$ 5,185,178</b>	<b>\$ 5,185,178</b>

Cash is held in both interest bearing and non-interest bearing demand accounts at financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limited amount of \$250,000. As of June 30, 2020 and 2019, the Charter Holder’s cash balance were fully insured.

### NOTE 3 – INVESTMENTS

Investments are reported in the statement of financial position at fair value and realized and unrealized gains and losses are reported in the Statement of Activities.

Short-term investments are investments with an original maturity greater than 90 days that will mature within one year of the fiscal year end. Long-term investments are investments that will mature in greater than one year after the fiscal year end. Investments held as of June 30, 2020 are summarized as follows:

	2020		Weighted Average Maturity (Years)
	Cost Basis	Market Value	
Certificates of deposit	\$ 250,992	\$ 250,992	0.11
<b>Total</b>	<b>\$ 250,992</b>	<b>\$ 250,992</b>	

Investments held as of June 30, 2019 are summarized as follows:

	2019		Weighted Average Maturity (Years)
	Cost Basis	Market Value	
Certificates of deposit	\$ 490,926	\$ 490,926	0.45
<b>Total</b>	<b>\$ 490,926</b>	<b>\$ 490,926</b>	

### NOTE 4 – CAPITAL ASSETS

Capital assets at June 30, 2020 and 2019 were as follows:

	2020	2019
Land	\$ 1,282,133	\$ 1,032,445
Construction in progress	2,962,753	334,632
Buildings and improvements	4,033,301	4,033,301
Furniture and equipment	59,094	59,094
<b>Total</b>	8,337,281	5,459,472
Less accumulated depreciation	(1,233,630)	(1,093,277)
<b>Property and Equipment, Net</b>	<b>\$ 7,103,651</b>	<b>\$ 4,366,195</b>

Capital assets acquired with public funds received by the Charter Holder for the operation of the charter school constitute public property pursuant to Chapter 12 of the Texas Education Code.

Depreciation expense for the 2020 and 2019 fiscal years was \$140,353 and \$140,353, respectively.

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Years Ended June 30, 2020 and 2019**

### **NOTE 5 – PENSION PLAN OBLIGATIONS**

#### **Plan Description**

The Charter Holder contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, defined benefit pension plan with one exception: all risks and costs are not shared by the Charter Holder, but are the liability of the State of Texas (the “State”). Based on FASB Statement No. 87, a multiemployer plan is a pension plan to which two or more unrelated employers contribute, usually pursuant to one or more collective-bargaining agreements. Although TRS has no collective bargaining agreements, TRS is considered to be a multiemployer plan for the purposes of a not-for-profit charter holder due to various significant factors. These factors include: 1) charter holders are legally separate entities from the State and each other; 2) assets contributed by one participating entity may be used to provide benefits to employees of other participating employers since assets contributed by one entity are not segregated in a separate account or restricted to provide benefits only to employees of that entity; 3) upon withdrawal from TRS, the unfunded obligation or net pension liability of that entity will be passed along to the remaining other entities who contribute to TRS; and (4) there is not a withdrawal penalty for leaving TRS.

TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of the State. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas State Legislature has the authority to establish and amend benefit provisions of TRS and may, under certain circumstances, grant special authority to the TRS Board of Trustees. 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; by calling the TRS Communications Department at 1-800-223-8778; or by downloading the report from the TRS website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publication Heading.

#### **Funding Policy and Funded Status**

Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. The State funding policy is as follows: (1) the State constitution requires the Legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a State contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of TRS; (2) State statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action.

As of August 31, 2019, TRS’ total plan assets were \$157,978,199,075, accumulated benefit obligation (or total pension liability) was \$209,961,325,288, and TRS was 75.24% funded.

#### **Contributions**

State law provides for a member contribution rate of 7.7% for fiscal years 2020, 2019, and 2018 and a State contribution rate of 7.5% for fiscal year 2020 and 6.8% for fiscal years 2019 and 2018.

The Charter Holder’s employees’ contributions to TRS for the years ending June 30, 2020, 2019, and 2018 were \$101,749, \$92,026, and \$87,548, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the Charter Holder for salaries above the statutory minimum for the years ending June 30, 2020, 2019, and 2018 were \$6,442, \$8,661, and \$10,651, respectively, and were equal to the required contributions for each year.

# **ALIEF MONTESSORI COMMUNITY SCHOOL**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Years Ended June 30, 2020 and 2019**

The Charter Holder made contributions for the Non-Old Age Survivor and Disability Insurance (Non-OASDI) for certain employees. The total amounts contributed for Non-OASDI for the fiscal years ending June 30, 2020, 2019, and 2018 were \$19,821, \$18,005, and \$17,055, respectively.

The Charter Holder also offers a 403(b) savings plan to all eligible employees. No matching employer contributions are required under this plan.

### **NOTE 6 – RETIREE HEALTH CARE PLAN**

#### **Plan Description**

The Charter Holder contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for TRS-Care is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us); by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701; or by calling 1-800-223-8778.

#### **Funding Policy**

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State and active public school employee contribution rates were 1.25% for fiscal years ended 2020, 2019, and 2018; and 0.65% of school payroll, with the Charter Holder contributing a percentage of payroll set at 0.75% for fiscal years ended 2020, 2019, and 2018. Per Texas Insurance Code, Chapter 1575, the school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2020, 2019, and 2018, the State’s contributions to TRS-Care were \$990, \$1,099, and \$1,720, respectively; the active member contributions were \$8,589, \$7,769, and \$7,390, respectively; and the Charter Holder’s contributions were \$9,911, \$8,964, and \$8,186, respectively; which equaled the required contributions each year.

### **NOTE 7 – HEALTH CARE COVERAGE**

During the year ended June 30, 2020, employees of the Charter Holder were covered by TRS Active-Care (the “Plan”) for health insurance benefits. The Charter Holder contributed \$466 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

### **NOTE 8 – WORKERS’ COMPENSATION INSURANCE**

During the year ended June 30, 2020, employees of the Charter Holder were covered by a workers’ compensation plan (the “Plan”). The Plan was authorized by Section 21.922, Texas Education Code. The contract between the Charter Holder and Employers Preferred Insurance Company is renewable on September 23, 2019 and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with State statutes, the Charter Holder was protected against unanticipated catastrophic individual or aggregate loss by Employers Preferred Insurance Company, commercial insurers licensed or eligible to do business in the State in accordance with the Texas Insurance Code. The specific retention is \$1,000,000 and the aggregate limit is \$1,000,000.

# ALIEF MONTESSORI COMMUNITY SCHOOL

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2020 and 2019

There is no liability incurred for the current or prior fiscal years.

### NOTE 9 – DUE FROM STATE

As of June 30, 2020 and 2019, the Charter Holder had earned the following revenues which were not received until after the fiscal year end:

	<u>2020</u>	<u>2019</u>
State Foundation Program	\$ 504,222	\$ 350,652
IDEA-B Formula	24,246	3,768
Title I, Part A - Improving Basic Programs	7,029	3,144
Title II, Part A - Teacher and Principal Training	-	1,300
Title III, Part A - LEP	5,405	2,147
Title IV, Part A - Subpart 1	1,054	2,657
EMAT	-	1,562
<b>Total</b>	<u>\$ 541,956</u>	<u>\$ 365,230</u>

### NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Charter Holder 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. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the Charter Holder have complex compliance requirements and, should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by the TEA or the grantor agency.

The last three years of informational tax returns, 2019, 2018, and 2017, filed with the IRS remain subject to examination.

### NOTE 11 – STATE FOUNDATION PROGRAM REVENUE

Charter schools in the State participate in the State Foundation Program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period and, at the close of the year, actual attendance is calculated by the TEA. The attendance reports are subject to audit by the TEA and final State Foundation Program earnings may be adjusted as a result of any such audit. During the years ended June 30, 2020 and 2019, the Charter Holder was paid \$2,974,594 and \$2,323,807, respectively, of State Foundation Program funds of which all was earned (before any possible TEA enrollment and attendance audit).

### NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020 and 2019, the Charter Holder's net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Unexpended federal/state program revenue	<u>\$ 3,377,455</u>	<u>\$ 4,842,662</u>



# ALIEF MONTESSORI COMMUNITY SCHOOL

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2020 and 2019

### NOTE 13 – LIQUIDITY AND AVAILABILITY

The following represents the Charter Holder’s financial assets available for general expenditure within one year of June 30, 2020 and 2019:

	Fiscal Year	
	2020	2019
Financial assets, at year end		
Cash and cash equivalents	\$ 4,446,945	\$ 5,185,178
Investments	250,992	490,926
Due from state	541,956	365,230
Other receivables	7,086	-
<b>Total Financial Assets</b>	<u>5,246,979</u>	<u>6,041,334</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	-
<b>Financial Assets Available to Meet General Expenditures Within One Year</b>	<u>\$ 5,246,979</u>	<u>\$ 6,041,334</u>

### NOTE 14 – SHARED SERVICES ARRANGEMENTS

The Charter Holder participates as a member in the Houston Charter Schools Co-op, which is a shared services arrangement (SSA), that provides special education services and programs to eligible students. SER-Niños Inc., the entity holding the Charter for SER-Niños Charter School, is the fiscal agent. The Charter Holder accounts for revenues and expenditures in this program and discloses them in these financial statements. The Charter Holder neither has joint ownership interest in fixed assets purchased by the fiscal agent, or a net equity interest in the fiscal agent. The fiscal agent is not accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the Charter Holder. The Charter Holder received \$40,228 in services by being a member of this SSA.

### NOTE 15 – CHARTER HOLDER OPERATIONS

The Charter Holder operated one charter school, Alief Montessori Community School, and did not conduct any other charter or noncharter activities.

### NOTE 16 – SUBSEQUENT EVENTS

The Charter Holder has evaluated subsequent events through the date of the independent auditors’ report November 3, 2020.

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***SUPPLEMENTARY INFORMATION***

# ALIEF MONTESSORI COMMUNITY SCHOOL

## SUPPLEMENTAL STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Years Ended June 30, 2020 and 2019

		2020		
		Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>				
Local support:				
5720	Local revenue resulting from services rendered to other schools	\$ 13,631	\$ -	\$ 13,631
5730	Local revenue resulting from services	-	-	-
5740	Other revenues from local sources	187,151	-	187,151
5750	Revenues from enterprising services	-	60	60
5760	Revenues-intermediate sources	-	-	-
	Total local support	200,782	60	200,842
State program revenues:				
5810	Foundation school program act revenues	-	2,974,594	2,974,594
5820	State program revenues distributed by Texas Education Agency	-	31,284	31,284
	Total state program revenue	-	3,005,878	3,005,878
Federal program revenues:				
5920	Federal revenues distributed by the Texas Education Agency	-	222,426	222,426
	Total federal program revenue	-	222,426	222,426
Net assets released from restrictions:				
	Restriction satisfied by payments	4,693,571	(4,693,571)	-
	<b>Total Revenues</b>	4,894,353	(1,465,207)	3,429,146
<b>Expenses</b>				
11	Instruction	1,481,633	-	1,481,633
12	Instructional resources and media services	22,569	-	22,569
13	Curriculum development and instructional staff development	42,943	-	42,943
21	Instructional leadership	1,222	-	1,222
23	School leadership	142	-	142
35	Food services	127,012	-	127,012
36	Co-curricular/extracurricular activities	32,013	-	32,013
41	General administration	218,151	-	218,151
51	Plant maintenance and operations	275,068	-	275,068
52	Security and monitoring services	20,897	-	20,897
	<b>Total Expenses</b>	2,221,650	-	2,221,650
	<b>Change in Net Assets</b>	2,672,703	(1,465,207)	1,207,496
Beginning net assets		5,261,237	4,842,662	10,103,899
	<b>Ending Net Assets</b>	\$ 7,933,940	\$ 3,377,455	\$ 11,311,395

See Notes to Financial Statements.

**2019**

<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 20	\$ -	\$ 20
7,107	-	7,107
260,782	-	260,782
-	17,659	17,659
888	-	888
<u>268,797</u>	<u>17,659</u>	<u>286,456</u>
-	2,323,807	2,323,807
-	17,306	17,306
-	<u>2,341,113</u>	<u>2,341,113</u>
-	291,138	291,138
-	<u>291,138</u>	<u>291,138</u>
2,287,830	(2,287,830)	-
<u>2,556,627</u>	<u>362,080</u>	<u>2,918,707</u>
1,335,819	-	1,335,819
39,568	-	39,568
13,900	-	13,900
8,887	-	8,887
8,369	-	8,369
119,343	-	119,343
57,966	-	57,966
173,301	-	173,301
326,613	-	326,613
9,785	-	9,785
<u>2,093,551</u>	<u>-</u>	<u>2,093,551</u>
463,076	362,080	825,156
4,798,161	4,480,582	9,278,743
<u>\$ 5,261,237</u>	<u>\$ 4,842,662</u>	<u>\$ 10,103,899</u>

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# ALIEF MONTESSORI COMMUNITY SCHOOL

## SCHEDULE OF EXPENSES - EXHIBIT C-1

For the Years Ended June 30, 2020 and 2019

		Totals	
		2020	2019
<b>Expenses</b>			
6100	Payroll costs	\$ 1,592,713	\$ 1,455,503
6200	Professional and contracted services	252,564	278,769
6300	Supplies and materials	146,755	127,611
6400	Other operating costs	229,618	221,247
6600	Building purchase, construction, or improvements	-	10,421
	<b>Total Expenses</b>	<u>\$ 2,221,650</u>	<u>\$ 2,093,551</u>

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**ALIEF MONTESSORI COMMUNITY SCHOOL**  
**SCHEDULES OF CAPITAL ASSETS AND REAL PROPERTY**  
**INTEREST OWNERSHIP - EXHIBIT D-1**  
**For the Year Ended June 30, 2020**

**SCHEDULE OF CAPITAL ASSETS**

		<b>Ownership Interest State</b>
1510	Land purchase and investments	\$ 1,282,133
1520	Buildings and improvements	4,033,301
1539	Furniture and equipment	59,094
1550	Construction in progress	2,962,753
<b>Total Property and Equipment</b>		<b>\$ 8,337,281</b>

**SCHEDULE OF REAL PROPERTY INTEREST OWNERSHIP**

<b>Description</b>	<b>Property Address</b>	<b>Total Assessed Value</b>	<b>Ownership Interest State</b>
LT 4 BLK 63, Dairy Townsite	4219 J St, Houston, Texas 77072	\$ 67,631	\$ 185,000
RES A BLK 1, School II, Alief Montessori Community	12013 6th St, Houston, TX 77072	428,508	267,065
LT 2 & TR A BLK 65, Dairy Townsite	12019 6th St, Houston, TX 77072	190,661	195,000
RES A BLK 1, Alief Montessori Community School No. 3	11929 6th St, Houston, TX 77072	198,478	120,000
LT 3 and 4 BLK 57, Townsite of Dairy	12010 6th St, Houston, TX 77072	162,355	249,688
RES A BLK 1, School, Alief Montessori Community	4215 H St, Houston TX 77072	51,295	25,007
N 108 FT of LT 1 BLOCK 63, Dairy Townsite	4203 J St, Houston, TX 77072	80,846	240,373
		<b>\$ 1,179,774</b>	<b>\$ 1,282,133</b>

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# ALIEF MONTESSORI COMMUNITY SCHOOL

## BUDGETARY COMPARISON SCHEDULE - EXHIBIT E-1

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local support				
5720 Local revenues resulting from services	\$ 30,000	\$ 15,000	\$ 13,631	\$ (1,369)
5740 Other revenues from local sources	277,000	188,100	187,151	(949)
5750 Revenue from enterprising services	33,000	66	60	(6)
5760 Revenue from intermediate sources	6,000	6,000	-	(6,000)
Total local support	<u>346,000</u>	<u>209,166</u>	<u>200,842</u>	<u>(8,324)</u>
State program revenues				
5810 Foundation school program revenues	2,424,997	2,824,997	2,974,594	149,597
5820 State program revenues distributed by Texas Education Agency	51,000	50,500	31,284	(19,216)
Total state program revenue	<u>2,475,997</u>	<u>2,875,497</u>	<u>3,005,878</u>	<u>130,381</u>
Federal program revenues				
5920 Federal revenues distributed by Texas Education Agency	204,870	243,656	222,426	(21,230)
<b>Total Revenues</b>	<u>3,026,867</u>	<u>3,328,319</u>	<u>3,429,146</u>	<u>100,827</u>
<b>Expenses</b>				
11 Instruction	1,626,016	1,602,494	1,481,633	120,861
12 Instructional resources and media services	43,000	30,213	22,569	7,644
13 Curriculum development and instructional staff development	21,850	46,954	42,943	4,011
21 Instructional leadership	10,000	3,000	1,222	1,778
23 School leadership	12,500	2,900	142	2,758
35 Food services	124,000	135,431	127,012	8,419
36 Co-curricular/extracurricular activities	95,000	38,000	32,013	5,987
41 General administration	194,000	275,000	218,151	56,849
51 Plant maintenance and operations	455,000	2,297,000	275,068	2,021,932
52 Security and monitoring services	13,600	73,600	20,897	52,703
<b>Total Expenses</b>	<u>2,594,966</u>	<u>4,504,592</u>	<u>2,221,650</u>	<u>2,282,942</u>
<b>Change in Net Assets</b>	<u>\$ 431,901</u>	<u>\$ (1,176,273)</u>	1,207,496	<u>\$ 2,383,769</u>
Beginning net assets			10,103,899	
<b>Ending Net Assets</b>			<u>\$ 11,311,395</u>	

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## ***COMPLIANCE***

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**INDEPENDENT AUDITORS' 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**

November 3, 2020

To the Board of Directors of  
Alief Montessori Community School:

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 Alief Montessori Community School (the "Charter Holder") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter Holder's internal control over financial reporting (internal control) as a basis for designing 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 Charter Holder's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Holder'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 Charter Holder's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Holder'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 the Charter Holder'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 Charter Holder's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo features the names 'BELT HARRIS PECHACEK, LLLP' in a serif font. The letters 'B', 'H', and 'P' are significantly larger and more ornate than the other letters, which are smaller and more standard. The letters are arranged in a slightly overlapping, horizontal fashion.

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas



**ALIEF MONTESSORI COMMUNITY SCHOOL**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - EXHIBIT F-1***  
**For the Year Ended June 30, 2020**

**I. SUMMARY OF AUDIT RESULTS**

*Financial Statements*

Type of audit report issued	Unmodified
Internal control over financial reporting:	
One or more material weakness(es) identified?	No
One or more significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

**II. FINANCIAL STATEMENT FINDINGS**

*None identified.*

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**ALIEF MONTESSORI COMMUNITY SCHOOL**  
***SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - EXHIBIT G-1***  
For the Year Ended June 30, 2020

<b>Finding/Recommendation</b>	<b>Current Status</b>	<b>Management's Explanation If Not Implemented</b>
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*None*

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