

MONTESSORI ASSOCIATION OF SOUTH TEXAS

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2022

Raul Hernandez & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

MONTESSORI ASSOCIATION OF SOUTH TEXAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

MONTESSORI ASSOCIATION OF SOUTH TEXAS

TABLE OF CONTENTS
AUGUST 31, 2022

Certificate of Board	1
Independent Auditors' Report	2
<u>Financial Section:</u>	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses.	7
Statement of Cash Flows	8
Notes to the Financial Statements.	9
<u>Specific-Purpose Financial Section:</u>	
Statement of Financial Position	19
Statement of Activities	20
Statement of Cash Flows	21
Schedule of Expenses.	22
Schedule of Capital Assets.	23
Real Property Interest Ownership.	24
Budgetary Comparison Schedule	25
Use of Funds Report - Select State Allotment Programs.	26

Independent Auditors' report on Internal Control over
Financial Reporting and on Compliance
And other matters based on an audit of
Financial statements performed in accordance
With *Governmental Auditing Standards*. 27

Schedule of Findings and Questioned
Costs. 29

Summary Schedule of Prior Audit Findings. 30

**Montessori Association of South Texas
Certificate of Board**

Montessori Association of South Texas Nueces County 178-807
Name of Charter School County Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named association were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2022 at a meeting of the Board of Directors on the ___ day of December, 2022.

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)

THIS PAGE LEFT BLANK INTENTIONALLY

Raul Hernandez & Company, P. C.

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Montessori Association of South Texas
Corpus Christi, Texas

Opinion

We have audited the accompanying financial statements of Montessori Association of South Texas (a non-profit organization) which comprise the statement of financial position as of August 31, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montessori Association of South Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montessori Association of South Texas' 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 Montessori Association of South Texas' 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 Montessori Association of South Texas' 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. 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 financial schedules are 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 December 7, 2022 on our consideration of Montessori Association of South Texas'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

December 7, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

**Montessori Association of South Texas
Statement of Financial Position
August 31, 2022**

Exhibit A-1

Assets

Current assets:

Cash in Bank	\$ 558,717
Due from State	146,529
Other Receivables	-
Total Current Assets	705,246

Fixed Assets:

Buildings and Improvements	789,642
Furniture, Fixtures and Equipment	32,177
	821,819
Less: Accumulated Depreciation	(402,720)
Property and Equipment, net	419,099

Total Assets

\$ 1,124,345

Liabilities and Net Assets

Current liabilities:

Accrued Salaries	84,717
Total Current Liabilities	84,717
Total Liabilities	84,717

Net assets:

Without Donor Restrictions	160,386
With Donor Restrictions	879,242
Total net assets	1,039,628

Total Liabilities and Net Assets

\$ 1,124,345

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

**Montessori Association of South Texas
Statement of Activities
For the Year Ended August 31, 2022**

Exhibit A-2

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Local Support			
Contributions	\$ 48,024	\$ -	\$ 48,024
Fund-raising activities	-	-	-
Interest and other income	40,271	-	40,271
Total local support	<u>88,295</u>	<u>-</u>	<u>88,295</u>
State Program Revenues			
Foundation School Program	-	1,163,766	1,163,766
Other State Aid	-	2,861	2,861
Total State Program Revenue	<u>-</u>	<u>1,166,627</u>	<u>1,166,627</u>
Federal program revenues			
Federal Revenues Distributed by the Texas Education Agency	-	102,241	102,241
Total Federal Program Revenue	<u>-</u>	<u>102,241</u>	<u>102,241</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>1,352,045</u>	<u>(1,352,045)</u>	<u>-</u>
Total Revenue and Other Support	<u>1,440,340</u>	<u>(83,177)</u>	<u>1,357,163</u>
EXPENSES			
Program Services			
Instruction and Instructional-Related Services	1,002,067	-	1,002,067
Instructional and School Leadership	87,670	-	87,670
Support Services:			
Administrative Support Services	218,884	-	218,884
Support Services - Non-Student Based	130,069	-	130,069
Support Services - Student	16,872	-	16,872
Community Services	-	-	-
Total Expenses	<u>1,455,562</u>	<u>-</u>	<u>1,455,562</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>(15,222)</u>	<u>(83,177)</u>	<u>(98,399)</u>
CHANGE IN NET ASSETS	(15,222)	(83,177)	(98,399)
NET ASSETS BEGINNING OF YEAR	<u>175,608</u>	<u>962,419</u>	<u>1,138,027</u>
NET ASSETS END OF YEAR	<u>\$ 160,386</u>	<u>\$ 879,242</u>	<u>\$ 1,039,628</u>

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

Montessori Association of South Texas
Statement of Functional Expenses
For the Year Ended August 31, 2022

Exhibit A-3

Expenses	Program Activities	Support Activities		Totals
	Program Services	General and Administration	Fundraising	
Salaries and Wages	\$ 747,086	\$ 136,218	\$ -	\$ 883,304
Benefits	50,821	2,999		53,820
Payroll Taxes	10,971	2,689		13,660
Total Payroll Expenses	808,878	141,906	-	950,784
Rental Expense	\$ -	\$ 17,912	\$ -	\$ 17,912
Contracted Services	77,645	63,040	-	140,685
Maintenance and Repairs	-	40,982	-	40,982
Utilities	-	-	-	-
Depreciation	51,877	-	-	51,877
Supplies	79,076	15,493	391	94,960
Travel	17,349	17,349	-	34,698
Instructional Materials	50,018	-	-	50,018
Insurance and Bonding	4,800	35,062	-	39,862
Professional Fees and Dues	-	26,337	-	26,337
Other	-	7,447	-	7,447
Total Non-Payroll Expenses	\$ 280,765	\$ 223,622	\$ 391	\$ 504,778
Total Expenses	\$ 1,089,643	\$ 365,528	\$ 391	\$ 1,455,562

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

**Montessori Association of South Texas
Statement of Cash Flows
For the Year Ended August 31, 2022**

Exhibit A-4

Cash Flows From Operating Activities	
Change in Net Assets	\$ (98,399)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	51,878
Prior Period Adjustment	-
(Increase) Decrease in:	
Due from State	(21,077)
Other Receivables	-
Other current assets	-
Increase (Decrease) in:	
Accounts Payable	-
Accrued Salaries	65,409
Payroll Taxes	-
Teacher Retirement	-
Other current liabilities	-
	<u>(2,189)</u>
Cash Flows From Investing Activities	
Purchase of furniture, fixtures & equipment	(34,184)
	<u>(34,184)</u>
Cash Flows From Financing Activities	
Principal Payments	-
	<u>-</u>
Net Increase (Decrease) in Cash	(36,373)
Cash at Beginning of Year	<u>595,090</u>
Cash at End of Year	<u>\$ 558,717</u>
Summary of Cash:	
Cash in Bank	558,717
Total Cash	<u>\$ 558,717</u>

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

NOTES TO THE FINANCIAL STATEMENTS

MONTESSORI ASSOCIATION OF SOUTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended August 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Montessori Association of South Texas was incorporated May 27, 1986. The Association was formed to support the development and funding of the Montessori education philosophy for pre-school through high school programs. It is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association is governed by the Board of Directors. The Board of Directors is selected pursuant to the bylaws of the Association and has the authority to make decisions, appoint the officers of the Association and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Association. The Association operates the Corpus Christi Montessori School.

The Corpus Christi Montessori School (Charter School) is a charter school operating under an open enrollment charter granted by the Texas State Board of Education during 2005. The charter school is part of the public school system of the state and is entitled to distribution from the State's available school fund. The school does not have the authority to impose taxes or charge tuition. The charter school currently serves first through eighth grades.

B. Basis of Presentation

The combined general-purpose financial statements include the accounts of Montessori Association of South Texas and Corpus Christi Montessori School. All significant intercompany accounts and transactions have been eliminated in the combined general-purpose financial statements.

The financial statements of the Association have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Association management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

MONTESSORI ASSOCIATION OF SOUTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended August 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fixed Assets and Depreciation

All purchased fixed assets are valued at cost or estimated cost. Donated assets are reported at the fair market value at time of acquisition. Fixed assets are defined by the organization as capital assets with an individual cost of more than \$1,000. Depreciation of building improvements and equipment is provided over the estimated useful lives of the assets on a straight-line basis.

D. Revenues

Revenues from the state's available school fund are based on reported attendance. State foundation revenues are public funds held in trust by the charter holder for the benefit of the students of the charter school and as such are reported as temporarily restricted revenues.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Governmental grant contracts that are entered into by the School are recognized as revenue when services are rendered or when the expenses in connection with those services are incurred.

E. 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.

F. Cash and Cash Equivalents

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

MONTESSORI ASSOCIATION OF SOUTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended August 31, 2022

1. SUMMARY OF 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. In preparation of the financial statements in conformity with generally accepted accounting principles, management's estimates were considered for depreciation.

H. Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and Effort
Benefits	Time and Effort
Payroll Taxes	Time and Effort
Rental Expense	Square Footage
Contracted Services	Full Time Equivalent
Maintenance and Repair	Time and Effort
Utilities	Square Footage
Depreciation	Square Footage
Supplies	Time and Effort
Travel	Time and Effort
Instructional Materials	Time and Effort
Insurance and Bonding	Square Footage
Professional Fees and Dues	Full Time Equivalent
Other	Time and Effort

MONTESSORI ASSOCIATION OF SOUTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended August 31, 2022

2. AVAILABILITY AND LIQUIDITY

The following represents the Charter School financial assets at August 31, 2022:

Financial assets at year end:		<u>2022</u>
Cash in bank	\$	558,717
Due from State		<u>146,529</u>
	Total financial assets	705,246
Less amounts not available to be used within one year:		
Net assets with donor restrictions		879,242
Less net assets with purpose restrictions to be met in less than a year		-
Quasi endowment established by the board		<u>-</u>
		<u>879,242</u>
Financial assets available to meet general expenditures over the next twelve months		<u>(\$ 173,996)</u>

As part of the Association’s liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due by maintaining a significant portion of its assets in cash.

3. FAIR VALUE MEASUREMENT OF FINANCIAL STATEMENTS

The requirements of Fair Value Measurements and Disclosures of the FASB Accounting Standards Codification (ASC) apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB also establishes a fair value hierarchy that categorizes the inputs used in valuation methodologies into three levels.

Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and the reflect the assumptions that market participants would use when pricing the asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability. A three-tier hierarchy categorizes the inputs used to measure fair value as follows:

MONTESSORI ASSOCIATION OF SOUTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended August 31, 2022

3. FAIR VALUE MEASUREMENT OF FINANCIAL STATEMENTS (continued)

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The Association does not have any financial instruments that apply to this three-tier hierarchy.

4. CONCENTRATIONS

A. Cash in Bank

The Association and Schools maintain bank accounts with Bank of America that exceeded \$250,000 at various times during the year. Federal deposit insurance on the Bank of America accounts totaled \$250,000 on interest bearing accounts. There are no other insurance or collateralization agreements to protect these accounts above the federal limits. The balance in the accounts totaled \$558,717 on August 31, 2022. The Organization's cash balances in banks are fully insured by FDIC. The Organization maintains its cash with high quality financial institutions which the Organization believes limits these risks.

B. Revenues

The principal source of revenue for the Charter School is its receipt of state program revenues received from the Texas Education Agency.

5. PENSION DISCLOSURE

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

MONTESSORI ASSOCIATION OF SOUTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended August 31, 2022

5. PENSION DISCLOSURE (continued)

within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Name of Plan: Teacher Retirement System of Texas

Plan Number: N/A

Zone status: Unknown

(Dollars in Thousands)

1. Total Plan Assets	\$	223,172,755
2. Accumulated Benefit Obligations		227,273,464
3. The plan is 88.79% funded		

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. 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.

MONTESSORI ASSOCIATION OF SOUTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended August 31, 2022

5. PENSION DISCLOSURE (continued)

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2021 thru 2022. 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 2021 as discussed in Note 1 of the TRS 2021 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2021 and 2022.

Contribution Rates

	<u>2021</u>	<u>2022</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
2022 Employer Contributions	\$	12,753.17
2022 Member Contributions	\$	60,014.13

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:

MONTESSORI ASSOCIATION OF SOUTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended August 31, 2022

5. PENSION DISCLOSURE (continued)

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

In addition to the employer contributions listed above, 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 changes that would affect the comparison of employer contributions from year to year.

6. FIXED ASSETS

	Beginning			Ending
	Balance	Additions	Deletions	Balance
Building and Improvements	\$ 755,458	\$ 34,184	\$ -	\$ 789,642
Furniture, Fixtures, and Equipment	32,177	-	-	32,177
Total Fixed Assets	787,635	34,184	-	821,819
Less: Accumulated Depreciation	(350,843)	(51,877)	-	(402,720)
Total Fixed Assets, net	<u>\$ 436,792</u>	<u>\$ (17,693)</u>	<u>\$ -</u>	<u>\$ 419,099</u>

Depreciation expense for the year ended August 31, 2022 is \$51,877.

7. OWNERSHIP IN PROPERTY AND EQUIPMENT – CORPUS CHRISTI MONTESSORI SCHOOL

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

On December 31, 2014, MAST received donated property of based on its appraisal value and in its "as is" condition under a Special Warranty Deed.

MONTESSORI ASSOCIATION OF SOUTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended August 31, 2022

8. OPERATING LEASES

The School entered into an operating lease for four copiers beginning August 8, 2019 to replace the previous copier lease. The copier's base lease payments are \$1,195/month. Total lease payments for the year are \$14,340 at August 31, 2022.

The School entered into a new operating lease for a security system beginning on October 18, 2019 to replace the previous system. The system's base lease payments are \$389/month. Total lease payments for the year are \$4,365 at August 31, 2022.

Future minimum rental payments under the facilities leases and the copier leases are as follows:

Year Ending	
August 31,	
2023	19,008
2024	19,008
2025	<u>3,974</u>
Total	<u>\$41,990</u>

Operating leases on the copiers are through November 30, 2024 and October 18, 2024 for the security system, which will be subject for renewal.

9. GROUP HEALTH INSURANCE

During the year ended August 31, 2022, employees of the charter school were covered by a Health Insurance Plan (the Plan). The charter school contributed from \$260 per month per employee enrolled in the plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums. All premiums were paid to licensed insurers.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at August 31, 2022 were as follows:

Foundation School Program	\$ 844,589
State Textbook Fund	181
Campus Activity Program	<u>34,472</u>
Total	<u>\$ 962,419</u>

MONTESSORI ASSOCIATION OF SOUTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended August 31, 2022

11. COMMITMENTS AND CONTINGENCIES

The Charter School receives federal and state funds which are governed by various rules and regulations by the grantor. Expenses charged to the grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the grants other than as reflected in the financial statements.

12. RECONCILIATION OF REVENUES FROM FEDERAL PROGRAMS

The Charter School received revenues from federal programs for the year August 31, 2022 as follows:

Federal Monies Received	\$102,241
Per Audited Financial Statements	<u>102,241</u>
Difference between monies received and financial statements	-0-
Grants Receivable from 2021	<u>-0-</u>
Balance	<u>\$ -0-</u>

13. EVALUATION OF SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events through December 7, 2022, the date which the financial statements were available to be issued.

THIS PAGE LEFT BLANK INTENTIONALLY

SPECIFIC-PURPOSE FINANCIAL SECTION

**Corpus Christi Montessori School
Statement of Financial Position
August 31, 2022**

Exhibit B-1

Assets

Current assets:

Cash in Bank	\$ 535,635
Due from State	146,529
Total Current Assets	682,164

Fixed Assets:

Buildings and Improvements	534,114
Furniture, Fixtures and Equipment	32,177
Less: Accumulated Depreciation	(284,496)
Property and Equipment, net	281,795

Total Assets

\$ 963,959

Liabilities and Net Assets

Current liabilities:

Accrued Salaries	84,717
Total Current Liabilities	84,717

Total Liabilities

84,717

Net assets:

Without Donor Restrictions	-
With Donor Restrictions	879,242
Total net assets	879,242

Total Liabilities and Net Assets

\$ 963,959

**Corpus Christi Montessori School
Statement of Activities
For the Year Ended August 31, 2022**

Exhibit B-2

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Local Support			
5742 Earnings from Temporary Deposits	\$ 2,466	\$ -	\$ 2,466
5744 Contributions	-	-	-
5748 Other Revenues from Local Sources-Locally Defined	-	-	-
5749 Other Revenues from Local Sources	5,138	-	5,138
Total local support	<u>7,604</u>	<u>-</u>	<u>7,604</u>
State Program Revenues			
5810 Foundation School Program	-	1,163,766	1,163,766
5820 State Program Revenues Distributed by the Texas Education Agency	-	2,861	2,861
5830 Revenues from Texas Government Agencies	-	-	-
Total State Program Revenue	<u>-</u>	<u>1,166,627</u>	<u>1,166,627</u>
Federal program revenues			
5920 Federal Revenues Distributed by the Texas Education Agency	-	102,241	102,241
Total Federal Program Revenue	<u>-</u>	<u>102,241</u>	<u>102,241</u>
Net assets released from restrictions: Restrictions satisfied by payments	<u>1,352,045</u>	<u>(1,352,045)</u>	<u>-</u>
Total Revenue and Other Support	<u>1,359,649</u>	<u>(83,177)</u>	<u>1,276,472</u>
EXPENSES			
11 Instruction	899,296	-	899,296
12 Instructional Resources and Media Services	-	-	-
13 Curriculum Development and Instructional Staff Development	57,523	-	57,523
21 Instructional Leadership	-	-	-
23 School Leadership	75,312	-	75,312
31 Guidance Counseling and Evaluation	4,560	-	4,560
35 Food Services	-	-	-
36 Cocurricular/Extracurricular Activities	-	-	-
41 General Administration	193,280	-	193,280
51 Plant Maintenance and Operations	99,638	-	99,638
52 Security and Monitoring Services	14,885	-	14,885
53 Data Processing	15,155	-	15,155
61 Community Services	-	-	-
81 Fund Raising	-	-	-
Total Expenses	<u>1,359,649</u>	<u>-</u>	<u>1,359,649</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>-</u>	<u>(83,177)</u>	<u>(83,177)</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>(83,177)</u>	<u>(83,177)</u>
NET ASSETS BEGINNING OF YEAR	<u>-</u>	<u>962,419</u>	<u>962,419</u>
NET ASSETS END OF YEAR	<u>\$ -</u>	<u>\$ 879,242</u>	<u>\$ 879,242</u>

**Corpus Christi Montessori School
Statement of Cash Flows
For the Year Ended August 31, 2022**

Exhibit B-3

Cash Flows From Operating Activities	
Change in Net Assets	\$ (83,177)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	35,104
(Increase) Decrease in:	
Due from State	(21,077)
Due from Other Funds	-
Prepaid Expenses	-
Increase (Decrease) in:	
Accounts Payable	-
Due to State	-
Payroll Taxes	-
Teacher Retirement	-
Accrued Liabilities	-
Accrued Wages	65,409
Cash Flows From Operating Activities	<u>(3,741)</u>
Cash Flows From Investing Activities	
Purchase of furniture, fixtures & equipment	(34,184)
	<u>(34,184)</u>
Cash Flows From Financing Activities	
Principal Payments	-
	<u>-</u>
Net Increase (Decrease) in Cash	(37,925)
Cash at Beginning of Year	<u>573,560</u>
Cash at End of Year	<u><u>\$ 535,635</u></u>
Summary of Cash:	
Cash in Bank	535,635
Total Cash	<u><u>\$ 535,635</u></u>

**Corpus Christi Montessori School
Schedule of Expenses
For the Year ended August 31, 2022**

Exhibit C-1

Expenses

6100 Payroll Costs	\$ 940,951
6200 Professional and Contract Services	251,486
6300 Supplies and Materials	71,084
6400 Other Operating Costs	96,128
6500 Interest Expense	-
Total Expenses	<u>\$ 1,359,649</u>

**Corpus Christi Montessori School
Schedule of Capital Assets
August 31, 2022**

Exhibit D-1

	Ownership Interest			Total
	Local	State	Federal	
1510 Land and Improvements	\$ -	\$ -	\$ -	-
1520 Buildings and Improvements	-	534,114	-	534,114
1539 Furniture, Fixtures and Equipment	-	32,177	-	32,177
Total Property and Equipment	\$ -	\$ 566,291	\$ -	\$ 566,291

**Corpus Christi Montessori School
Schedule of Real Property Ownership Interest
August 31, 2022**

Exhibit D-2

Description	Property Address	Total Assessed Value	Ownership Interest			Total
			Local	State	Federal	
Commercial Bay Terrace No. 2 Building	822 Ayers, Corpus Christi, TX 78404	\$ 1,056,149	\$ -	\$ 534,114	\$ -	\$ 534,114
		-	-	-	-	-
		-	-	-	-	-
		<u>\$ 1,056,149</u>	<u>\$ -</u>	<u>\$ 534,114</u>	<u>\$ -</u>	<u>\$ 534,114</u>

**Corpus Christi Montessori School
Budgetary Comparison Schedule
For the Year Ended August 31, 2022**

Exhibit E-1

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE AND OTHER SUPPORT				
Local Support				
5742 Earnings on Temporary Deposits	\$ 1,000	\$ 1,000	\$ 2,466	\$ 1,466
5744 Contributions	-	-	-	-
5748 Other Revenues from Local Sources-Locally Defined	-	-	-	-
5749 Other Revenues from Local Sources	2,000	2,000	5,138	3,138
Total local support	<u>3,000</u>	<u>3,000</u>	<u>7,604</u>	<u>4,604</u>
State Program Revenues				
5810 Foundation School Program	1,084,743	1,084,743	1,163,766	79,023
5820 State Program Revenues Distributed by the Texas Education Agency	4,000	8,000	2,861	(5,139)
5830 Revenues from Texas Government Agencies	26,326	-	-	-
Total State Program Revenue	<u>1,115,069</u>	<u>1,092,743</u>	<u>1,166,627</u>	<u>73,884</u>
Federal program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	22,000	133,591	102,241	(31,350)
Total Federal Program Revenue	<u>22,000</u>	<u>133,591</u>	<u>102,241</u>	<u>(31,350)</u>
Total Revenue and Other Support	<u>1,140,069</u>	<u>1,229,334</u>	<u>1,276,472</u>	<u>47,138</u>
EXPENSES				
11 Instruction	723,620	804,609	899,296	(94,687)
12 Instructional Resources and Media Services	-	-	-	-
13 Curriculum Development and Instructional Staff Development	65,259	62,535	57,523	5,012
21 Instructional Leadership	-	-	-	-
23 School Leadership	71,823	72,973	75,312	(2,339)
31 Guidance Counseling and Evaluation	-	5,000	4,560	440
35 Food Services	-	-	-	-
36 Cocurricular/Extracurricular Activities	-	-	-	-
41 General Administration	160,713	165,563	193,280	(27,717)
51 Plant Maintenance and Operations	88,154	88,154	99,638	(11,484)
52 Security and Monitoring Service	15,000	15,000	14,885	115
53 Data Processing	15,500	15,500	15,155	345
61 Community Services	-	-	-	-
81 Fundraising	-	-	-	-
Total Expenses	<u>1,140,069</u>	<u>1,229,334</u>	<u>1,359,649</u>	<u>(130,315)</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>-</u>	<u>-</u>	<u>(83,177)</u>	<u>(83,177)</u>
CHANGE IN NET ASSETS	-	-	(83,177)	(83,177)
NET ASSETS BEGINNING OF PERIOD	<u>962,419</u>	<u>962,419</u>	<u>962,419</u>	<u>-</u>
NET ASSETS END OF PERIOD	<u>\$ 962,419</u>	<u>\$ 962,419</u>	<u>\$ 879,242</u>	<u>\$ (83,177)</u>

Corpus Christi Montessori School
State Compensatory Education and Bilingual Education Program Expenditures
August 31, 2022

Exhibit J-4

Section A: Compensatory Education Programs

AP1	Did your Charter School expend any state compensatory education state allotment funds during the district's fiscal year?	Yes
AP2	Does the Charter School have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the School's fiscal year.	\$ 36,729.00
AP4	List the actual direct program expenses for state compensatory education programs during the School's fiscal year.	\$ 25,970.83

Section B: Bilingual Education Programs

AP5	Did your Charter School expend any bilingual education program state allotment funds during the Charter School's fiscal year?	Yes
AP6	Does your Charter School have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the Charter School's fiscal year.	\$ 2,787.00
AP8	List the actual direct program expenses for bilingual education programs during the Charter School's fiscal year.	\$ 4,379.40

THIS PAGE LEFT BLANK INTENTIONALLY

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

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

To the Board of Directors
Montessori Association of South Texas
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 Montessori Association of South Texas (a nonprofit organization), which comprise of the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report on them dated December 7, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Montessori Association of South Texas'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 Montessori Association of South Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the Montessori Association of South Texas'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 Montessori Association of South Texas'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

December 7, 2022

MONTESSORI ASSOCIATION OF SOUTH TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

A. Summary of the Auditors' Results:

1. Financial statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

2. Federal Awards N/A

B. Financial Statement Findings N/A

MONTESSORI ASSOCIATION OF SOUTH TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022

N/A