

**GULF COAST COUNCIL OF LA RAZA, INC.**  
**CORPUS CHRISTI, TEXAS**



**Annual Financial Report**

**For the fiscal year ended  
August 31, 2022**

**Raul Hernandez & Company, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

5402 Holly Rd. Suite 102 Corpus Christi, TX 78411 Office: (361) 980-0428 Fax: (361) 980-1002

GULF COAST COUNCIL OF LA RAZA, INC.

CORPUS CHRISTI, TEXAS

ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31, 2022



**GULF COAST COUNCIL OF LA RAZA, INC.  
ANNUAL FINANCIAL AND COMPLIANCE REPORTS  
YEAR ENDED AUGUST 31, 2022**

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**Gulf Coast Council of La Raza, Inc.  
Certificate of Board**

Gulf Coast Council of La Raza, Inc.  
Name of Charter School

Nueces County  
County

178-801  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named association were reviewed and (check one)  approved  disapproved for the year ended August 31, 2022 at a meeting of the Board of Directors on the 24<sup>th</sup> day of January, 2023.

  
Signature of Board Secretary

  
Signature of Board President

If the Board of Directors disapproved the auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

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## **Raul Hernandez & Company, P. C.**

Certified Public Accountants  
5402 Holly Rd, Suite 102  
Corpus Christi, Texas 78411  
Office (361)980-0428 Fax (361)980-1002

### **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Gulf Coast Council of La Raza, Inc.  
Corpus Christi, Texas

Members of the Board of Directors:

#### ***Opinion***

We have audited the accompanying financial statements of Gulf Coast Council of La Raza, Inc. (a non-profit organization) which comprise the statement of financial position as of August 31, 2022 and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gulf Coast Council of La Raza, Inc. as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gulf Coast Council of La Raza, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gulf Coast Council of La Raza, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gulf Coast Council of La Raza, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gulf Coast Council of La Raza, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting procedures and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023 on our consideration of Gulf Coast Council of La Raza, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Raul Hernandez + Company, P.C.*

Corpus Christi, TX

January 24, 2023

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FINANCIAL SECTION

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**Gulf Coast Council of La Raza, Inc.**  
**Statement of Financial Position**  
**August 31, 2022**

Exhibit A-1

**Assets**

Current assets:

Cash and cash equivalents	\$ 3,385,014
Inventory	4,768
Grants and accounts receivable	161,288
Prepaid Expense	27,293
Due from other funds	177,003
Total Current Assets	3,755,366

Fixed Assets:

Land	266,772
Building and equipment	5,631,294
Construction in Progress	233,913
	6,131,979
Less: Accumulated Depreciation	(3,104,932)
Property and Equipment, net	3,027,047

Other Assets:

Deposits	840
----------	-----

**Total Assets**

**\$ 6,783,253**

**Liabilities and Net Assets**

Current liabilities:

Accounts Payable	\$ 43,026
Accrued Salaries	-
Payroll Liabilities	2,998
Due to other funds	177,003
Deferred Revenue	18,529
Total Current Liabilities	241,556

Total Liabilities

241,556

Net assets:

Without Donor Restrictions	6,237,888
With Donor Restrictions	303,809
Total net assets	6,541,697

**Total Liabilities and Net Assets**

**\$ 6,783,253**

The accompanying notes to financial statements form an integral part of this statement.

**Gulf Coast Council of La Raza, Inc.**  
**Statement of Activities**  
**For the Year Ended August 31, 2022**

Exhibit A-2

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Local Support			
Contributions	\$ 174,959	\$ -	\$ 174,959
Fund-raising activities	-	-	-
Interest and other income	5,277	-	5,277
Total local support	180,236	-	180,236
State Program Revenues			
Foundation School Program	-	1,754,910	1,754,910
Other State Aid	-	35,308	35,308
Total State Program Revenue	-	1,790,218	1,790,218
Federal program revenues			
ESEA Title I, Part A	-	105,615	105,615
Title I School Improvement	-	18,587	18,587
IDEA-Part B, Formula	-	40,026	40,026
IDEA-Part B, Preschool	-	494	494
National School Breakfast and Lunch Program	-	190,520	190,520
Texas COVID TCLAS	-	18,687	18,687
ESEA Title II, Part A TPTR	-	13,203	13,203
ESSER Cares Act	-	772	772
ESSER II, American Rescue Plan Act	-	251,691	251,691
ESSER III, American Rescue Plan Act	-	358,093	358,093
IDEA-B Formula ARP	-	10,877	10,877
IDEA-B Preschool ARP	-	1,064	1,064
Title IV, Part A, Subpart I	-	13,459	13,459
Medicaid Administrative Claiming Program	-	18,729	18,729
Total Federal Program Revenue	-	1,041,817	1,041,817
Net assets released from restrictions:			
Restrictions satisfied by payments	2,832,035	(2,832,035)	-
Total Revenue and Other Support	3,012,271	-	3,012,271
<b>EXPENSES</b>			
Program Services			
Instruction and Instructional-Related Services	1,436,522	-	1,436,522
Instructional and School Leadership	202,124	-	202,124
Support Services:			
Administrative Support Services	753,720	-	753,720
Support Services - Non-Student Based	347,444	-	347,444
Support Services - Student	249,910	-	249,910
Community Services	42,484	-	42,484
Total Expenses	3,032,204	-	3,032,204
Excess (Deficiency) of Revenues			
Over (Under) Expenses	(19,933)	-	(19,933)
<b>CHANGE IN NET ASSETS</b>	(19,933)	-	(19,933)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	(365,352)	-	(365,352)
Transfers Out	-	365,352	365,352
Total Other Financing Sources (Uses)	(365,352)	365,352	-
<b>NET ASSETS BEGINNING OF YEAR</b>	5,892,469	669,161	6,561,630
<b>NET ASSETS END OF YEAR</b>	\$ 6,237,888	\$ 303,809	\$ 6,541,697

The accompanying notes to financial statements form an integral part of this statement.

**Gulf Coast Council of La Raza, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended August 31, 2022**

Exhibit A-3

<b>Expenses</b>	<u>Program Activities</u>	<u>Support Activities</u>		<u>Totals</u>
	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	
Salaries and Wages	\$ 1,471,326	\$ 328,255	\$ -	\$ 1,799,581
Benefits	116,110	40,636		156,746
Payroll Taxes	30,979	6,908		37,887
<b>Total Payroll Expenses</b>	<u>1,618,415</u>	<u>375,799</u>	<u>-</u>	<u>1,994,214</u>
Rental Expense	\$ -	\$ -	\$ -	\$ -
Contracted Services	121,464	91,364	-	212,828
Maintenance and Repairs	-	159,746	-	159,746
Utilities	-	78,289	-	78,289
Depreciation	-	152,240	-	152,240
Supplies	79,886	232,660	-	312,546
Travel	106	8,597	-	8,702
Instructional Materials	256	-	-	256
Insurance and Bonding	-	62,687	-	62,687
Professional Fees and Dues	-	11,612	-	11,612
Other	12,774	26,310	-	39,084
<b>Total Non-Payroll Expenses</b>	<u>\$ 214,486</u>	<u>\$ 823,505</u>	<u>\$ -</u>	<u>\$ 1,037,991</u>
<b>Total Expenses</b>	<u>\$ 1,832,900</u>	<u>\$ 1,199,304</u>	<u>\$ -</u>	<u>\$ 3,032,204</u>

The accompanying notes to financial statements form an integral part of this statement.



**Gulf Coast Council of La Raza, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2022**

Exhibit A-4

<b>Cash Flows From Operating Activities</b>	
Change in Net Assets	\$ (19,933)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	152,240
Prior Period Adjustment	-
(Increase) Decrease in:	
Due from State	(37,568)
Due from Other Funds	(2,712)
Prepaid Expenses	(2,598)
Inventory	2,268
(Increase) Decrease in:	
Accounts Payable	23,108
Due to Other Funds	2,712
Payroll Liabilities	662
Deferred Revenue	18,529
Accrued Wages	(361)
	<u>136,347</u>
<b>Cash Flows From Investing Activities</b>	
Increase in Certificates of Deposits	617,072
Purchase of furniture, fixtures & equipment	(300,061)
	<u>317,011</u>
<b>Cash Flows From Financing Activities</b>	
PPP Loan Payable	-
	<u>-</u>
Net Increase (Decrease) in Cash	453,358
<b>Cash at Beginning of Year</b>	<u>2,931,656</u>
<b>Cash at End of Year</b>	<u>\$ 3,385,014</u>
<b>Summary of Cash:</b>	
Cash as presented in the Statement of Financial Position	\$ 3,385,014
Certificates of Deposit	-
Cash and Equivalents as presented in the Statement of Cash Flows	<u>\$ 3,385,014</u>

The accompanying notes to financial statements form an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**GULF COAST COUNCIL OF LA RAZA, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2022**

**Note 1. Organization**

Gulf Coast Council of La Raza (the Council), a not-for-profit corporation established under the laws of the State of Texas was founded in 1980 as a charter affiliate of the National Council of La Raza in Washington, D.C. The Council is dedicated to promoting the social, educational, economic and physical well-being of disadvantaged youth and their families. The Gulf Coast Council provides these services in the South Texas area.

**Note 2. Significant Accounting Policies**

The accounting system is organized under the *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter School Chart of Accounts*, a Module of the Texas Education Agency Financial Accountability Resource Guide. The significant accounting policies are as follows:

**A. Basis of Accounting**

The Council accounts for all transactions on the accrual method of accounting for year-end purposes.

**B. Class of Net Assets**

The financial statements report amounts by class of net assets. Accordingly, net assets of the Gulf Coast Council of La Raza, Inc. and changes therein are classified and reported as follows:

Net assets without donor restrictions are currently available for operating purposes under the direction of the board or invested in property or equipment.

Net assets with donor restrictions are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations.

**C. Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents are comprised of cash on hand and in banks. Time deposits are considered as cash equivalents if the deposit has a maturity of three months or less.

**D. Fixed Assets and Depreciation**

In accordance with the Texas Education Agency-Resource Guide Supplement for Charter Schools, all assets acquired with a value of \$5,000 or greater are recorded as fixed assets and are valued at cost or estimated cost. Donated assets are reported at the fair market value at time of acquisition. Depreciation of building and improvements and equipment is provided over the estimated useful lives of the assets on a straight-line basis.

**E. Revenues**

Revenues are derived primarily from the operation of a Charter School and obtaining federal and state grants.

Revenues from the state's available school fund are based on reported attendance. Contributions received are recognized as revenue in the period received and are reported as either restricted or unrestricted support.

- Contributions with donor-imposed restrictions are reported as restricted support. Restricted support increases temporarily restricted net assets.
- Contributions without donor-imposed restrictions are reported as unrestricted support. Unrestricted support increases unrestricted net assets.

Governmental grant contracts are considered to be earned to the extent of expenses made under the provisions of the grant and accordingly, when such funds are received, they are recorded as deferred revenues until earned.

**F. Donated Goods and Services**

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statements as in-kind contributions and expenses of a like amount. No donated services have been recognized in the statement of activities because the criteria for recognition under ASC 958 has not been satisfied.

**GULF COAST COUNCIL OF LA RAZA, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2022**

**Note 2. Significant Accounting Policies (continued)**

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Budgets

Gulf Coast Council of La Raza, Inc. prepares an annual operating budget based on expected revenues and expenses for certain special revenue funds. These budgets are reviewed and approved by the Board of Trustees.

I. Income Taxes

The Council is exempt from federal income taxes under Sec. 501 (c) (3) of the Internal Revenue Service code and therefore has made no provision for Federal income taxes in the accompanying financial statements. Unrelated business income tax is paid on net proceeds from Bingo Operations. The effect of any taxes related to Bingo Operations is not considered material. In addition, Gulf Coast Council of La Raza, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) of the Internal Revenue Code. Years subject to examination by federal taxing authorities for non-profit tax revenues are 2019, 2020 and 2021.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization and has concluded that as of August 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions.

J. Functional Allocation of Expenses

The costs of providing the Council's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

K. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts and other. Amounts are charged off after reasonable collection efforts have been exhausted.

L. Inventories

Inventories consist primarily of food supplies and are stated at the lower of cost or fair market value.

**Note 3. Property and Equipment**

Depreciation of physical properties is calculated on the straight-line method over the following estimated useful lives:

Building	20 years
Furniture and equipment	5-10 years
Automobiles	5 years
Leasehold improvement	10-20 years

A summary of assets is as follows:

Land	\$	266,771
Building and equipment		5,631,294
Construction in Progress		<u>233,913</u>
		6,131,979
Less: Accumulated depreciation		<u>(3,104,932)</u>
	\$	<u>3,027,047</u>

Depreciation for the year ended August 31, 2022, totaled \$152,240.

**GULF COAST COUNCIL OF LA RAZA, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2022**

**Note 4. Ownership in Property and Equipment**

As of August 31, 2022, the following disclosure of ownership interests in property and equipment is provided to address certain requirements discussed in House Bill 6, 77<sup>th</sup> Legislature (2001).

	<u>Date Acquired</u>	<u>Ownership Interest</u>		
		<u>Local</u>	<u>State</u>	<u>Federal</u>
Land	Various	\$ 266,772	\$ -	\$ -
Buildings and improvements	Various	4,929,235	-	-
Vehicles and equipment	Various	95,958	420,591	185,510
Construction in Progress	Various	<u>233,913</u>	-	-
Total Property and Equipment		<u>\$ 5,525,878</u>	<u>\$ 420,591</u>	<u>\$ 185,510</u>

Assets purchased with state or federal funds may revert to the grantor if the Organization ceases to exist.

**Note 5. Compensated Absences**

The Council allows its employees vacation and sick leave as part of fringe benefits. These benefits, if not used, expire at the end of the Council's fiscal year end. As a result, no liability exists for compensated absences as of August 31, 2022.

**Note 6. Interfund Transactions**

The following is a summary of amounts.

	<u>Due From (Receivables)</u>	<u>Due To (Payables)</u>
<u>General Fund</u>		
Payroll Fund	\$ -	\$ -
School Fund	<u>138,800</u>	<u>22,049</u>
	138,800	22,049
<u>Payroll Fund</u>		
General Fund	-	16,154
School Fund	-	-
	-	<u>15,760</u>
<u>School Fund</u>		
Payroll Fund	16,154	-
General Fund	<u>22,049</u>	<u>138,800</u>
	<u>38,203</u>	138,800
	-	-
Total Interfund Receivables/Payables	\$ <u>177,003</u>	\$ <u>177,003</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund</u>		
Payroll Fund	\$ -	\$ -
School Fund	<u>365,352</u>	-
	365,352	-
<u>School Fund</u>		
Payroll Fund	-	-
General Fund	-	<u>365,352</u>
	-	365,352
	-	-
Total Transfers In and Out	\$ <u>365,352</u>	\$ <u>365,352</u>

**GULF COAST COUNCIL OF LA RAZA, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2022**

**Note 7. Grants and Contracts Receivable and Payable**

Gulf Coast Council of La Raza, Inc. operates within the South Texas area as an affiliate of the National Council of La Raza and provides services for disadvantaged youth. A Charter School is additionally operated by the Organization. Funding for the programs is derived from Federal and State grants and Texas Education Agency Foundation funds. Revenues received directly from Federal and State grantors totaled \$1,041,817 for the fiscal year ended August 31, 2022. Amounts received as Texas Education Foundation funds totaled \$1,790,218. Grants and contracts receivable are deemed to be fully collectible by management and totaled \$161,288.

**Note 8. Concentration of Credit Risk for Cash Held in Bank**

Financial instruments, which potentially subject the Council to concentrations of credit risk, as defined by Statement of Financial Accounting Standards ASC 825, consist principally of cash. The Council maintains its cash in various bank deposit accounts, which are monitored to determine that deposits do not exceed federally insured limits. The Council has not experienced any losses in such accounts.

At August 31, 2022, the book balances were \$3,385,014 and bank balances were \$3,424,363. Of these balances, \$250,000 was insured by federal depository insurance. Securities were pledged to adequately collateralize the Organization's deposits. Pledged securities held by the Organization's financial institution totaled \$5,891,585 on August 31, 2022.

**Note 9. Pension Disclosure**

A. Plan Description

The Charter School participates in a cost-sharing multiple-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. The plan is different from a single-employer plan in that the charter schools are legally separate entities from the state and each other. The assets contributed by one charter or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter and there is no withdrawal penalty for leaving the TRS system. There is no collective bargaining agreement and a funding improvement plan or rehabilitation plan is not applicable.

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.

Name of Plan: Teacher Retirement System of Texas		<u>2021</u>	<u>2020</u>
Plan Number: N/A			
Zone status: Unknown			
1. Total Plan Assets	\$	223,172,755	\$ 184,361,871
2. Accumulated Benefit Obligations	\$	227,273,464	\$ 209,719,687
3. The plan is funded		88.79%	76.80%

B. 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 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. There are additional provisions for early retirement if the sum of the member's age and 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 post-employment 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 in (A) above.

**GULF COAST COUNCIL OF LA RAZA, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2022**

**C. 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 12 of the 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2022 thru 2025.

	<u>Contribution Rate</u>	
	<u>2022</u>	<u>2021</u>
Member	8.0%	7.7%
Non-Employer Contributing Entity (State)	7.75%	7.5%
Employers	7.75%	7.5%
	<u>2022</u>	<u>2021</u>
Employer Contributions	\$ 22,610	\$ 21,754
Employer Surcharges	\$ 23,928	\$ 13,028
Member Contributions	\$ 106,433	\$105,787
Non-Employer Contributing Entity (State)	\$ 23,431	\$ 19,634

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

**Note 9. Pension Disclosure (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 the 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 or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2022. The contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was previously in effect.

In addition to the employer contributions listed above, 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.

There have been no significant changes that would affect the comparison of employer contributions from year to year. Information regarding the plan may be found at the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us). The TRS posts the Comprehensive Annual Financial Report (CAFR) every year on its website.

The charter school did not contribute to any other defined benefit pension plans.

**Note 10. Health Care Coverage**

During the year ended August 31, 2022, employees of the charter school were covered by TRS Active Care. The Charter School contributed \$225 per month per employee. In July 2022, this amount was changed to \$300. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to TRS Active Care.

**GULF COAST COUNCIL OF LA RAZA, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2022**

**Note 11. Leases**

The Charter School leases premises from Gulf Coast of La Raza, Inc. The lease was renewed January 24, 2022 at a rental rate of \$19,000 per month. The terms of the lease are continuous until cancelled with plans to renew as long as the Charter School exists and is in operation. Estimated minimum lease payments for the 4 years ended August 31, 2026 are as follows:

2023	\$ 228,000
2024	228,000
2025	228,000
2026	<u>228,000</u>
	<u>\$ 912,000</u>

Rent paid by the Charter School to Gulf Coast Council of La Raza, Inc. totaled \$228,000 during the year ended August 31, 2022.

On August 4, 2019 the Gulf Coast Council of La Raza, Inc. originated a lease agreement from Konica Minolta for the lease of a copier. Lease terms call for 60 payments, through August 2024, at a minimum payment of \$260.73 per month. At lease termination the copier will be returned to the lessor. Rent paid by the Organization totaled \$3,128.76 for the year ended August 31, 2022.

Minimum lease payments for the five years ended August 31, 2022 are as follows:

2023	\$ 3,128
2024	<u>3,128</u>
	<u>\$ 6,256</u>

**Note 12. Related Party Transactions**

Related party transactions consisted of rental payment from the Charter School to Gulf Coast Council of La Raza, Inc. for rental of classrooms and various office spaces as explained in Note 11.

**Note 13. Litigation**

The Council is contingently liable in respect of lawsuits and other claims in the ordinary course of its operations. Should such contingencies become a real liability, funds would have to be appropriated in future budgets for settlements.

**Note 14. Commitments and Contingencies**

The Council participates in several federally assisted grant programs, all of which are subject to federal regulations and guidelines. Should any of the grant program expenditures be disallowed by any of the respective grantor agencies or should any other contingency become a reality, funds would have to be appropriated in future Council budgets for settlement. Additional assets purchased with federal or state program funds may revert back to the grantors at the expiration of the program.

**Note 15. Maintenance of Effort**

The amount paid for charter school employees for health care premiums was as follows:

A)	Total annual premiums paid for health care 2021 - 2022	\$ 63,675
B)	Subtract any non-medical expenditures:	
	Life insurance	-
	Dental insurance	-
	Vision insurance	-
	Long-term disability	-
	Short-term disability	-
	Alternate plans	-
	COBRA expense	-
	Retirement expense	-
	2021 – 2022 Maintenance of Effort	<u>\$ 63,675</u>



**GULF COAST COUNCIL OF LA RAZA, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2022**

**Note 16. Net Assets With Donor Restrictions**

Net assets were released from grantor requirements by incurring expenses satisfying the purpose or time restrictions specified by the grantors as follows:

Purpose restriction accomplished:		
Texas Education Agency Foundation	\$	1,754,910
State and Federal Titles		213,489
Other		<u>836,636</u>
Total Restrictions Released	\$	<u>2,832,035</u>

**Note 17. Subsequent Events**

The Organization's management has reviewed financial information for possible events subsequent to its year end. This evaluation was performed through January 24, 2023, which was the date financial statements were available to be issued.

**Note 18. Texas Occupational Protection Program**

The Organization participates in the Texas Occupational Protection Program for the employees of Gulf Coast Council of La Raza, Inc. The program complies with State and Federal laws and generally is designed to provide medical treatment to eligible employees for work related on-the-job injuries. Premiums are based on a percentage of employee wages which are recalculated annually.

**Note 19. Bingo Operations**

Gulf Coast Council of La Raza, Inc. uses its bingo license to conduct bingo activities through an operator and as such, receives funds. Net distributions received totaled \$0 for the fiscal year ended August 31, 2022.

**Note 20. Financial Assets**

The organization is substantially supported by grant contributions, some of which are donor restricted. Because donor restrictions require resources to be used in a particular manner, Gulf Coast Council of La Raza, Inc. must maintain sufficient resources to meet those responsibilities to donors. Thus, financial assets may not be available for general expenditures. As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial Assets at August 31, 2022	\$ 3,385,014
Less Amounts Unavailable for General Expenditures Within One Year Due to Donor Imposed Restrictions	303,809
Charter School Program	<u>                  -</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,081,205</u>

**Note 21. Revenue Recognition**

During the current year, the School adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which requires the School to recognize revenue when it transfers control of promised goods or services. Revenue is recognized in an amount that reflects the consideration the School expects to receive in exchange for those goods or services. The ASU also requires School to disclose sufficient quantitative and qualitative information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Management has determined that this ASU did not impact the School's financial statements.

SUPPLEMENTARY INFORMATION

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**Gulf Coast Council of La Raza, Inc.  
Statement of Financial Position  
Dr. M. L. Garza-Gonzales Charter School  
August 31, 2022**

Exhibit B-1

**Assets**

Current assets:

Cash in Bank	\$ 974,769
Certificate of Deposits	-
Grants receivable	161,288
Inventory	4,768
Prepaid Expenses	5,841
Due from Other Funds	38,203
<b>Total Current Assets</b>	<u>1,184,869</u>

Fixed Assets:

Property, Plant, and equipment	606,101
Furniture, Fixtures and Equipment	
Construction in Progress	
Less: Accumulated Depreciation	<u>(480,128)</u>
<b>Property and Equipment, net</b>	<u>125,973</u>

**Total Assets**

\$ 1,310,842

**Liabilities and Net Assets**

Current liabilities:

Accounts Payable	\$ 42,048
Accrued Salaries	-
Payroll Liabilities	3,768
Due to Other Funds	154,586
Deferred Revenue	18,529
<b>Total Current Liabilities</b>	<u>218,931</u>

**Total Liabilities** 218,931

Net assets:

Without Donor Restrictions	847,517
With Donor Restrictions	244,394
<b>Total net assets</b>	<u>1,091,911</u>

**Total Liabilities and Net Assets**

\$ 1,310,842

**Gulf Coast Council of La Raza, Inc.**  
**Statement of Activities**  
**Dr. M.L. Garza-Gonzalez Charter School**  
**For the Year Ended August 31, 2022**

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Local Support			
5742 Earnings from Temporary Deposits	\$ 219	\$ -	\$ 219
5744 Contributions	174,959	-	174,959
5748 Other Revenues from Local Sources-Locally Defined	-	-	-
5749 Other Revenues from Local Sources	1,841	-	1,841
5751 Food Service Activity	149	-	149
Total local support	177,168	-	177,168
State Program Revenues			
5810 Foundation School Program	-	1,754,910	1,754,910
5820 State Program Revenues Distributed by the Texas Education Agency	-	11,492	11,492
5830 Revenues from Texas Government Agencies	-	23,816	23,816
Total State Program Revenue	-	1,790,218	1,790,218
Federal program revenues			
5920 Federal Revenues Distributed by the Texas Education Agency	-	1,021,998	1,021,998
5930 Federal Revenues Distributed by an Agency Other than TEA	-	19,819	19,819
5949 Federal Revenues Distributed by the Federal Government	-	-	-
Total Federal Program Revenue	-	1,041,817	1,041,817
Net assets released from restrictions: Restrictions satisfied by payments	2,832,035	(2,832,035)	-
Total Revenue and Other Support	3,009,203	-	3,009,203
<b>EXPENSES</b>			
11 Instruction	1,361,449	-	1,361,449
12 Instructional Resources and Media Services	35,941	-	35,941
13 Curriculum Development and Instructional Staff Development	36,435	-	36,435
21 Instructional Leadership	-	-	-
23 School Leadership	202,124	-	202,124
31 Guidance Counseling and Evaluation	59,647	-	59,647
33 Health Services	1,090	-	1,090
35 Food Services	189,173	-	189,173
36 Cocurricular/Extracurricular Activities	-	-	-
41 General Administration	309,674	-	309,674
51 Plant Maintenance and Operations	514,229	-	514,229
52 Security and Monitoring Services	7,979	-	7,979
53 Data Processing	53,236	-	53,236
61 Community Services	42,484	-	42,484
81 Fund Raising	-	-	-
Total Expenses	2,813,461	-	2,813,461
Excess (Deficiency) of Revenues Over (Under) Expenses	195,742	-	195,742
<b>CHANGE IN NET ASSETS</b>	195,742	-	195,742
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	365,352	365,352
Total Other Financing Sources (Uses)	-	365,352	365,352
<b>NET ASSETS BEGINNING OF YEAR</b>	651,775	609,746	1,261,521
<b>NET ASSETS END OF YEAR</b>	\$ 847,517	\$ 244,394	\$ 1,091,911

**Gulf Coast Council of La Raza, Inc.  
Statement of Cash Flows  
Dr. M.L. Garza-Gonzalez Charter School  
For the Year Ended August 31, 2022**

**Exhibit B-3**

<b>Cash Flows From Operating Activities</b>	
Change in Net Assets	\$ 195,742
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	8,838
(Increase) Decrease in:	
Due from State	(37,568)
Due from Other Funds	(21,767)
Prepaid Expenses	848
Inventory	2,268
Increase (Decrease) in:	
Accounts Payable	26,730
Due to Other Funds	(19,224)
Payroll Liabilities	619
Deferred Revenue	18,529
Accrued Wages	(361)
<b>Cash Flows From Operating Activities</b>	<u>174,654</u>
<b>Cash Flows From Investing Activities</b>	
Increase in Certificate of Deposits	-
Purchase of furniture, fixtures & equipment	(102,498)
	<u>(102,498)</u>
<b>Cash Flows From Financing Activities</b>	
PPP Loan Payable	-
	<u>-</u>
Net Increase (Decrease) in Cash	72,156
<b>Cash at Beginning of Year</b>	<u>902,613</u>
<b>Cash at End of Year</b>	<u>\$ 974,769</u>
Summary of Cash:	
Cash in Bank	974,769
Total Cash	<u>\$ 974,769</u>

**Gulf Coast Council of La Raza, Inc.**  
**Schedule of Expenses**  
**Dr. M.L. Garza-Gonzalez Charter School**  
**For the Year ended August 31, 2022**

Exhibit C-1

**Expenses**

6100 Payroll Costs	\$ 1,990,906
6200 Professional and Contract Services	571,395
6300 Supplies and Materials	197,386
6400 Other Operating Costs	53,675
6500 Interest Expense	99
Total Expenses	<u>\$ 2,813,461</u>

**Gulf Coast Council of La Raza, Inc.**  
**Schedule of Capital Assets**  
**Dr. M.L. Garza-Gonzalez Charter School**  
**August 31, 2022**

Exhibit D-1

	Ownership Interest			Total
	Local	State	Federal	
1510 Land and Improvements	\$ -	\$ -	\$ -	\$ -
1520 Buildings and Improvements	-	-	-	-
1539 Furniture, Fixtures and Equipment	-	420,591	185,510	606,101
Total Property and Equipment	\$ -	\$ 420,591	\$ 185,510	\$ 606,101



**Gulf Coast Council of La Raza, Inc.  
Schedule of Related Party Transactions  
For the Year Ended August 31, 2022**

Exhibit D-2

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During Fiscal Year</u>	<u>Principal Balance Due</u>
Dr, M.L. Garza-Gonzalez Charter School	N/A	Subsidiary	Lease	Building Lease, 9/1/21-8/31/26	FSP	Monthly	\$ 228,000	\$ -

**Gulf Coast Council of La Raza, Inc.**  
**Budgetary Comparison Schedule**  
**Dr. M.L. Garza-Gonzalez Charter School**  
**For the Year Ended August 31, 2022**

Exhibit E-1

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support				
5742 Earnings on Temporary Deposits	\$ -	\$ -	\$ 219	\$ 219
5744 Contributions	-	174,959	174,959	-
5748 Other Revenues from Local Sources-Locally Defined	-	-	-	-
5749 Other Revenues from Local Sources	4,303	4,303	1,841	(2,462)
5751 Food Service Activity	-	-	149	149
Total local support	<u>4,303</u>	<u>179,262</u>	<u>177,168</u>	<u>(2,243)</u>
State Program Revenues				
5810 Foundation School Program	2,228,631	2,228,631	1,754,910	(473,721)
5820 State Program Revenues Distributed by the Texas Education Agency	22,228	22,228	11,492	(10,736)
5830 Revenues from Texas Government Agencies	10,000	10,000	23,816	13,816
Total State Program Revenue	<u>2,260,859</u>	<u>2,260,859</u>	<u>1,790,218</u>	<u>(470,641)</u>
Federal program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	970,539	1,028,470	1,021,998	(6,472)
5930 Federal Revenues Distributed by an Agency Other than TEA	-	8,524	19,819	11,295
Total Federal Program Revenue	<u>970,539</u>	<u>1,036,994</u>	<u>1,041,817</u>	<u>4,823</u>
Total Revenue and Other Support	<u>3,235,701</u>	<u>3,477,115</u>	<u>3,009,203</u>	<u>(468,062)</u>
<b>EXPENSES</b>				
11 Instruction	1,327,970	1,566,487	1,361,449	205,038
12 Instructional Resources and Media Services	48,153	57,178	35,941	21,237
13 Curriculum Development and Instructional Staff Development	50,000	50,500	36,435	14,065
21 Instructional Leadership	1,750	1,750	-	1,750
23 School Leadership	192,469	214,946	202,124	12,822
31 Guidance Counseling and Evaluation	66,136	74,386	59,647	14,739
32 Social Work Services	100	100	-	100
33 Health Services	-	8,524	1,090	7,434
35 Food Services	199,510	199,510	189,173	10,337
36 Cocurricular/Extracurricular Activities	-	-	-	-
41 General Administration	424,298	360,341	309,674	50,667
51 Plant Maintenance and Operations	808,918	814,043	514,229	299,814
52 Security and Monitoring Service	1,000	10,080	7,979	2,101
53 Data Processing	62,814	65,395	53,236	12,159
61 Community Services	43,198	43,298	42,484	814
81 Fundraising	-	-	-	-
Total Expenses	<u>3,226,317</u>	<u>3,466,538</u>	<u>2,813,461</u>	<u>653,077</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>-</u>	<u>-</u>	<u>195,742</u>	<u>185,015</u>
<b>CHANGE IN NET ASSETS</b>	9,385	10,577	195,742	185,164
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	365,352	365,352
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>365,352</u>	<u>365,352</u>
<b>NET ASSETS BEGINNING OF PERIOD</b>	<u>1,261,521</u>	<u>1,261,521</u>	<u>1,261,521</u>	<u>-</u>
<b>NET ASSETS END OF PERIOD</b>	<u>\$ 1,270,906</u>	<u>\$ 1,272,098</u>	<u>\$ 1,091,911</u>	<u>\$ (180,188)</u>

**Gulf Coast Council of La Raza, Inc.**  
**Schedule of State Compliance Questions**  
**For the year ended August 31, 2022**

Exhibit J-4

Data Code	Description	Column Response
	Section A - Compensatory Education Program	
AP1	Did your Charter expend any state compensatory education program state allotment funds during the charter fiscal year?	Yes
AP2	Does the Charter have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education program during the charter fiscal year?	253,945
AP4	List the actual direct program expenditures for state compensatory education program during the charter fiscal year?	253,945
	Section B - Bilingual Education Program	
AP1	Did your Charter expend any bilingual education program state allotment funds during the charter fiscal year?	Yes
AP2	Does the Charter have written policies and procedures for its bilingual education program?	Yes
AP3	List the total state allotment funds received for bilingual education program during the charter fiscal year?	14,472
AP4	List the actual direct program expenditures for bilingual education program during the charter fiscal year?	14,472

COMPLIANCE  
AND  
INTERNAL CONTROL SECTION

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**Raul Hernandez & Company, P.C.**

Certified Public Accountants

5402 Holly Rd., Suite 102

Corpus Christi, Texas 78411

Office (361)980-0428 Fax (361)980-1002

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

To the Board of Directors  
Gulf Coast Council of La Raza, Inc.  
Corpus Christi, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Gulf Coast Council of La Raza, Inc. (a nonprofit organization), which comprise of the statement of financial position as of August 31, 2022, 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 on them dated January 24, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Gulf Coast Council of La Raza, Inc.'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 Gulf Coast Council of La Raza, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Gulf Coast Council of La Raza, Inc.'s internal control over financial reporting.

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 control 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 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 considered 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 Gulf Coast Council of La Raza, Inc.'s financial statements are free of 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Raul Hernandez + Company, P.C.*

Corpus Christi, TX

January 24, 2023

**Raul Hernandez & Company, P.C.**  
Certified Public Accountants  
5402 Holly Rd, Suite 102  
Corpus Christi, Texas 78411  
Office (361)980-0428 Fax (361)980-1002

**Independent Auditors' Report on Compliance for Each Major Federal Program and on  
Internal Control over Compliance Required by the Uniform Guidance**

Board of Directors  
Gulf Coast Council of La Raza, Inc.  
Corpus Christi, Texas

**Report of Compliance for Each Major Federal Program**

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

We have audited Gulf Coast Council of La Raza, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gulf Coast Council of La Raza, Inc.'s major federal programs for the year ended August 31, 2022. Gulf Coast Council of La Raza, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Gulf Coast Council of La Raza, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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



### ***Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Gulf Coast Council of La Raza, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Gulf Coast Council of La Raza, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Gulf Coast Council of La Raza, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Gulf Coast Council of La Raza, Inc.'s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Gulf Coast Council of La Raza, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

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

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

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

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

*Raul Hernandez + Company, P.C.*  
Corpus Christi, TX  
January 24, 2023

**Gulf Coast Council of La Raza, Inc.**

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2022

I. Summary of Auditors' Results

1. Type of auditors' report issued on the financial statements of the auditee	Unmodified
2. Significant deficiencies in internal controls disclosed by the audit of the financial statements	None
a. Significant deficiencies that were material weaknesses	None
3. Noncompliance material to the financial statements of the auditee disclosed by the audit of the financial statements	None
4. Significant deficiencies in internal controls over major programs disclosed by the audit of the financial statements	None
a. Significant deficiencies that were material weaknesses	None
5. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
6. Type of auditors' report issued on compliance for major programs	Unmodified
7. Findings disclosed by the audit of the financial statements which the auditor is required to report	None
8. Major Programs: ESSER (84.425)	
9. The dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
10. Auditee qualified as a low-risk auditee	No

II. Findings related to the Financial Statements which are required to be reported in accordance with generally accepted government auditing standards.

A. Questioned Costs: \$ 0.

III. Findings and questioned costs for state and federal awards.

None identified

**Gulf Coast Council of La Raza, Inc.  
Schedule of Prior Audit Findings**

**For the Fiscal year ended August 31, 2022**

**I. Status of Prior Year Findings:**

None

**Gulf Coast Council of La Raza, Inc.  
Corrective Action Plan**

**For the Fiscal year ended August 31, 2022**

**N/A**

GULF COAST COUNCIL OF LA RAZA, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2022

Exhibit H-1

<u>SOURCE AND TITLE OF GRANT</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANTOR'S/ PASS- THROUGH NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<i>FEDERAL AWARDS</i>			
<i>Center for Disease Control</i>			
<i>Passed Through</i>			
Texas Education Agency COVID-19 School Health Support Grant Fiscal Year 2022	93.323	6 NU50CK000501-02-06	\$ 1,090
Total Center for Disease Control			<u>1,090</u>
<i>U.S. Department Of Education</i>			
<i>Passed Through</i>			
Texas Education Agency ESSA Title I, Part A-Improving Basic Programs Fiscal Year 2022	84.010A	S010A210043	<u>105,615</u>
Title I 1003 School Improvement Grant Fiscal Year 2021	84.010A	S010A200043	2,935
Fiscal Year 2022		S010A210043	<u>15,652</u>
			<u>18,587</u>
Special Education Grants to States - IDEA-B Formula Fiscal Year 2022	84.027A	H027A210008	<u>40,026</u>
Special Education Grants to States - IDEA-B Formula-ARP Fiscal Year 2022	84.027A	H027X210008	<u>10,877</u>
ESSA Title II, Part A- Supporting Effective Instruction Fiscal Year 2022	84.367A	S367A210041	<u>13,203</u>
Special Education Grants - IDEA-B, Preschool Fiscal Year 2022	84.173A	H173A210004	<u>494</u>
Special Education Grants - IDEA-B, Preschool-ARP Fiscal Year 2022	84.173X	H173X210004	<u>1,064</u>
Title IV, Part A, Subpart 1 Fiscal Year 2020	84.424A	S424A190045	2,369
Fiscal Year 2022		S424A210045	<u>10,000</u>
			<u>12,369</u>
ESSER Fiscal Year 2020	84.425D	S425D200042	<u>772</u>
CRRSA ESSER II Fiscal Year 2021	84.425D	S425D200042	<u>251,691</u>
ARP ESSER III Fiscal Year 2021	84.425U	S425U210042	<u>362,646</u>
Total U.S. Department of Education			<u>817,344</u>
<i>U.S. Department Of Agriculture</i>			
<i>Passed Through</i>			
Texas Education Agency National School Breakfast Program	10.553	226TX332N1099	68,859
National School Lunch Program	10.555	226TX332N1099	124,436
Pandemic Electronic Benefit Transfer (P-EBT)	10.649	226TX109S9009	614
			<u>193,909</u>
Total U.S. Department of Agriculture			<u>193,909</u>
Total Federal Assistance			<u>\$ 1,012,343</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

**GULF COAST COUNCIL OF LA RAZA, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Fiscal Year Ended August 31, 2022**

**Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter School. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Summary of Significant Accounting Policies:**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Compliance Supplement, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Sub-recipients:**

During the year ended August 31, 2022, the Charter School had no sub-recipients.

**Federal Loans and Loan Guarantees:**

During the year ended August 31, 2022, the Charter School had no outstanding federal loans payable or loan guarantees.

**Federally Funded Insurance:**

During the year ended August 31, 2022, the Charter School had no federally funded insurance.

**Noncash awards:**

During the year ended August 31, 2022, the Charter School did not receive noncash-assistance under the National School Lunch Program.

**Indirect Cost Rate:**

The Uniform Guidance allows an organization to elect a 10% de minimis indirect cost rate. For the year ended August 31, 2022, the Charter School did not elect to use this rate.

**Reconciliation from the Schedule of Expenditures of Federal Awards to Exhibit A-2:**

Total Federal Award Expended	\$ 1,012,343
Food Program	(3,389)
Texas COVID TCLAS	18,687
ESSER III, ARP	(4,553)
Medicaid Administrative Claiming Program	18,729
Exhibit A-2	<u>\$ 1,041,817</u>