

**AMIGOS POR VIDA – FRIENDS FOR LIFE
HOUSING & EDUCATION CORPORATION
dba AMIGOS POR VIDA – FRIENDS FOR LIFE
PUBLIC CHARTER SCHOOL
(A NON PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**Year Ended August 31, 2016
with Comparative Totals for 2015**

**AMIGOS POR VIDA – FRIENDS FOR LIFE
PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended August 31, 2016

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**Amigos Por Vida – Friends For Life Public Charter School
(Federal Employer Identification Number: 76-0433-067)
Certificate of Board**

**Amigos Por Vida - Friends For Life
Housing & Education Corporation dba
Amigos Por Vida - Friends For Life Public
Charter School**

Name of Charter Holder

76-0433-067

Federal Employer ID Number

**Amigos Por Vida - Friends For Life Public
Charter School**

Name of Charter School

Harris

County

101-819

County District Number

We, the undersigned, certify that the attached Financial and Compliance Report of Amigos Por Vida - Friends for Life Public Charter School was reviewed and (check one) approved disapproved for the year ended August 31, 2016, at a meeting of the governing body of the charter holder on the 24th day of January, 2017.

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.

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Amigos Por Vida - Friends for Life Public Charter School
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Amigos Por Vida - Friends for Life Public Charter School, Inc. (the "Charter School") which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

To the Board of Directors
Amigos Por Vida - Friends for Life Public Charter School

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter School as of August 31, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Charter School's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the Table of Contents and required by the Texas Education Agency, 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 procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2017, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Charter School's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
January 17, 2017

GENERAL PURPOSE FINANCIAL STATEMENTS

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AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

| | August 31, | |
|---|---------------------------------|---------------------------------|
| | <u>2016</u> | <u>2015</u> |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 2,313,365 | \$ 1,686,189 |
| Due from state | 281,884 | 345,808 |
| Other receivables | 13,650 | 12,202 |
| Prepaid expenses | <u>12,465</u> | <u>9,542</u> |
| Total current assets | 2,621,364 | 2,053,741 |
| Property and Equipment, net | <u>12,740,271</u> | <u>13,027,816</u> |
| Total Assets | <u><u>\$ 15,361,635</u></u> | <u><u>\$ 15,081,557</u></u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | \$ 55,902 | \$ 72,674 |
| Due to state | 5,338 | - |
| Accrued salaries payable | 170,036 | 135,906 |
| Payroll liabilities | 46,363 | - |
| Interest payable | 25,065 | 19,847 |
| Current portion of bonds payable | <u>215,000</u> | <u>205,000</u> |
| Total Current Liabilities | 517,704 | 433,427 |
| Bonds payable net of discount and current portion | <u>8,837,283</u> | <u>9,047,969</u> |
| Total Liabilities | 9,354,987 | 9,481,396 |
| Net Assets: | | |
| Unrestricted | 2,258,985 | 2,230,315 |
| Temporarily restricted | <u>3,747,663</u> | <u>3,369,846</u> |
| Total Net Assets | <u>6,006,648</u> | <u>5,600,161</u> |
| Total Liabilities and Net Assets | <u><u>\$ 15,361,635</u></u> | <u><u>\$ 15,081,557</u></u> |

The accompanying notes are an integral part of these financial statements

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>August 31, 2016</u> | <u>2015</u> |
|---|---------------------|-----------------------------------|----------------------------|-------------|
| Revenues | | | | |
| Local Support: | | | | |
| Other revenues from local sources | \$ 48,402 | \$ - | \$ 48,402 | \$ 62,358 |
| Revenues from cocurricular activities | 16,237 | - | 16,237 | 20,958 |
| Total Local Support | 64,639 | - | 64,639 | 83,316 |
| State Program Revenues: | | | | |
| Per Capita and Foundation School | | | | |
| Program Act Revenues | - | 4,548,892 | 4,548,892 | 4,263,412 |
| State Program Revenues Distributed by | | | | |
| Texas Education Agency (TEA) | - | 35,331 | 35,331 | 43,801 |
| Total State Program Revenues | - | 4,584,223 | 4,584,223 | 4,307,213 |
| Federal Program Revenues: | | | | |
| Federal revenues distributed by the TEA | - | 738,314 | 738,314 | 989,168 |
| Total Federal Program Revenues | - | 738,314 | 738,314 | 989,168 |
| Net Assets Released from Restrictions: | | | | |
| Restrictions satisfied by payments | 4,944,720 | (4,944,720) | - | - |
| Total Revenues | 5,009,359 | 377,817 | 5,387,176 | 5,379,697 |

The accompanying notes are an integral part of these financial statements

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

STATEMENTS OF ACTIVITIES (continued)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>August 31, 2016</u> | <u>2015</u> |
|---|---------------------|-----------------------------------|----------------------------|---------------------|
| Expenses | | | | |
| Instruction | \$ 2,421,712 | \$ - | \$ 2,421,712 | \$ 2,616,036 |
| Instructional Resources and Media Services | 44,855 | - | 44,855 | 17,001 |
| Curriculum Development and Instructional Staff Development | 24,999 | - | 24,999 | 7,311 |
| Instructional Leadership | - | - | - | 140,109 |
| School Leadership | 316,792 | - | 316,792 | 244,405 |
| Guidance, Counseling & Evaluation Services | 71,909 | - | 71,909 | 181,641 |
| Health Services | 35,859 | - | 35,859 | 36,093 |
| Food Services | 398,672 | - | 398,672 | 428,574 |
| Extracurricular Activities | 10,871 | - | 10,871 | 8,222 |
| General Administration | 273,172 | - | 273,172 | 226,223 |
| Facilities Maintenance and Operations | 597,969 | - | 597,969 | 591,362 |
| Security and Monitoring Services | 70,448 | - | 70,448 | 69,739 |
| Data Processing Services | 77,908 | - | 77,908 | 47,737 |
| Community Services | 3,284 | - | 3,284 | 3,145 |
| Debt Services | 592,226 | - | 592,226 | 604,367 |
| Fund Raising | 4,044 | - | 4,044 | 4,996 |
| Total Expenses | <u>4,944,720</u> | <u>-</u> | <u>4,944,720</u> | <u>5,226,961</u> |
| Change in Net Assets | 64,639 | 377,817 | 442,456 | 152,736 |
| Net Assets, beginning of year | 2,230,315 | 3,369,846 | 5,600,161 | 5,447,425 |
| Prior Period Adjustment | <u>(35,969)</u> | <u>-</u> | <u>(35,969)</u> | <u>-</u> |
| Net Assets, end of year | <u>\$ 2,258,985</u> | <u>\$ 3,747,663</u> | <u>\$ 6,006,648</u> | <u>\$ 5,600,161</u> |

The accompanying notes are an integral part of these financial statements

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

| | August 31, | |
|---|----------------------------|----------------------------|
| | 2016 | 2015 |
| | <u> </u> | <u> </u> |
| Cash flows from operating activities: | | |
| Foundation school program payments | \$ 4,553,432 | \$ 4,215,590 |
| Grant payments | 803,036 | 986,930 |
| Other state and local revenue payments | 98,522 | 128,131 |
| Payments to vendors for goods and services rendered | (1,125,789) | (1,168,942) |
| Payments to charter school personnel for services rendered | (2,913,113) | (3,110,734) |
| Interest Payments | <u>(583,912)</u> | <u>(596,053)</u> |
| Net cash provided by operating activities | 832,176 | 454,922 |
| Cash flows from financing activities: | | |
| Principal payments on long-term debt | <u>(205,000)</u> | <u>(195,000)</u> |
| Net cash used by financing activities | <u>(205,000)</u> | <u>(195,000)</u> |
| Net change in cash and cash equivalents | 627,176 | 259,922 |
| Beginning cash and cash equivalents | <u>1,686,189</u> | <u>1,426,267</u> |
| Ending cash and cash equivalents | <u><u>\$ 2,313,365</u></u> | <u><u>\$ 1,686,189</u></u> |
| Reconciliation of change in net assets to net cash provided by operating activities: | | |
| Increase in net assets | \$ 442,456 | \$ 152,736 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 287,545 | 287,539 |
| Amortization of bond discount | 4,314 | 4,313 |
| (Increase) decrease in: | | |
| Due from state | 63,924 | (50,060) |
| Other receivables | (1,448) | 1,014 |
| Prepaid expenses | (2,923) | 81,136 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (16,772) | (23,779) |
| Due to state | 5,338 | |
| Accrued salaries payable | 34,130 | 5,908 |
| Payroll liabilities | 10,394 | |
| Interest payable | <u>5,218</u> | <u>(3,885)</u> |
| Net cash provided by operating activities | <u><u>\$ 832,176</u></u> | <u><u>\$ 454,922</u></u> |

The accompanying notes are an integral part of these financial statements

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2016

Note 1 - Summary of Significant Accounting Policies

The general-purpose financial statements of Amigos Por Vida - Friends for Life Public Charter School (the "Charter School") were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The Charter School is a not-for-profit organization incorporated in the State of Texas in 1997 and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter School is governed by a Board of Directors comprised of five members. The members of the Board of Directors are appointed in accordance with provisions contained in the bylaws of the Charter School. The Board of Directors has the authority to make decisions, appoint the administrator of the Charter School, and significantly influence operations. The Board of Directors has primary accountability for the fiscal affairs of the Charter School.

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

Corporate Operations

The Charter School was organized to provide educational services to students in Pre-K3 through the Eighth Grade. The Board of Directors governs the programs, services, activities, and functions of the Charter School, which operates under an open enrollment charter granted by the State of Texas Board of Education. The Charter School is part of the public school system of the State of Texas and is therefore entitled to distributions from the State's available school fund. The Charter School does not have the authority to impose ad valorem taxes on its district or to charge tuition.

The Charter School's charter was renewed in April of 2014 with a contract ending date of July 31, 2023.

Basis of Accounting and Presentation

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

In accordance with Accounting Standards Codification Topic 958-205 (ASC Topic No. 958) *Not-For-Profit Entities-Presentation of Financial Statements*, net assets, revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Unrestricted - net assets that are not subject to donor-imposed restrictions. As of August 31, 2016, unrestricted net assets totaled \$2,258,985.

Temporarily restricted - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Charter School and/or the passage of time. 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. As of August 31, 2016, temporarily restricted net assets totaled \$3,747,663.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

Permanently restricted - net assets required to be maintained in perpetuity with only the income to be used for the Charter School's activities due to donor-imposed restrictions. As of August 31, 2016, the Charter School had no permanently restricted net assets.

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 estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most sensitive estimate affecting the Charter School's financial statements was the depreciation of capital assets and functional allocation of expenses.

Contributions

The Charter School accounts for contributions in accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC Topic 958-605, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted 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 temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. 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.

Cash and Cash Equivalents

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

Revenue Recognition

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

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the Charter School 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 three to thirty-nine years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expenses as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost. The Charter School had no donated capital assets at August 31, 2016.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Income Taxes

The Charter School is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“the Code”) and comparable State of Texas law. The Charter School did not conduct any unrelated business activities in the current fiscal year. Therefore, the Charter School has made no provision for federal income taxes in the accompanying financial statements. The Charter School has also been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code. Accordingly, contributions to the Charter School are tax deductible within the limitations prescribed by the Code.

The Charter School 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. The Charter School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Note 2 - Capital Assets

Capital assets at August 31, 2016 and 2015, were as follows:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|----------------------|----------------------|
| Land | \$ 5,813,836 | \$ 5,813,836 |
| Buildings and Improvements | 8,468,298 | 8,468,298 |
| Furniture and Equipment | <u>25,788</u> | <u>25,788</u> |
| Total Property and Equipment | 14,307,922 | 14,307,922 |
| Less Accumulated Depreciation | <u>(1,567,651)</u> | <u>(1,280,106)</u> |
| Property and Equipment, Net | <u>\$ 12,740,271</u> | <u>\$ 13,027,816</u> |

Depreciation expense for the fiscal years ended August 31, 2016 and August 31, 2015, were \$287,545 and \$287,539, respectively.

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

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3 - Concentration of Credit and Business Risk

The Charter School maintains demand deposits with a U.S. local banking institution. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Charter School will not be able to recover its deposits. The Charter School maintains deposits at federally insured banks and strives to minimize its exposure to custodial credit risk. At August 31, 2016, the carrying amount of the School's cash deposits was \$2,313,558 and the banks' balance was \$2,338,146. The School's cash deposits at August 31, 2016, were entirely covered by Federal Deposit Insurance Corporation (FDIC) Insurance or by pledged collateral held by the Charter School's agent bank in the Charter School's name.

Approximately 84 percent of the Charter School's total revenue for fiscal year 2016 was provided by the State funding for the Per Capita Apportionment and State Foundation Program.

Note 4 - Defined Benefit Pension Plans

Plan Description

The Charter School participates in a cost-sharing multi-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Defined Benefit Pension Plans (continued)

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas 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 paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

| | Contribution Rates | |
|--|---------------------------|-------------|
| | Plan Fiscal Year | |
| | 2015 | 2016 |
| Member | 6.7% | 7.2% |
| Employer | 6.8% | 6.8% |
| Non-Employer Contributing Entity (State) | 6.8% | 6.8% |

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions and pension expense for all contributors were as follows:

| | Measurement Year (2015) | Fiscal Year (2016) |
|---------------------------|--|-------------------------------|
| | Contributions Required and Made | TRS Contributions |
| Total Covered Payroll | \$ 2,734,867 | \$ 2,577,540 |
| Member (Employee) | 183,244 | 185,601 |
| Charter School | 28,838 | 22,830 |
| Non-OASDI Surcharge | 27,554 | 30,437 |
| Pension Retiree Surcharge | -0- | -0- |

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Defined Benefit Pension Plans (continued)

Contributions (continued)

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Note 5 - Health Care Coverage

During the year ended August 31, 2016, employees of the Charter School were covered by a Health Insurance Plan (the "Plan"). The Charter School contributed \$318 per month per employee from September 2015 through January 2016 and \$340 per month per employee from February 2016 through August 2016 to the Plan. During the year ended August 31, 2015, the Charter School contributed \$301 per month per employee from September 2014 through January 2015 and \$318 per month per employee from February 2015 through August 2015 to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Due from State

Amounts due from the Texas Education Agency at August 31, 2016 and 2015, consisted of the following:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|-------------------|-------------------|
| State Foundation Program Year | \$ 252,359 | \$ 251,561 |
| Title I, Part A | 8,328 | 36,071 |
| IDEA, Part B - Formula | - | 8,347 |
| IDEA, Part B - Discretionary | - | 8,604 |
| Title II, Part A | 160 | 1,575 |
| Title III, Part A | - | 6,510 |
| National School Lunch Program | 21,037 | 33,140 |
| | <u>\$ 281,884</u> | <u>\$ 345,808</u> |

Note 7 - Operating Leases

The Charter School currently leases its office equipment, which are comprised of copiers and a postage meter. The future minimum rental payments required under non-cancellable lease agreements as of August 31, 2016, are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2016-2017 | \$ 17,700 |
| 2017-2018 | 17,700 |
| 2018-2019 | 17,700 |
| 2020 | 5,163 |
| Total | <u>\$ 58,263</u> |

Rent expenses for the fiscal years ended August 31, 2016 and August 31, 2015, were approximately \$20,201 and \$21,403, respectively.

Note 8 - Commitments and Contingencies

The Charter School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily in student attendance data submitted to the Texas Education Agency 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 School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - State Aid

Charter schools in the State of Texas 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-week reporting period, and at the close of the year, actual attendance is calculated by the Texas Education Agency and the attendance reports are subject to audit by the Texas Education Agency and final State foundation program earnings may be adjusted as a result of any such audit. During the period ended August 31, 2016, the Charter School earned \$4,548,892 of Per Capita and State foundation program funds, of which all was earned (before any possible Texas Education Agency enrollment and attendance audit). In fiscal year 2015, the Charter School earned \$4,263,412.

Note 10 - Shared Services Arrangements

As of July 1, 2016, the Charter School is no longer the fiscal agent for the Houston Area Special Education Co-op. No funding was received related to the IDEA-B Co-op funds in the current year. In the prior year, the Charter School received \$322,010 related to the IDEA-B Co-op funds.

Note 11 - Bond Payable

The Charter School has secured bond financing pursuant to Chapter 53 of the Texas Education Code, \$10,350,000 of “Qualified Tax Exempt” Education Revenue Bonds, Series 2008. The bond is limited obligations of the issuer payable solely from revenues received by the issuer pursuant to a loan agreement between the issuer and the borrower. None of the state, the city, nor any political corporation, subdivisions, or agency of the state is pledged to the payment of the principal of premium, or interest on the bonds.

During the 2016 fiscal year, long-term debt consisted of the following revenue bonds payable:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> | <u>Interest Accrual</u> |
|---|------------------------------|------------------|---------------------|---------------------------|--------------------------------|-----------------------------|
| Education Revenue Bonds, Series 2008 | \$ 9,350,000 | \$ - | \$ (205,000) | \$ 9,145,000 | \$ 215,000 | \$ 25,065 |
| Unamortized discount | (97,031) | - | 4,314 | (92,717) | - | - |
| | <u>\$ 9,252,969</u> | <u>\$ -</u> | <u>\$ (200,686)</u> | <u>\$ 9,052,283</u> | <u>\$ 215,000</u> | <u>\$ 25,065</u> |

The following is a summary of long-term debt transactions for the Charter School for the year ended August 31, 2016:

| <u>Series</u> | <u>Amount Outstanding</u> | <u>Original Issue</u> | <u>Interest Rate</u> | <u>Serially Beginning/ Ending</u> | <u>Interest Payment Dates</u> |
|---|-------------------------------|-----------------------|----------------------|---|---------------------------------------|
| Education Revenue Bonds, Series 2008 | \$ 9,145,000 | \$ 10,350,000 | 6.00% - 6.375% | August 15, 2008/ February 15, 2037 | February 15, August 15 |

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 11 - Bond Payable (continued)

The debt service requirements on bonds outstanding at August 31, 2016, are as follows:

| <u>Year Ending August 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|---------------------|---------------------|----------------------|
| 2017 | \$ 215,000 | \$ 571,794 | \$ 786,794 |
| 2018 | 230,000 | 558,444 | 788,444 |
| 2019 | 245,000 | 543,888 | 788,888 |
| 2020 | 260,000 | 528,106 | 788,106 |
| 2021 | 280,000 | 511,231 | 791,231 |
| 2022 | 295,000 | 493,263 | 788,263 |
| 2023 | 315,000 | 474,200 | 789,200 |
| 2024 | 335,000 | 453,888 | 788,888 |
| 2025 | 355,000 | 432,325 | 787,325 |
| 2026 | 380,000 | 409,356 | 789,356 |
| 2027 | 405,000 | 384,572 | 789,572 |
| 2028 | 430,000 | 357,956 | 787,956 |
| 2029 | 460,000 | 329,588 | 789,588 |
| 2030 | 490,000 | 299,306 | 789,306 |
| 2031 | 520,000 | 267,113 | 787,113 |
| 2032 | 555,000 | 232,847 | 787,847 |
| 2033 | 590,000 | 196,350 | 786,350 |
| 2034 | 630,000 | 157,463 | 787,463 |
| 2035 | 675,000 | 115,866 | 790,866 |
| 2036 | 715,000 | 71,559 | 786,559 |
| 2037 | 765,000 | 24,384 | 789,384 |
| | <u>\$ 9,145,000</u> | <u>\$ 7,413,499</u> | <u>\$ 16,558,499</u> |

Note 12 - Temporarily Restricted Net Assets

At August 31, 2016 and 2015, temporarily restricted net assets, primarily attributable to the General Fund (Fund 420), the Child Nutrition Program (Fund 240), and the Instructional Materials Allotment (Fund 410), totaled \$3,747,663 and \$3,369,846, respectively.

Note 13 - Accrued Salaries

During August 2016, the Charter School's teachers worked on average twenty-two days for which they were not paid until after August 31, 2016. Based on the daily rate of pay and the number of days worked, the Charter School accrued \$170,036 in teachers' salaries to be paid after August 31, 2016. In fiscal year 2015, the Charter School recorded \$135,906 in accrued salaries based on an average eighteen days worked.

Note 14 - Charter Holder Operations

The Charter Holder only operated a single charter school and did not conduct any other charter or non-charter activities.

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 15 - Prior Period Adjustment

Correction of an Error

The Charter School recorded a prior period adjustment for the correction of an error for understated payroll liabilities as of August 31, 2015, including the accrual for tax and TRS payments paid in September 2015.

Summary

The following is a summary of the prior period adjustments to the net assets:

| | |
|---|----------------------------|
| Beginning Net Assets | \$ 5,600,161 |
| Prior Period Restatement | |
| Effect of correction of an error - understated payroll liabilities | (35,969) |
| Beginning Net Assets as restated | <u><u>\$ 5,564,192</u></u> |

Note 16 - Management's Review of Subsequent Events

In preparing the accompanying financial statements, management has reviewed all known events that have occurred after August 31, 2016, and through January 17, 2017, the date on which the financial statements were available to be issued, for inclusion in the financial statements and footnotes. This review resulted in no adjustment to the financial statements and footnotes.

SUPPLEMENTARY INFORMATION

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AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

SCHEDULES OF EXPENSES

| | | August 31, | |
|------|------------------------------------|---------------------|---------------------|
| | | <u>2016</u> | <u>2015</u> |
| | Expenses | | |
| 6100 | Payroll Costs | \$ 2,993,606 | \$ 3,116,642 |
| 6200 | Professional and Contract Services | 822,397 | 930,003 |
| 6300 | Supplies and Materials | 175,206 | 208,083 |
| 6400 | Other Operating Costs | 361,285 | 367,866 |
| 6500 | Debt | 592,226 | 604,367 |
| | Total Expenses | <u>\$ 4,944,720</u> | <u>\$ 5,226,961</u> |

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

SCHEDULE OF CAPITAL ASSETS

Year Ended August 31, 2016

| | | Ownership Interest | | |
|------|---------------------------------------|---------------------------|----------------------|----------------|
| | | Local | State | Federal |
| 1510 | Land and improvements | \$ - | \$ 5,813,836 | \$ - |
| 1520 | Buildings and improvements | - | 8,468,298 | - |
| 1539 | Furniture and equipment | - | 25,788 | - |
| | Total property & equipment | \$ - | \$ 14,307,922 | \$ - |

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

BUDGETARY COMPARISION SCHEDULE

Year Ended August 31, 2016

| | <u>Original</u> | <u>Final</u> | <u>Actual Amounts</u> | <u>Variance from Final Budget</u> |
|--|---------------------|---------------------|---------------------------|---------------------------------------|
| Revenues | | | | |
| Local Support: | | | | |
| 5740 Other Revenues from Local Sources | \$ 56,250 | \$ 51,153 | \$ 64,639 | \$ 13,486 |
| State Program Revenues: | | | | |
| 5810 Foundation School Program Act Revenues | 4,291,415 | 4,418,748 | 4,548,892 | 130,144 |
| 5820 State Program Revenues Distributed by the Texas Education Agency | 27,533 | 27,533 | 35,331 | 7,798 |
| Total State Program Revenues | 4,318,948 | 4,446,281 | 4,584,223 | 137,942 |
| Federal Program Revenues: | | | | |
| 5929 Federal Revenues Distributed by the Texas Education Agency | 756,653 | 763,675 | 738,314 | (25,361) |
| Total Federal Program Revenues | 756,653 | 763,675 | 738,314 | (25,361) |
| Total Revenues | 5,131,851 | 5,261,109 | 5,387,176 | 126,067 |
| Expenses | | | | |
| 11 Instruction | 2,509,280 | 2,509,280 | 2,421,712 | 87,568 |
| 12 Instructional Resources and Media Services | 64,868 | 49,950 | 44,855 | 5,095 |
| 13 Curriculum Development and Instructional Staff Development | 20,935 | 20,935 | 24,999 | (4,064) |
| 23 School Leadership | 246,279 | 310,893 | 316,792 | (5,899) |
| 31 Guidance, Counseling and Evaluation Services | 69,926 | 67,582 | 71,909 | (4,327) |
| 33 Health Services | 33,169 | 33,169 | 35,859 | (2,690) |
| 35 Food Service | 421,807 | 434,807 | 398,672 | 36,135 |
| 36 Cocurricular/Extracurricular Activities | 14,324 | 14,324 | 10,871 | 3,453 |
| 41 General Administration | 274,738 | 279,369 | 273,172 | 6,197 |
| 51 Facilities Maintenance and Operations | 295,190 | 289,108 | 597,969 | (308,861) |
| 52 Security and Monitoring Services | 74,200 | 74,200 | 70,448 | 3,752 |
| 53 Data Processing Services | 55,012 | 79,329 | 77,908 | 1,421 |
| 61 Community Services | 2,595 | 2,595 | 3,284 | (689) |
| 71 Debt Service | 584,394 | 584,394 | 592,226 | (7,832) |
| 81 Fund Raising | 8,100 | 8,100 | 4,044 | 4,056 |
| Total Expenses | 4,674,817 | 4,758,035 | 4,944,720 | (186,685) |
| Change in net assets | 457,034 | 503,074 | 442,456 | (60,618) |
| Beginning net assets as restated - see note 15 | 5,564,192 | 5,564,192 | 5,564,192 | - |
| Ending net assets | <u>\$ 6,021,226</u> | <u>\$ 6,067,266</u> | <u>\$ 6,006,648</u> | <u>\$ (60,618)</u> |

AMIGOS POR VIDA – FRIENDS FOR LIFE PUBLIC CHARTER SCHOOL

BUDGETARY COMPARISION SCHEDULE (continued)

Year Ended August 31, 2016

Budget Variances

In accordance with Module 10, Section 1.7.2.8 of the Financial Accountability System Resource Guide, if the original and final budgeted amounts vary by more than 10 percent of the original budgeted amounts, the charter holder must include a written statement discussing the cause of the variance(s). The Charter School provides the following explanations for each of the variances noted:

| | |
|--------------------|--|
| Function 12 | Decrease due to full-time librarian for the partial year at a rate lower than budgeted. |
| Function 23 | Increase due to administrative assistant and PEIMS Coordinator/Data Assurance Manager hired at increased salaries versus the budget. |
| Function 53 | Increase due to contracted IT costs and IT position funding increased from split funded 50% to single funding of 100%. |

If the actual and final budgeted amounts vary by more than 10 percent of the final budgeted amounts, the charter holder must include a written statement discussing the cause of the variance(s) and the corrective action(s) that were taken to ensure that the Charter School adheres to its budget. The Charter School provides the following explanations for each of the variances noted:

| | |
|--------------------|--|
| Function 12 | A Media Specialist was hired for the role of librarian, at a lower salary. |
| Function 13 | ESC4 conducted campus-wide training in DMAC and T-TESS, not budgeted. |
| Function 36 | School fielded fewer teams than budgeted, and state playoff travel budgeted but not spent. |
| Function 51 | Non-cash depreciation of \$287,545 not budgeted. |
| Function 61 | Federal grant expenses of \$390 and \$270 for parent workshop supplies, not budgeted. |
| Function 81 | Two fundraising festivals budgeted, while only one occurred. |

Corrective Action Plan

The school will carefully review each function category to adhere to the requirements.

COMPLIANCE AND INTERNAL CONTROLS

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

To the Board of Directors
Amigos Por Vida - Friends for Life Public Charter School
Houston, Texas

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 Amigos Por Vida - Friends for Life Public Charter School, Inc. (the “Charter School”), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of 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 School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
January 17, 2017