

GULF COAST COUNCIL OF LA RAZA, INC.

CORPUS CHRISTI, TEXAS

**ANNUAL FINANCIAL
AND COMPLIANCE REPORTS**

YEAR ENDED AUGUST 31, 2018

**GULF COAST COUNCIL OF LA RAZA, INC.
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INDEPENDENT AUDITOR'S REPORT

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

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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

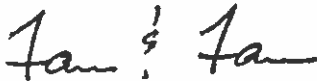
Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2019, on our consideration of Gulf Coast Council of La Raza, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gulf Coast Council of La Raza, Inc.'s internal control over financial reporting and compliance.



Farris & Farris, CPA's

January 16, 2019

**GULF COAST COUNCIL OF LA RAZA, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018**

Current Assets	
Cash and cash equivalents	\$ 2,207,155
Inventory	6,653
Grants and accounts receivable	37,472
Prepaid expense	25,562
Due from other funds	<u>115,760</u>
Total Current Assets	2,392,602
Fixed Assets	
Land	351,771
Buildings and equipment	6,061,460
Less: accumulated depreciation	<u>(3,054,441)</u>
Net Property Plant & Equipment	3,358,790
Deposits	<u>840</u>
Total Assets	\$ <u>5,752,232</u>
Liabilities and Net Assets	
Accounts payable and accrued expenses	\$ 27,217
Due to other funds	115,760
Other	<u>1,184</u>
Total Current Liabilities	144,161
Long-Term Debt, Net of Current Portion	<u>-</u>
Total Liabilities	144,161
Net Assets	
Unrestricted net assets	<u>5,608,071</u>
Total Net Assets	<u>5,608,071</u>
Total Liabilities and Net Assets	\$ <u>5,752,232</u>

See accompanying notes to combined financial statements.

**GULF COAST COUNCIL OF LA RAZA, INC.
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, grants, and other support:			
Contributions and contract matches	\$ 215,413	\$ -	\$ 215,413
Interest income	3,796	-	3,796
Grants			
TEA Foundation	-	1,423,216	1,423,216
State Programs Distributed by the TEA	-	12,927	12,927
Federal Direct and Pass-Through	-	633,213	633,213
Federal Revenues Distributed By Medicaid	-	5,620	5,620
Net assets released from restrictions - Satisfaction of program restrictions	<u>2,074,976</u>	<u>(2,074,976)</u>	<u>-</u>
Total Revenues, Grants, and Other Support	2,294,185		2,294,185
Expenses:			
Program Services			
Latchkey	381	-	381
Charter school	<u>1,751,505</u>	<u>-</u>	<u>1,751,505</u>
Total Program Services	1,751,886	-	1,751,886
Support Services			
Management and general	<u>554,443</u>	<u>-</u>	<u>554,443</u>
Total Support Services	<u>554,443</u>	<u>-</u>	<u>554,443</u>
Total Expenses	<u>2,306,329</u>	<u>-</u>	<u>2,306,329</u>
Change in net assets	(12,144)	-	(12,144)
Net Assets at Beginning of Year	<u>5,620,215</u>	<u>-</u>	<u>5,620,215</u>
Net Assets at End of Year	\$ <u>5,608,071</u>	\$ <u>-</u>	\$ <u>5,608,071</u>

See accompany notes to combined financial statements.

**GULF COAST COUNCIL OF LA RAZA, INC.
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2018**

Cash Flows from Operating Activities

Change in net assets	\$	(12,144)
Adjustments to reconcile change in net assets to net cash provided by Operating activities:		
Depreciation		158,060
Grants and other receivables		(5,516)
Inventory		(1,369)
Prepaid expenses		(2,687)
Accounts payable and accrued expenses		<u>(54,300)</u>
Net cash provided (used) by operating activities	\$	82,044

Cash flows from Investing Activities

Certificate of Deposit Converted to Long Term		<u>(100,197)</u>
Net cash flows from investing activities		(100,197)

Net increase (decrease) in cash and cash equivalents (18,153)

Cash and Cash Equivalents – September 1, 2017 1,724,207

Cash and Cash Equivalents – August 31, 2018 \$ 1,706,054

Supplemental Disclosure of Cash Flow Information:

Unrelated Business Income Taxes Paid	\$	<u> -</u>
Interest Paid	\$	<u> -</u>

Reconciliation of Cash and Equivalents:

Cash as presented in the Statement of Financial Position	\$	2,207,155
Certificates of Deposit with maturities exceeding three months		<u>(501,101)</u>
Cash and Equivalents as presented in the Statement of Cash Flows	\$	<u>1,706,054</u>

See accompanying notes to the combined financial statements.

**GULF COAST COUNCIL OF LA RAZA, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2018**

	PROGRAMS			SUPPORTING SERVICES
	GCCLR Latchkey	Charter School Fund	Management & General	Total
Salaries	\$ -	\$1,188,074	\$173,839	\$1,361,913
Fringe benefits	-	124,262	7,541	131,803
Supplies	381	131,098	4,231	135,710
Contractual	-	114,087	52,331	166,418
Electricity	-	47,665	963	48,628
Telephone	-	5,511	-	5,511
Water/Sewage	-	8,974	1,110	10,084
Internet	-	10,505	602	11,107
Participant supplies	-	53,793	-	53,793
Building maintenance	-	1,069	-	1,069
Audit fees	-	13,900	1,000	14,900
Staff training	-	7,048	1,906	8,954
Insurance	-	2,141	52,384	54,525
Other	-	<u>37,032</u>	<u>106,823</u>	<u>143,855</u>
Total Expenses Before Depreciation	381	1,745,159	402,730	2,148,270
Depreciation – General fund	-	<u>6,346</u>	<u>151,713</u>	<u>158,059</u>
Total Expenses	<u>\$ 381</u>	<u>1,751,505</u>	<u>\$ 554,443</u>	<u>\$ 2,306,329</u>

See accompanying notes to the combined financial statements.

GULF COAST COUNCIL OF LA RAZA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2018

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. Financial Statement Presentation

Financial statement presentation follows the recommendations of the Statement of Financial Accounting Standards FASB ASC 958, *Financial Statements for Not-for-Profit Organizations*. Under FASB ASC 958, the Charter School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Charter School is required to present a statement of cash flows.

- **Unrestricted** – net assets that are not subject to donor-imposed stipulations.
- **Temporarily restricted** – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the corporation, the charter school and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- **Permanently restricted** – net assets required to be maintained in perpetuity with only the income to be used for the charter school's activities due to donor-imposed restrictions.

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, 2018**

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 2015, 2016 and 2017.

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 benefited.

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	\$	351,771
Building and equipment		<u>6,061,460</u>
	\$	6,413,231
Less: Accumulated depreciation		<u>(3,054,441)</u>
	\$	<u><u>3,358,790</u></u>

Depreciation for the year ended August 31, 2018, totaled \$158,060.

**GULF COAST COUNCIL OF LA RAZA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 4. Ownership in Property and Equipment

As of August 31, 2018, the following disclosure of ownership interests in property and equipment is provided to address certain requirements discussed in House Bill 6, 77th Legislature (2001).

	Date Acquired	Ownership Interest		
		Local	State	Federal
Land	Various	\$ 351,771	\$ -	\$ -
Buildings and improvements	Various	5,185,458	-	-
Vehicles and equipment	Various	<u>258,868</u>	<u>551,922</u>	<u>65,212</u>
Total Property and Equipment		\$ <u>5,796,097</u>	\$ <u>551,922</u>	\$ <u>65,212</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, 2018.

Note 6. Interfund Receivables and Payables

The following is a summary of amounts due from and due to other funds.

	Due From (Receivables)	Due To (Payables)
<u>General Fund</u>		
Payroll Fund	\$ 15,760	\$ -
School Fund	<u>100,000</u>	-
	115,760	-
<u>Payroll Fund</u>		
General Fund	-	115,760
School Fund	-	-
	-	<u>115,760</u>
<u>School Fund</u>		
Payroll Fund	-	-
General Fund	-	-
	-	-
Total Interfund Receivables/Payables	\$ <u>115,760</u>	\$ <u>115,760</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 \$651,760 for the fiscal year ended August 31, 2018. Amounts received as Texas Education Foundation funds totaled \$1,423,216. Grants and contracts receivable are deemed to be fully collectible by management and totaled \$37,472.

**GULF COAST COUNCIL OF LA RAZA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2018**

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, 2018, the bank balances were \$2,207,155. 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 \$2,083,779 at August 31, 2018.

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>2018</u>	<u>2017</u>
1. Total Plan Assets	\$	165,379,342	152,925,647
2. Accumulated Benefit Obligations		179,336,534	171,797,950
3. The plan is funded		82.17%	78.00%

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, 2018**

Note 9, Pension Disclosure (continued)

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 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2016.

<u>Contribution Rate</u>		
	<u>2018</u>	<u>2017</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
	<u>2018</u>	<u>2017</u>
Employer Contributions	\$ 13,960	\$ 15,964
Employer Surcharges	9,214	14,035
Member Contributions	192,267	190,288
Non-Employer Contributing Entity (State)	155,834	152,083

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).

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 junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, 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, 2018, employees of the charter school were covered by TRS Active Care. The Charter School contributed \$225 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.

**GULF COAST COUNCIL OF LA RAZA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 11. Leases

The Charter School entered into lease agreements dated December 17, 2007, with Gulf Coast Council of La Raza, Inc., for the rental of Greenwood and Baldwin facilities. These leases will continue as long as the Charter School exists and operates. Prior to August 31, 2012, fiscal year end leases for the Greenwood location were modified to increase rent from \$.57 to \$.75 per square foot. Minimum lease payments for the five years ending August 31, 2023, are as follows:

2019	\$	402,000
2020	\$	402,000
2021	\$	402,000
2022	\$	402,000
2023	\$	402,000

Rent paid by the Charter School to Gulf Coast Council of La Raza, Inc. totaled \$399,600 during the year ended August 31, 2018.

On August 22, 2014 the Gulf Coast Council of La Raza, Inc. originated a lease agreement from Dahill Company for the lease of a copier. Lease terms call for 60 payments, through September 2019, at a minimum payment of \$400 per month. At lease termination the copier will be returned to the lessor. Rent paid by the Organization totaled \$4,800 for the year ended August 31, 2018.

Minimum lease payments for the five years ended August 31, 2023 are as follows:

2019	\$	4,800
2020	\$	400
2021	\$	-
2022	\$	-
2023	\$	-

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 12. Additionally, the Organization rents storage units from the Executive Director of the Organization on a monthly basis. The Executive Director retired in June 2018. Rent paid to this related party totaled \$ 11,970 for the year ended August 31, 2018. No amounts were due to this related party at August 31, 2018.

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 2017-2018	\$	42,750
B)	Subtract any non-medical expenditures:		
	Life Insurance		-
	Dental insurance		-
	Vision insurance		-
	Long-term disability		-
	Short-term disability		-
	Alternate plans		-
	COBRA expense		-
	Retirement expense		-
	2017 – 2018 Maintenance of Effort	\$	<u>42,750</u>

**GULF COAST COUNCIL OF LA RAZA, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2018**

Note 16. Temporarily Restricted Net Assets

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	\$	1,423,216
State and Federal Titles		646,140
Other		<u>5,620</u>
Total Restrictions Released	\$	<u>2,074,976</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 16, 2019, 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 designated as fundraising activities. Net fundraising revenues totaled \$163,600 for the fiscal year ended August 31, 2018.

**GULF COAST COUNCIL OF LA RAZA, INC.
STATEMENT OF FINANCIAL POSITION
DR. M.L. GARZA-GONZALEZ CHARTER SCHOOL
AUGUST 31, 2018**

Current Assets		
Cash	\$	301,518
Certificates of deposit		351,101
Inventory		6,653
Grants/Accounts receivable		37,472
Due from other funds		8,902
Prepaid expenses		<u>15,760</u>
Total Current Assets		721,406
Fixed Assets		
Property, Plant and equipment		652,473
Less: accumulated depreciation		<u>(606,897)</u>
Net Property, Plant & Equipment		<u>45,576</u>
Total Assets	\$	<u>766,982</u>
Current Liabilities		
Accounts payable and accrued expenses	\$	5,549
Due to other funds		115,760
Other		<u>765</u>
Total Current Liabilities		122,074
Long-Term Debt		<u>-</u>
Total Liabilities		122,074
Net Assets – Unrestricted		
Unrestricted net assets		<u>644,908</u>
Total Net Assets		<u>644,908</u>
Total Liabilities and Net Assets	\$	<u>766,982</u>

**GULF COAST COUNCIL OF LA RAZA, INC.
STATEMENT OF FINANCIAL ACTIVITIES
DR. M.L. GARZA-GONZALEZ CHARTER SCHOOL
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenues			
Local Support:			
5740 Other Revenues from Local Sources	\$ 52,238	\$ -	\$ 52,238
State Program Revenues			
5810 Foundation School Program Act Revenues	-	1,423,216	1,423,216
5820 State Program Revenues Distributed by Texas Education Agency	-	2,057	2,057
5830 State Revenues from State of TX Govt Agencies	<u> </u>	<u>10,870</u>	<u>10,870</u>
Total State Program Revenues	-	1,436,143	1,436,143
Federal Program Revenues:			
5929 Federal Revenues Distributed by the Texas Education Agency	-	633,213	633,213
5932 Federal Revenues Distributed by Medicaid	-	5,620	5,620
Net Assets Released From Restrictions:			
Restrictions Satisfied by Payments	<u>2,074,976</u>	<u>(2,074,976)</u>	<u> </u>
Total Revenues	2,127,214	-	2,127,214
Expenses			
11 Instruction	947,495	-	947,495
13 Curriculum development and instructional staff development	15,610	-	15,610
21 Instructional leadership	5,537	-	5,537
23 School leadership	102,167	-	102,167
31 Guidance, counseling and evaluation services	67,684	-	67,684
35 Food services	147,232	-	147,232
41 General administration	246,803	-	246,803
51 Plant maintenance and operations	559,909	-	559,909
52 Security and monitoring services	2,418	-	2,418
53 Data processing services	19,186	-	19,186
61 Community services	<u>37,064</u>	<u> </u>	<u>37,064</u>
Total Expenses	2,151,105	-	2,151,105
Change in Net Assets	(23,891)	-	(23,891)
Net Assets, Beginning of Year	<u>668,799</u>	<u> </u>	<u>668,799</u>
Net Assets, End of Year	<u>\$ 644,908</u>	<u>\$ </u>	<u>\$ 644,908</u>

**GULF COAST COUNCIL OF LA RAZA, INC.
STATEMENT OF CASH FLOWS
DR. M.L. GARZA-GONZALEZ CHARTER SCHOOL
FOR THE YEAR ENDED AUGUST 31, 2018**

Cash Flows from Operating Activities

Change in net assets	\$ (23,891)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,346
Prepaid expenses	(5,091)
Grants and other receivables	(5,516)
Inventory	(1,369)
Accounts payable	(8,091)
Due from (to) state and other funds	<u>(14,630)</u>
Net Cash Provided (used) by Operating Activities	<u>\$ (52,242)</u>

Net increase (decrease) in cash and cash equivalents	(52,242)
Cash and Cash Equivalents – Sept. 1, 2017	<u>353,760</u>
Cash and Cash Equivalents – August 31, 2018	\$ <u>301,518</u>

**GULF COAST COUNCIL OF LA RAZA, INC.
SCHEDULE OF EXPENSES
DR. M.L. GARZA-GONZALEZ CHARTER SCHOOL
FOR THE YEAR ENDED AUGUST 31, 2018**

Expenses

6100 Payroll costs	\$ 1,312,336
6200 Professional and contracted services	605,092
6300 Supplies and materials	185,960
6400 Other operating costs	47,718
6500 Debt	-
6600 Capital outlay	-
8900 Other uses	<u>-</u>
Total Expenses	<u>\$ 2,151,106</u>

**GULF COAST COUNCIL OF LA RAZA, INC.
 SCHEDULE OF CAPITAL ASSETS
 DR. M.L. GARZA-GONZALEZ CHARTER SCHOOL
 FOR THE YEAR ENDED AUGUST 31, 2018**

	Ownership Interest			Total
	Local	State	Federal	
1110 Cash	\$ 652,619	\$ -	\$ -	\$ 652,619
1510 Land and improvements	-	-	-	-
1520 Building and improvements	-	-	-	-
1539 Furniture and equipment	<u>-</u>	<u>569,461</u>	<u>83,012</u>	<u>652,473</u>
Total Capital Assets	\$ <u>652,619</u>	\$ <u>569,461</u>	\$ <u>83,012</u>	\$ <u>1,305,092</u>

**GULF COAST COUNCIL OF LA RAZA, INC.
BUDGETARY COMPARISON SCHEDULE
DR. M.L. GARZA-GONZALEZ CHARTER SCHOOL
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 48,381	\$ 79,108	\$ 52,238	\$ (26,870)
State Program Revenues:				
5810 Foundation School Program Act Revenues	1,410,187	1,410,187	1,423,216	13,029
5820 State Program Revenues Distributed by	3,000	3,000	2,057	(943)
5830 State Revenues from State of Texas Govt Agencies	<u>7,550</u>	<u>7,550</u>	<u>10,870</u>	<u>3,320</u>
Texas State Program Revenues	1,420,737	1,420,737	1,436,143	15,406
Federal Program Revenues:				
5920 Federal Revenues Distributed by the Texas Education Agency	756,669	795,064	633,213	(161,851)
5932 Federal Revenues Distributed by Medicaid	12,000	12,000	5,620	(6,380)
Net assets released from restrictions: Restrictions satisfied by payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	2,237,787	2,306,909	2,127,214	(179,695)
Expenses				
11 Instruction	931,900	1,077,474	947,495	129,979
12 Instructional Resources and Media Services	-	-	-	-
13 Curriculum Development and Instructional Staff Development	16,050	15,612	15,610	2
21 Instructional Leadership	2,925	3,805	5,537	(1,732)
23 School Leadership	108,253	103,165	102,167	998
31 Guidance, Counseling and Evaluation Services	96,833	84,856	67,684	17,172
32 Social Work Services	-	-	-	-
33 Health Services	-	-	-	-
34 Student (Pupil) Transportation	-	-	-	-
35 Food Services	153,371	148,221	147,232	989
36 Co-curricular/Extracurricular Activities	-	-	-	-
41 General Administration	284,064	255,405	246,803	8,602
51 Plant Maintenance and Operations	571,504	548,736	559,909	(11,173)
52 Security and Monitoring Services	2,038	2,038	2,418	(380)
53 Data Processing Services	25,470	22,218	19,186	3,032
61 Community Services	45,379	45,379	37,064	8,315
81 Fund Raising	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	2,237,787	2,306,909	2,151,105	155,804
Change in Net Assets	\$ <u>-</u>	\$ <u>-</u>	(23,891)	\$ (23,891)
Net Assets, Beginning of Year			<u>668,799</u>	
Net Assets, End of Year			\$ <u>644,908</u>	

FARRIS & FARRIS, CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

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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 GOVERNMENT AUDITING STANDARDS

The Board of Directors
Gulf Coast Council of La Raza, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Gulf Coast Council of La Raza, Inc. (a non-profit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 16, 2019.

Internal Control Over Financial Reporting

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

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

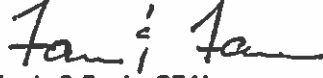
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gulf Coast Council of La Raza, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-1.

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.



Farris & Farris, CPA's

January 16, 2019

FARRIS & FARRIS, CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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

Report on Compliance for 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, 2018. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gulf Coast Council of La Raza, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 the Federal Regulations Part 200 Uniform Administrative Requirements Cost Principles and audit requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gulf Coast Council of La Raza, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Gulf Coast Council of La Raza, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Gulf Coast Council of La Raza, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

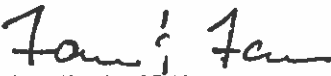
Report on Internal Control Over Compliance

Management of Gulf Coast Council of La Raza, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gulf Coast Council of La Raza, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gulf Coast Council of La Raza Inc.'s 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 combination 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 of 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Farris & Farris, CPA's

January 16, 2019

GULF COAST COUNCIL OF LA RAZA, INC.
 SCHEDULE OF FEDERAL EXPENDITURES
 FOR THE YEAR ENDED AUGUST 31, 2018

	Federal CFDA Number	NOGA ID/ Pass-Through ID Number	Grant Contract Number	Award Amount	Federal Expenditures
Federal Grantor/Pass-Through Grantor					
U.S. Department of Education:					
Pass-Through Programs from Texas Education Agency					
Title I Part A Improving Basic Programs	84.010A	18610101178801	S010A170043	\$ 123,508	\$ 123,508
Texas Title I Priority Schools	84.377A	146107137110003	S377A130044	455,023	303,090
IDEA B Formula	84.027A	18660011788016600	H027A170008	49,808	45,312
IDEA B Preschool	84.173A	186610011788016810	H173A170004	210	7
Title II, Part A – Teacher & Principal Training	84.367A	18694501178801	S367A170041	8,394	8,394
Title IV, Part A Subpart 1	84.424A	18680101178801	S424A170045	10,000	9,999
Total Pass-Through Programs from TEA				<u>\$ 646,943</u>	<u>\$ 490,310</u>
Pass-Through Programs from Education Service Center Region 2					
Title I Part C – Perkins	84.010A			993	0
Total Pass- Through Programs from Education Service Center Region 2				<u>\$ 993</u>	<u>\$ 0</u>
			TOTAL US Department of Education	<u>\$ 647,936</u>	<u>\$ 490,310</u>
U.S. Department of Agriculture:					
Pass-Through Programs from the Texas Department of Agriculture					
National School Lunch Program	10.555	71301701	201817N109946	\$ 85,865	\$ 90,180
National Breakfast Program	10.553	71401601	201817N109946	52,746	55,272
Total Pass-Through Programs from Texas Department of Agriculture				<u>\$ 138,611</u>	<u>\$ 145,452</u>
			TOTAL US Department of Agriculture	<u>\$ 138,611</u>	<u>\$ 145,452</u>
			TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 635,762</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

**GULF COAST COUNCIL OF LA RAZA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018**

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Gulf Coast Council of La Raza, Inc. under programs of the federal government for the year ended August 31, 2018. 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)*. Because the schedule presents only a selected portion of the operations of the Gulf Coast Council of La Raza, Inc. it is not intended to and does not present the financial position, changes in net assets or cash flows of the Gulf Coast Council of La Raza, Inc.

Note B- Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A0122, *Cost Principles for Non- profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. There were no awards passed through to sub-recipients during the fiscal year August 31, 2018.

Note C- Indirect Cost Rate

Gulf Coast Council of La Raza, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**GULF COAST COUNCIL OF LA RAZA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018**

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Gulf Coast Council of La Raza, Inc. were prepared in accordance with General Accepted Accounting Principles.
2. No significant deficiencies were noted during the audit of the financial statements.
3. There was one instance of noncompliance material to the financial statements of Gulf Coast Council of La Raza, Inc. which would be required to be reported in accordance with *Government Auditing Standards* and was disclosed during the audit in findings 2018-1.
4. There were no significant deficiencies in internal control over major federal award programs which were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Gulf Coast Council of La Raza, Inc. expresses an unqualified opinion on all major federal awards.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516 c.
7. The programs tested as major programs included:

84.377A	Texas Title I – Priority Schools
---------	----------------------------------
8. The threshold used for distinguishing between Type A and B programs. \$750,000
9. Gulf Coast Council of La Raza, Inc. did not qualify as a low-risk auditee.

**GULF COAST COUNCIL OF LA RAZA, INC.
SCHEDULE OF AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2018**

Finding 2018-1 – Training

Condition: TAC Chapter 100 requires that the governing body's chief executive, business manager and board members complete training courses when initially becoming involved with the Charter School and on an annual basis thereafter.

Criteria: Monitoring of training should be performed to assure compliance with training requirements.

Cause: Monitoring was performed but enforcing training mandates was not adequate.

Effect: By not enforcing training requirements, we noted that 1 board member and the outgoing Executive Director failed to take an appropriate number of hours in training. The board provided ample opportunity for individuals to take training in order to be in compliance. Both individuals that failed to take adequate education courses resigned during the fiscal year 2018.

Recommendation: Gulf Coast Council of La Raza, Inc. should enforce training requirements and schedule all required personnel and board members training courses so that regulatory requirements are met. Additionally, training scheduled to be taken should include instruction modules that meet regulatory requirements.

Views of Responsible Officials and Planned Corrective Actions: The organization agrees with the findings and is in progress of obtaining proper training.

**GULF COAST COUNCIL OF LA RAZA, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2018**

No Prior Audit Findings

**GULF COAST COUNCIL OF LA RAZA, INC.
DR. M.L. GARZA-GONZALEZ CHARTER SCHOOL
FINAL BUDGET TO ACTUAL
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018**

Revenue

Other Revenue from Local Sources (5740) (34% negative)

The Charter School budgeted \$79,108 and received \$52,238. Local revenues received were less than expectations for 2018.

Corrective Action: The Charter School will continue to monitor monies received. When funds are received that are different from original amounts budgeted, the school's budget will be amended accordingly. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

State Program Revenue Distributed by the TEA (5820) (31% negative)

The Charter School budgeted \$ 3,000 and received \$2,057. Reduction in revenue related to decreased amounts of special revenue funds received as compared to amounts budgeted.

Corrective Action: The Charter School will continue to monitor monies received. When funds are received that are different from original amounts budgeted, the school's budget will be amended accordingly. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

State Program Revenue Distributed State of Texas Governmental Agencies (5830) (44% positive)

The Charter School budgeted \$ 7,550 and received \$10,870. Increase in revenue related to increased amounts of e-rate funds received as compared to amounts budgeted.

Corrective Action: The Charter School will continue to monitor monies received. When funds are received that are different from original amounts budgeted, the school's budget will be amended accordingly. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

Federal Revenues distributed from the TEA (5920) (20% negative)

The Charter School budgeted \$765,064 and received \$633,213. The decrease is attributable to less reimbursed grant monies received during the fiscal year as compared to amounts anticipated.

Corrective Action: The Charter School will continue to monitor monies received. When expenditures are not spent or requested for reimbursement, the school's budget will be amended accordingly. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

Federal Revenues distributed by Medicaid (5930) (53% negative)

The Charter School budgeted \$12,000 and received \$5,620. Amounts were less than original expectations.

Corrective Action: The Charter School will continue to monitor monies received. When funds are received that are less than original amounts budgeted, the school's budget will be amended accordingly. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

**GULF COAST COUNCIL OF LA RAZA, INC.
DR. M.L. GARZA-GONZALEZ CHARTER SCHOOL
CORRECTIVE ACTION PLAN
(continued)
FOR THE YEAR ENDED AUGUST 31, 2018**

Expenses

Function 11 – Instruction (12% positive)

The Charter School budgeted \$1,077,474 and expended \$947,495. Expenditures decreased due to the Charter School monitoring expenditures closely and reducing expenses whenever possible.

Corrective Action: The Charter School will continue to monitor expenditures to accurately budget operations. As budgeted expenses are able to be reduced, the school's budget will be decreased accordingly. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

Function 21 – Instructional Leadership (46% negative)

The Charter School budgeted \$3,805 and expended \$5,537. Expenditures increased due to the Charter School expending more funds for leadership during the fiscal year.

Corrective Action: The Charter School will continue to monitor expenditures to accurately budget operations. As budgeted expenses are able to be reduced, the school's budget will be decreased accordingly. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

Function 31 – Guidance, Counseling and Evaluation Services (20% positive)

The Charter School budgeted \$84,856 and expended \$67,684. Expenditures decreased due to the Charter School monitoring expenditures closely and reducing expenses whenever possible.

Corrective Action: The Charter School will continue to monitor expenditures to accurately budget operations. As budgeted expenses are able to be reduced, the school's budget will be decreased accordingly. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

Function 52 – Security and Monitoring Services (19% negative)

The Charter School budgeted \$2,038 and expended \$2,418. Expenditures increased due to increased security costs in fiscal year 2018.

Corrective Action: The Charter School will continue to monitor expenditures to accurately budget operations. As budgeted expenses are able to be reduced, the school's budget will be decreased accordingly. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

Function 53 – Data Processing Services (14% positive)

The Charter School budgeted \$22,218 and expended \$19,188. Expenditures decreased due to the Charter School monitoring expenditures closely and reducing expenses whenever possible.

Corrective Action: The Charter School will continue to monitor expenditures to accurately budget operations. As budgeted expenses are able to be reduced, the school's budget will be decreased accordingly. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

**GULF COAST COUNCIL OF LA RAZA, INC.
DR. M.L. GARZA-GONZALEZ CHARTER SCHOOL
CORRECTIVE ACTION PLAN
(continued)
FOR THE YEAR ENDED AUGUST 31, 2018**

Function 61 – Community Services (18% positive)

The Charter School budgeted \$45,379 and expended \$37,064. Expenditures decreased due to the Charter School monitoring expenditures closely and reducing expenses whenever possible.

Corrective Action: The Charter School will continue to monitor expenditures to accurately budget operations. As budgeted expenses are able to be reduced, the school's budget will be decreased accordingly. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

**GULF COAST COUNCIL OF LA RAZA, INC.
DR. M.L. GARZA GONZALEZ CHARTER SCHOOL
CORRECTIVE ACTION PLAN – ORIGINAL BUDGET TO FINAL BUDGET
FOR THE YEAR ENDED AUGUST 31, 2018**

Revenue

Other Revenue from local Sources (5740)

The Charter School's original budget was \$48,381 and the final budget was \$79,108. This fluctuation was due to increased local revenues received during the year.

Corrective Action: The Charter School will continue to monitor its budget. When revenues are expected to fluctuate, the school's budget will be amended to properly reflect the anticipated change. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

Expenses

Function 11- Instruction

The Charter School's budget was \$931,900 and the final budget was \$1,072,474. This fluctuation was due to anticipated increased expenses to be incurred based on reduction of student attendance.

Corrective Action: The Charter School will continue to monitor its budget. When expenses are expected to fluctuate, the school's budget will be amended to properly reflect the anticipated change. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

Function 21- Instructional Leadership

The Charter School's budget was \$2,926 and the final budget was \$3,805. This fluctuation was due to anticipated increase in expenses to be incurred based on increase in student attendance.

Corrective Action: The Charter School will continue to monitor its budget. When expenses are expected to fluctuate, the school's budget will be amended to properly reflect the anticipated change. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

Function 31- Guidance, Counseling & Evaluation Services

The Charter School's budget was \$96,833 and the final budget was \$84,856. This fluctuation was due to decreased expenses to be incurred.

Corrective Action: The Charter School will continue to monitor its budget. When expenses are expected to fluctuate, the school's budget will be amended to properly reflect the anticipated change. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

Function 41- General Administration

The Charter School's budget was \$284,064 and the final budget was \$255,405. This fluctuation was due to anticipated decreased expenses to be incurred.

Corrective Action: The Charter School will continue to monitor its budget. When expenses are expected to fluctuate, the school's budget will be amended to properly reflect the anticipated change. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

**GULF COAST COUNCIL OF LA RAZA, INC.
DR. M.L. GARZA GONZALEZ CHARTER SCHOOL
CORRECTIVE ACTION PLAN – ORIGINAL BUDGET TO FINAL BUDGET
(continued)
FOR THE YEAR ENDED AUGUST 31, 2018**

Function 53 - Data Processing Services

The Charter School's original budget was \$25,470 and the final budget was \$22,218. This fluctuation was due to anticipated decreased expenses to be incurred.

Corrective Action: The Charter School will continue to monitor its budget. When expenses are expected to fluctuate, the school's budget will be amended to properly reflect the anticipated change. Larry Olivarez, Executive Director, and Alma Bernal, Superintendent, are responsible for implementing corrective actions.

GULF COAST COUNCIL OF LA RAZA, INC.
(COUNTY-DISTRICT NUMBER 178-801)

CERTIFICATE OF BOARD

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Gulf Coast Council of La Raza, Inc. was reviewed and (check one) approved _____, disapproved for the year ended August 31, 2018, at a meeting of the governing body of said charter school on the 19th day of January, 2019.


Signature of Board Secretary


Signature of Board President

Marylinda F
Laurie K
Humberto O

Anna M. Flores
Dema Martinez
A. Lopez

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