

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



Annual Financial Report

**For the fiscal year ended
August 31, 2023**

Raul Hernandez & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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GULF COAST COUNCIL OF LA RAZA, INC.

CORPUS CHRISTI, TEXAS

ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31, 2023

**GULF COAST COUNCIL OF LA RAZA, INC.
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
YEAR ENDED AUGUST 31, 2023**

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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) X approved _____ disapproved for the year ended August 31, 2023 at a meeting of the Board of Directors on the 26 day of January, 2024.


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, 2023 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, 2023, 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.

Emphasis of Matter – Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending August 31, 2023, the School adopted new accounting guidance, ASC 842, for leases. Our opinions are not modified with respect to this matter.

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 26, 2024 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 26, 2024

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FINANCIAL SECTION

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Gulf Coast Council of La Raza, Inc.
Statement of Financial Position
August 31, 2023

Exhibit A-1

Assets

Current assets:

Cash and cash equivalents	\$ 3,249,364
Inventory	5,364
Grants and accounts receivable	72,346
Prepaid Expense	42,330
Due from other funds	208,330
Other Receivables	25,233
Total Current Assets	<u>3,602,967</u>

Fixed Assets:

Land	266,771
Building and equipment	6,078,844
Right to Use Asset	1,066,602
Construction in Progress	58,402
	<u>7,470,619</u>
Less: Accumulated Depreciation	(3,718,835)
Property and Equipment, net	<u>3,751,784</u>

Other Assets:

Deposits	<u>840</u>
----------	------------

Total Assets

\$ 7,355,591

Liabilities and Net Assets

Current liabilities:

Accounts Payable	\$ 10,408
Payroll Liabilities	773
Due to other funds	208,330
Deferred Revenue	18,835
Current Portion of Right to Use Liabilities	213,171
Total Current Liabilities	<u>451,517</u>

Long-term liabilities:

Long-term Right to Use Liabilities	<u>443,650</u>
Total Long-term Liabilities	<u>443,650</u>
Total Liabilities	<u>895,167</u>

Net assets:

Without Donor Restrictions	6,156,615
With Donor Restrictions	303,809
Total net assets	<u>6,460,424</u>

Total Liabilities and Net Assets

\$ 7,355,591

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, 2023

Exhibit A-2

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Local Support			
Contributions	\$ 90,234	\$ -	\$ 90,234
Fund-raising activities	-	-	-
Interest and other income	243,147	-	243,147
Total local support	<u>333,381</u>	<u>-</u>	<u>333,381</u>
State Program Revenues			
Foundation School Program	-	1,800,225	1,800,225
Other State Aid	-	123,443	123,443
Total State Program Revenue	<u>-</u>	<u>1,923,668</u>	<u>1,923,668</u>
Federal program revenues			
ESEA Title I, Part A		121,365	121,365
Title I School Improvement	-	42,207	42,207
IDEA-Part B, Formula		32,179	32,179
IDEA-Part B, Preschool		840	840
National School Breakfast and Lunch Program		205,863	205,863
Texas COVID TCLAS		20,966	20,966
ESEA Title II, Part A TPTR		14,051	14,051
ESSER II, American Rescue Plan Act		117,823	117,823
ESSER III, American Rescue Plan Act		298,984	298,984
IDEA-B Formula ARP		-	-
IDEA-B Preschool ARP		-	-
Title IV, Part A, Subpart I		16,541	16,541
Medicaid Administrative Claiming Program		21,193	21,193
Total Federal Program Revenue	<u>-</u>	<u>892,012</u>	<u>892,012</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>2,815,680</u>	<u>(2,815,680)</u>	<u>-</u>
Total Revenue and Other Support	<u>3,149,061</u>	<u>-</u>	<u>3,149,061</u>
EXPENSES			
Program Services			
Instruction and Instructional-Related Services	1,215,578	-	1,215,578
Instructional and School Leadership	208,406	-	208,406
Support Services:			
Administrative Support Services	676,589	-	676,589
Support Services - Non-Student Based	743,808	-	743,808
Support Services - Student	326,591	-	326,591
Community Services	48,222	-	48,222
Total Expenses	<u>3,219,194</u>	<u>-</u>	<u>3,219,194</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenses	<u>(70,133)</u>	<u>-</u>	<u>(70,133)</u>
CHANGE IN NET ASSETS	<u>(70,133)</u>	<u>-</u>	<u>(70,133)</u>
NET ASSETS BEGINNING OF YEAR	6,237,888	303,809	6,541,697
PRIOR PERIOD ADJUSTMENT	<u>(11,140)</u>	<u>-</u>	<u>(11,140)</u>
NET ASSETS BEGINNING OF YEAR, RESTATED	<u>6,226,748</u>	<u>303,809</u>	<u>6,530,557</u>
NET ASSETS END OF YEAR	<u>\$ 6,156,615</u>	<u>\$ 303,809</u>	<u>\$ 6,460,424</u>

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, 2023

Exhibit A-3

Expenses	Program Activities	Support Activities		Totals
	Program Services	General and Administration	Fundraising	
Salaries and Wages	\$ 1,087,760	\$ 555,993	\$ -	\$ 1,643,753
Benefits	59,497	100,414	-	159,911
Payroll Taxes	101,824	7,733	-	109,557
Total Payroll Expenses	1,249,081	664,140	-	1,913,221
Rental Expense	\$ -	\$ -	\$ -	\$ -
Contracted Services	90,788	62,516	-	153,304
Maintenance and Repairs	-	162,589	-	162,589
Utilities	-	73,769	-	73,769
Depreciation	-	400,584	-	400,584
Supplies	56,716	159,814	-	216,530
Travel	3,414	23,197	-	26,611
Instructional Materials	44,319	14,916	-	59,235
Insurance and Bonding	-	82,384	-	82,384
Professional Fees and Dues	-	54,127	-	54,127
Other	1,123	55,309	-	56,432
Interest	-	20,408	-	-
Total Non-Payroll Expenses	\$ 196,360	\$ 1,109,613	\$ -	\$ 1,305,973
Total Expenses	\$ 1,445,441	\$ 1,773,753	\$ -	\$ 3,219,194

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, 2023

Exhibit A-4

Cash Flows From Operating Activities

Change in Net Assets	\$ (70,133)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	613,903
Prior Period Adjustment	(11,140)
(Increase) Decrease in:	
Due from State	88,942
Due from Other Funds	(31,327)
Prepaid Expenses	(15,037)
Inventory	(596)
Other Receivables	(25,233)
(Increase) Decrease in:	
Accounts Payable	(32,618)
Due to Other Funds	31,327
Payroll Liabilities	(2,225)
Deferred Revenue	306
Accrued Wages	-
	<u>546,168</u>

Cash Flows From Investing Activities

Right to Use Asset	(1,066,602)
Purchase of furniture, fixtures & equipment	(272,038)
	<u>(1,338,640)</u>

Cash Flows From Financing Activities

Right to Use Liability	656,822
	<u>656,822</u>

Net Increase (Decrease) in Cash	(135,650)
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Cash at Beginning of Year	<u>3,385,014</u>
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Cash at End of Year	<u><u>\$ 3,249,364</u></u>
----------------------------	----------------------------

Summary of Cash:

Cash as presented in the Statement of Financial Position	\$ 3,249,364
Certificates of Deposit	-
Cash and Equivalents as presented in the Statement of Cash Flows	<u><u>\$ 3,249,364</u></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, 2023

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, 2023**

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 2020, 2021 and 2022.

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, 2023, 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.

M. New Accounting Pronouncement

The new lease accounting standard consists of the statement ASC 842 which changed the way leases are documented on financial statements to ensure that financial statements are more transparent for leases. The lease standard effective date is fiscal years starting after December 15, 2021, for non-profit organizations. ASC 842 classifies leases as either operating or finance leases. The term "finance lease" replaced "capital lease" in ASC 842 as well as the criteria that defined each. On balance sheets, lessees are required to recognize the assets and liabilities for both operating and finance leases. The lease liability is calculated as the present value of lease payments. The right-of-use asset is the lease liability.

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
Right to Use Asset	Length of the lease

A summary of assets is as follows:

Land	\$	266,771
Building and equipment		6,078,844
Right to Use Asset		1,066,602
Construction in Progress		<u>58,402</u>
		7,470,619
Less: Accumulated depreciation		<u>(3,718,835)</u>
	\$	<u>3,751,784</u>

Depreciation for the year ended August 31, 2023, totaled \$613,905.

GULF COAST COUNCIL OF LA RAZA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2023

Note 4. Ownership in Property and Equipment

As of August 31, 2023, the following disclosure of ownership interests in property and equipment is provided to address certain requirements discussed in House Bill 6, 77th Legislature (2001).

	<u>Date Acquired</u>	<u>Ownership Interest</u>		
		<u>Local</u>	<u>State</u>	<u>Federal</u>
Land	Various	\$ 266,771	\$ -	\$ -
Buildings and improvements	Various	5,358,047	-	-
Vehicles and equipment	Various	95,958	1,487,192	204,249
Construction in Progress	Various	<u>58,402</u>	<u>-</u>	<u>-</u>
Total Property and Equipment		<u>\$ 5,779,178</u>	<u>\$ 1,487,192</u>	<u>\$ 204,249</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, 2023.

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>119,800</u>	<u>72,770</u>
	119,800	72,770
<u>Payroll Fund</u>		
General Fund	-	15,760
School Fund	<u>-</u>	<u>-</u>
	-	15,760
<u>School Fund</u>		
Payroll Fund	15,760	-
General Fund	<u>72,770</u>	<u>119,800</u>
	85,530	119,800
	<u>-</u>	<u>-</u>
Total Interfund Receivables/Payables	\$ <u>208,330</u>	\$ <u>208,330</u>

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 \$892,012 for the fiscal year ended August 31, 2023. Amounts received as Texas Education Foundation funds totaled \$1,923,668. Grants and contracts receivable are deemed to be fully collectible by management and totaled \$72,346.

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, 2023, the book balances were \$3,249,364 and bank balances were \$3,323,144. 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 \$4,476,680 on August 31, 2023.

GULF COAST COUNCIL OF LA RAZA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2023

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

Plan Number: N/A

Zone status: Unknown

	<u>2022</u>	<u>2021</u>
1. Total Plan Assets	\$ 207,621,898	\$ 223,172,755
2. Accumulated Benefit Obligations	\$ 243,553,045	\$ 227,272,464
3. The plan is funded	75.62%	88.79%

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.

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 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2022 thru 2025.

	<u>2023</u>	<u>2022</u>
Member	8.0%	8.0%
Non-Employer Contributing Entity (State)	8.0%	7.75%
Employers	8.0%	7.75%
	<u>2023</u>	<u>2022</u>
Employer Contributions	\$ 21,388	\$ 22,610
Employer Surcharges	\$ 28,314	\$ 23,928
Member Contributions	\$ 95,056	\$106,433
Non-Employer Contributing Entity (State)	\$ 25,212	\$ 23,431

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). The School's contribution does not represent more than 5 percent of total contributions to the TRS plan.

**GULF COAST COUNCIL OF LA RAZA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2023**

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. 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, 2023, employees of the charter school were covered by TRS Active Care. The Charter School contributed \$300 per month per employee. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to TRS Active Care.

Note 11. Right to Use Liability

The charter holder entered into a lease on January 24, 2021 with the Gulf Coast of La Raza, Inc. in the amount of \$1,066,602 to lease a school building. The interest rate of the note is 2.65% with a maturity date of August 31, 2026. The balance as of August 31, 2023 was \$656,821.

DESCRIPTION	Interest Rate Payable	Interest Current Year	Amounts Outstanding 9/1/2022	Increase	Decrease	Amounts Outstanding 8/31/2023	Current Portion
Rental of School Building	2.65%	\$ 20,398	\$ -	\$ 1,066,602	\$ 409,781	\$ 656,821	\$ 213,171
		\$ 20,398	\$ -	\$ 1,066,602	\$ 409,781	\$ 656,821	\$ 213,171

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.

**GULF COAST COUNCIL OF LA RAZA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2023**

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 2022 - 2023	\$ 88,875
B)	Subtract any non-medical expenditures:	
	Life insurance	-
	Dental insurance	-
	Vision insurance	-
	Long-term disability	-
	Short-term disability	-
	Alternate plans	-
	COBRA expense	-
	Retirement expense	-
	2022 – 2023 Maintenance of Effort	\$ <u>88,875</u>

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	\$ 1,800,225	
State and Federal Titles	<u>1,015,455</u>	
Total Restrictions Released	\$ <u>2,815,680</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 26, 2024, 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, 2023.

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 it's financial assets to be available as it's general expenditures, liabilities and other obligations come due.

Financial Assets at August 31, 2023	\$ 3,249,364
Less Amounts Unavailable for General Expenditures Within One Year Due to Donor Imposed Restrictions	303,809
Charter School Program	-
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,945,555</u>

GULF COAST COUNCIL OF LA RAZA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2023

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.

Note 22. Prior Period Adjustment

A prior period adjustment of (\$11,140) was made to the beginning of the year net position to adjust the net effect of recording the Right-to-Use-Lease Asset/Liability in accordance with Accounting Standards Update (ASU) No. 2019-02, Leases (Topic 842) which decreased the net position.

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, 2023

Exhibit B-1

Assets

Current assets:

Cash in Bank	\$ 948,997
Certificate of Deposits	-
Grants receivable	72,346
Inventory	5,364
Prepaid Expenses	19,021
Due from Other Funds	88,530
Other Receivables	25,233
Total Current Assets	<u>1,159,491</u>

Fixed Assets:

Property, Plant, and equipment	624,839
Furniture, Fixtures and Equipment	-
Right to Use Asset	1,066,602
Construction in Progress	-
Total Fixed Assets	<u>1,691,441</u>
Less: Accumulated Depreciation	<u>(931,534)</u>
Property and Equipment, net	<u>759,907</u>

Total Assets

\$ 1,919,398

Liabilities and Net Assets

Current liabilities:

Accounts Payable	\$ 9,122
Accrued Salaries	-
Payroll Liabilities	773
Due to Other Funds	135,560
Deferred Revenue	18,835
Current Portion of Right to Use Liability	213,171
Total Current Liabilities	<u>377,461</u>

Long-term Liabilities

Long Term Portion of Right to Use Liability	<u>443,650</u>
Total Long-Term Liabilities	<u>443,650</u>

Total Liabilities

821,111

Net assets:

Without Donor Restrictions	853,893
With Donor Restrictions	244,394
Total net assets	<u>1,098,287</u>

Total Liabilities and Net Assets

\$ 1,919,398

Gulf Coast Council of La Raza, Inc.
Statement of Activities
Dr. M.L. Garza-Gonzalez Charter School
For the Year Ended August 31, 2023

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Local Support			
5742 Earnings from Temporary Deposits	\$ 350	\$ -	\$ 350
5744 Contributions	90,234	-	90,234
5748 Other Revenues from Local Sources-Locally Defined	669	-	669
5749 Other Revenues from Local Sources	6,843	-	6,843
5751 Food Service Activity	1,907	-	1,907
5755 Enterprising Services Revenue	170	-	170
Total local support	100,173	-	100,173
State Program Revenues			
5810 Foundation School Program	-	1,800,225	1,800,225
5820 State Program Revenues Distributed by the Texas Education Agency	-	122,504	122,504
5830 Revenues from Texas Government Agencies	-	939	939
Total State Program Revenue	-	1,923,668	1,923,668
Federal program revenues			
5920 Federal Revenues Distributed by the Texas Education Agency	-	863,385	863,385
5930 Federal Revenues Distributed by an Agency Other than TEA	-	28,627	28,627
5949 Federal Revenues Distributed by the Federal Government	-	-	-
Total Federal Program Revenue	-	892,012	892,012
Net assets released from restrictions: Restrictions satisfied by payments	2,815,680	(2,815,680)	-
Total Revenue and Other Support	2,915,853	-	2,915,853
EXPENSES			
11 Instruction	1,108,326	-	1,108,326
12 Instructional Resources and Media Services	66,676	-	66,676
13 Curriculum Development and Instructional Staff Development	40,576	-	40,576
21 Instructional Leadership	777	-	777
23 School Leadership	207,629	-	207,629
31 Guidance Counseling and Evaluation	63,527	-	63,527
33 Health Services	7,434	-	7,434
35 Food Services	210,955	-	210,955
36 Cocurricular/Extracurricular Activities	26,502	-	26,502
41 General Administration	373,905	-	373,905
51 Plant Maintenance and Operations	576,299	-	576,299
52 Security and Monitoring Services	1,761	-	1,761
53 Data Processing	165,748	-	165,748
61 Community Services	48,222	-	48,222
81 Fund Raising	-	-	-
Total Expenses	2,898,337	-	2,898,337
Excess (Deficiency) of Revenues Over (Under) Expenses	17,516	-	17,516
CHANGE IN NET ASSETS	17,516	-	17,516
NET ASSETS BEGINNING OF YEAR	847,517	244,394	1,091,911
PRIOR PERIOD ADJUSTMENT	(11,140)	-	(11,140)
NET ASSETS BEGINNING OF YEAR, RESTATED	836,377	244,394	1,080,771
NET ASSETS END OF YEAR	\$ 853,893	\$ 244,394	\$ 1,098,287

**Gulf Coast Council of La Raza, Inc.
Statement of Cash Flows
Dr. M.L. Garza-Gonzalez Charter School
For the Year Ended August 31, 2023**

Exhibit B-3

Cash Flows From Operating Activities

Change in Net Assets	\$ 17,516
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	451,406
Prior Period Adjustment	(11,140)
(Increase) Decrease in:	
Due from State	88,942
Due from Other Funds	(50,327)
Prepaid Expenses	(13,180)
Inventory	(596)
Other Receivables	(25,233)
Increase (Decrease) in:	
Accounts Payable	(32,926)
Due to Other Funds	(19,026)
Payroll Liabilities	(2,995)
Deferred Revenue	306
Accrued Wages	-

Cash Flows From Operating Activities

402,746

Cash Flows From Investing Activities

Right to Use Asset	(1,066,602)
Purchase of furniture, fixtures & equipment	(18,738)
	<u>(1,085,340)</u>

Cash Flows From Financing Activities

Right to Use Liability	656,822
	<u>656,822</u>

Net Increase (Decrease) in Cash

(25,772)

Cash at Beginning of Year

974,769

Cash at End of Year

\$ 948,997

Summary of Cash:

Cash in Bank	948,997
Total Cash	<u><u>\$ 948,997</u></u>

Gulf Coast Council of La Raza, Inc.
Schedule of Expenses
Dr. M.L. Garza-Gonzalez Charter School
For the Year ended August 31, 2023

Exhibit C-1

Expenses

6100 Payroll Costs	\$ 1,871,434
6200 Professional and Contract Services	472,614
6300 Supplies and Materials	230,760
6400 Other Operating Costs	303,121
6500 Interest Expense	20,408
Total Expenses	<u>\$ 2,898,337</u>

Gulf Coast Council of La Raza, Inc.
Schedule of Assets
Dr. M.L. Garza-Gonzalez Charter School
August 31, 2023

Exhibit D-1

	Ownership Interest			Total
	Local	State	Federal	
1110 Cash and Cash Equivalents	\$ 69,721	\$ 913,365	\$ (34,089)	\$ 948,997
1510 Land and Improvements	-	-	-	-
1520 Buildings and Improvements	-	-	-	-
1539 Furniture, Fixtures and Equipment	-	1,487,192	204,249	1,691,441
Total Property and Equipment	\$ 69,721	\$ 2,400,557	\$ 170,160	\$ 2,640,438

**Gulf Coast Council of La Raza, Inc.
Schedule of Related Party Transactions
For the Year Ended August 31, 2023**

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, 2023

Exhibit E-1

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	from Final Budget
REVENUE AND OTHER SUPPORT				
Local Support				
5742 Earnings on Temporary Deposits	\$ -	\$ -	\$ 350	\$ 350
5744 Contributions	-	67,829	90,234	22,405
5748 Other Revenues from Local Sources-Locally Defined	-	-	669	669
5749 Other Revenues from Local Sources	-	2,597	6,843	4,246
5751 Food Service Activity	-	-	1,907	1,907
5755 Enterprising Service Revenue	-	-	170	170
Total local support	-	70,426	100,173	27,670
State Program Revenues				
5810 Foundation School Program	1,779,000	1,779,000	1,800,225	21,225
5820 State Program Revenues Distributed by the Texas Education Agency	200,000	120,847	122,504	1,657
5830 Revenues from Texas Government Agencies	11,000	11,000	939	(10,061)
Total State Program Revenue	1,990,000	1,910,847	1,923,668	12,821
Federal program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	1,008,277	854,548	863,385	8,837
5930 Federal Revenues Distributed by an Agency Other than TEA	10,000	10,000	28,627	18,627
Total Federal Program Revenue	1,008,277	864,548	892,012	27,464
Total Revenue and Other Support	2,998,277	2,845,821	2,915,853	67,955
EXPENSES				
11 Instruction	1,404,519	1,090,608	1,108,326	(17,718)
12 Instructional Resources and Media Services	64,632	80,482	66,676	13,806
13 Curriculum Development and Instructional Staff Development	9,600	46,600	40,576	6,024
21 Instructional Leadership	900	900	777	123
23 School Leadership	200,315	202,489	207,629	(5,140)
31 Guidance Counseling and Evaluation	56,892	70,181	63,527	6,654
32 Social Work Services	100	100	-	100
33 Health Services	-	7,434	7,434	-
35 Food Services	199,510	213,713	210,955	2,758
36 Cocurricular/Extracurricular Activities	-	36,345	26,502	9,843
41 General Administration	272,099	369,679	373,905	(4,226)
51 Plant Maintenance and Operations	613,048	524,131	576,299	(52,168)
52 Security and Monitoring Service	750	1,325	1,761	(436)
53 Data Processing	142,917	162,400	165,748	(3,348)
61 Community Services	43,196	49,354	48,222	1,132
81 Fundraising	-	-	-	-
Total Expenses	3,008,278	2,855,741	2,898,337	(42,586)
Excess (Deficiency) of Revenues Over (Under) Expenses	(10,001)	(9,920)	17,516	25,359
CHANGE IN NET ASSETS	(10,001)	(9,920)	17,516	27,436
NET ASSETS BEGINNING OF PERIOD	1,091,911	1,091,911	1,091,911	-
PRIOR PERIOD ADJUSTMENT	-	-	(11,140)	(11,140)
NET ASSETS BEGINNING OF PERIOD, RESTATED	1,091,911	1,091,911	1,080,771	(11,140)
NET ASSETS END OF PERIOD	\$ 1,081,910	\$ 1,081,991	\$ 1,098,287	\$ 16,296

Gulf Coast Council of La Raza, Inc.
Schedule of State Compliance Questions
For the year ended August 31, 2023

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?	279,427
AP4	List the actual direct program expenditures for state compensatory education program during the charter fiscal year?	279,427
	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?	14,009
AP4	List the actual direct program expenditures for bilingual education program during the charter fiscal year?	14,009

COMPLIANCE
AND
INTERNAL CONTROL SECTION

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Raul Hernandez & Company, P.C.

Certified Public Accountants

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Corpus Christi, Texas 78411

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**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, 2023, 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 26, 2024.

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 26, 2024

Raul Hernandez & Company, P.C.

Certified Public Accountants

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Corpus Christi, Texas 78411

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**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, 2023. 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, 2023.

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.

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 26, 2024

Gulf Coast Council of La Raza, Inc.

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2023

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:
10.553 National School Breakfast, 10.555 National School Lunch Program,
10.555 Supply Chain Assistance | |
| 9. The dollar threshold used to distinguish between Type A and Type B programs | \$ 750,000 |
| 10. Auditee qualified as a low-risk auditee | Yes |

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, 2023

I. Status of Prior Year Findings:

None

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

For the Fiscal year ended August 31, 2023

N/A

GULF COAST COUNCIL OF LA RAZA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

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>			
Passed Through			
Texas Education Agency			
COVID-19 School Health Support Grant	93.323	6 NU50CK000501-02-06	\$ 7,434
Fiscal Year 2022			
Total Center for Disease Control			<u>7,434</u>
<i>U.S. Department Of Education</i>			
Passed Through			
Texas Education Agency			
ESSA Title I, Part A-Improving Basic Programs	84.010A	S010A210043	2,484
Fiscal Year 2022		S010A310043	118,881
Fiscal Year 2023			<u>121,365</u>
Title I 1003 School Improvement Grant	84.010A		
Fiscal Year 2023		S010A22043	<u>42,207</u>
Special Education Grants to States - IDEA-B Formula	84.027A		
Fiscal Year 2023		H027A220008	<u>32,179</u>
ESSA Title II, Part A- Supporting Effective Instruction	84.367A		
Fiscal Year 2023		S367A220041	<u>14,051</u>
Special Education Grants - IDEA-B, Preschool	84.173A		
Fiscal Year 2022		H173A210004	229
Fiscal Year 2023		H173A220004	611
			<u>840</u>
Title IV, Part A, Subpart 1	84.424A		
Fiscal Year 2023		S424A220045	<u>9,108</u>
TCLAS-ESSER III	84.425U		
Fiscal Year 2022		S425U210042	<u>20,966</u>
CRRSA ESSER II	84.425D		
Fiscal Year 2021		S425D210042	<u>117,824</u>
ARP ESSER III	84.425U		
Fiscal Year 2021		S425U210042	<u>298,982</u>
Total U.S. Department of Education			<u>657,522</u>
<i>U.S. Department Of Agriculture</i>			
Passed Through			
Texas Education Agency			
National School Breakfast Program	10.553	236TX332N1099	70,498
National School Lunch Program	10.555	236TX332N1099	126,496
Supply Chain Assistance	10.555	236TX400N8903	8,869
			<u>205,863</u>
Total U.S. Department of Agriculture			<u>205,863</u>
Total Federal Assistance			<u>\$ 870,819</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, 2023

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, 2023, the Charter School had no sub-recipients.

Federal Loans and Loan Guarantees:

During the year ended August 31, 2023, the Charter School had no outstanding federal loans payable or loan guarantees.

Federally Funded Insurance:

During the year ended August 31, 2023, the Charter School had no federally funded insurance.

Noncash awards:

During the year ended August 31, 2023, 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, 2023, 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	\$ 870,819
Food Program	12,691
Other TEA	8,502
Exhibit A-2	<u>\$ 892,012</u>