

**MONTESORI ASSOCIATION OF SOUTH TEXAS**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**Raul Hernandez & Company, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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MONTESSORI ASSOCIATION OF SOUTH TEXAS  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021



**MONTESSORI ASSOCIATION OF SOUTH TEXAS**

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

Montessori Association of South Texas  
Name of Charter School

Nueces County  
County

178-807  
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, 2021 at a meeting of the Board of Directors on the \_\_\_\_ day of December, 2021.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

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

Certified Public Accountants  
5402 Holly Rd, 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

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, 2021 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.

#### ***Auditors' 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 of 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 auditors' judgment, including 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 of 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 Montessori Association of South Texas as of August 31, 2021, 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.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements of Montessori Association of South Texas, taken as a whole. The other supplementary information is likewise presented for purposes of additional analysis and is not a required part of the basic 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. Such 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 taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021 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

November 9, 2021

## FINANCIAL SECTION

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**Montessori Association of South Texas**  
**Statement of Financial Position**  
**August 31, 2021**

Exhibit A-1

**Assets**

Current assets:

Cash in Bank	\$ 595,090
Due from State	125,452
Other Receivables	-
Total Current Assets	<u>720,542</u>

Fixed Assets:

Buildings and Improvements	755,458
Furniture, Fixtures and Equipment	<u>32,177</u>
	787,635
Less: Accumulated Depreciation	<u>(350,842)</u>
Property and Equipment, net	<u>436,793</u>

**Total Assets** \$ 1,157,335

**Liabilities and Net Assets**

Current liabilities:

Accrued Salaries	19,308
Total Current Liabilities	<u>19,308</u>
Total Liabilities	<u>19,308</u>

Net assets:

Without Donor Restrictions	175,608
With Donor Restrictions	<u>962,419</u>
Total net assets	<u>1,138,027</u>

**Total Liabilities and Net Assets** \$ 1,157,335

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, 2021**

Exhibit A-2

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Local Support			
Contributions	\$ 35,812	\$ -	\$ 35,812
Fund-raising activities	-	-	-
Interest and other income	23,051	-	23,051
Total local support	<u>58,863</u>	<u>-</u>	<u>58,863</u>
State Program Revenues			
Foundation School Program	-	1,223,610	1,223,610
Other State Aid	-	78,980	78,980
Total State Program Revenue	<u>-</u>	<u>1,302,590</u>	<u>1,302,590</u>
Federal program revenues			
IDEA-Part I Education Agency	-	36,501	36,501
Total Federal Program Revenue	<u>-</u>	<u>36,501</u>	<u>36,501</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>1,197,347</u>	<u>(1,197,347)</u>	<u>-</u>
Total Revenue and Other Support	<u>1,256,210</u>	<u>141,744</u>	<u>1,397,954</u>
<b>EXPENSES</b>			
Program Services			
Instruction and Instructional-Related Services	816,025	-	816,025
Instructional and School Leadership	106,884	-	106,884
Support Services:			
Administrative Support Services	165,101	-	165,101
Support Services - Non-Student Based	165,312	-	165,312
Support Services - Student	5,732	-	5,732
Community Services	-	-	-
Total Expenses	<u>1,259,054</u>	<u>-</u>	<u>1,259,054</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenses	<u>(2,844)</u>	<u>141,744</u>	<u>138,900</u>
<b>CHANGE IN NET ASSETS</b>	(2,844)	141,744	138,900
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>178,452</u>	<u>820,675</u>	<u>999,127</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 175,608</u>	<u>\$ 962,419</u>	<u>\$ 1,138,027</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, 2021**

Exhibit A-3

<b>Expenses</b>	<u>Program Activities</u>	<u>Support Activities</u>		<u>Totals</u>
	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	
Salaries and Wages	\$ 596,660	\$ 121,060	\$ -	\$ 717,720
Benefits	97,011	4,898	-	101,909
Payroll Taxes	9,803	2,078	-	11,881
Total Payroll Expenses	<u>703,474</u>	<u>128,036</u>	<u>-</u>	<u>831,510</u>
Rental Expense	\$ -	\$ 16,540	\$ -	\$ 16,540
Contract Labor	71,274	55,800	-	127,074
Maintenance and Repairs	-	-	-	-
Utilities	-	29,207	-	29,207
Depreciation	50,928	-	-	50,928
Supplies	34,493	30,296	-	64,789
Travel	17,156	11,495	-	28,651
Instructional Materials	40,696	-	-	40,696
Insurance and Bonding	4,800	30,290	-	35,090
Professional Fees and Dues	-	18,815	-	18,815
Other	-	15,754	-	15,754
Total Non-Payroll Expenses	<u>\$ 219,347</u>	<u>\$ 208,197</u>	<u>\$ -</u>	<u>\$ 427,544</u>
<b>Total Expenses</b>	<u><u>\$ 922,821</u></u>	<u><u>\$ 336,233</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,259,054</u></u>

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, 2021**

Exhibit A-4

**Cash Flows From Operating Activities**

Change in Net Assets	\$ 138,900
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	50,928
Prior Period Adjustment	-
(Increase) Decrease in:	
Due from State	(122,949)
Other Receivables	1,003
Other current assets	-
Increase (Decrease) in:	
Accounts Payable	-
Accrued Salaries	(31,378)
Payroll Taxes	-
Teacher Retirement	-
Other current liabilities	-
	<u>36,504</u>

**Cash Flows From Investing Activities**

Purchase of furniture, fixtures & equipment	-
	<u>-</u>

**Cash Flows From Financing Activities**

Principal Payments	-
	<u>-</u>

Net Increase (Decrease) in Cash 36,504

**Cash at Beginning of Year** 558,586

**Cash at End of Year** \$ 595,090

Summary of Cash:

Cash in Bank	595,090
Total Cash	<u><u>\$ 595,090</u></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, 2021

**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, 2021

**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, 2021

**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. New Accounting Pronouncement**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Montessori Association of South Texas has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**I. 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, 2021

**2. AVAILABILITY AND LIQUIDITY**

The following represents the Charter School financial assets at August 31, 2021:

Financial assets at year end:	<u>2021</u>
Cash in bank	\$ 595,090
Due from State	<u>125,452</u>
Total financial assets	720,542
Less amounts not available to be used within one year:	
Net assets with donor restrictions	962,419
Less net assets with purpose restrictions to be met in less than a year	-
Quasi endowment established by the board	<u>-</u>
	<u>962,419</u>
Financial assets available to meet general expenditures over the next twelve months	<u>(\$ 241,877)</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, 2021

**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 \$595,090 on August 31, 2021. 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, 2021

**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	\$ 184,361,871
2. Accumulated Benefit Obligations	209,719,687
3. The plan is 76.8% 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, 2021

**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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2020 thru 2021. 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 2020 as discussed in Note 1 of the TRS 2019 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2020 and 2021.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
2021 Employer Contributions	\$	3,870.00
2021 Member Contributions	\$	52,976.00

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, 2021

**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 Balance	Additions	Deletions	Ending Balance
Building and Improvements	\$ 755,458	\$ -	\$ -	\$ 755,458
Furniture, Fixtures, and Equipment	32,177	-	-	32,177
Total Fixed Assets	787,635	-	-	787,635
Less: Accumulated Depreciation	(299,914)	(50,928)	-	(350,842)
Total Fixed Assets, net	\$ 487,721	\$ (50,928)	\$ -	\$ 436,793

Depreciation expense for the year ended August 31, 2021 is \$50,928.

**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, 2021

**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, 2021.

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, 2021.

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

Year Ending August 31,	
2022	19,008
2023	19,008
2024	19,008
2025	<u>3,974</u>
Total	<u>\$60,998</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, 2021, 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, 2021 were as follows:

Foundation School Program	\$ 927,766
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, 2021

**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, 2021 as follows:

Federal Monies Received	\$36,501
Per Audited Financial Statements	<u>36,501</u>
Difference between monies received and financial statements	-0-
Grants Receivable from 2020	<u>-0-</u>
Balance	<u>\$ -0-</u>

**13. EVALUATION OF SUBSEQUENT EVENTS**

The Charter School has evaluated subsequent events through November 9, 2021, the date which the financial statements were available to be issued.

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## SPECIFIC-PURPOSE FINANCIAL SECTION

**Corpus Christi Montessori School  
Statement of Financial Position  
August 31, 2021**

Exhibit B-1

**Assets**

Current assets:

Cash in Bank	\$ 573,560
Due from State	<u>125,452</u>
Total Current Assets	<u>699,012</u>

Fixed Assets:

Buildings and Improvements	499,930
Furniture, Fixtures and Equipment	32,177
Less: Accumulated Depreciation	<u>(249,392)</u>
Property and Equipment, net	<u>282,715</u>

**Total Assets**

\$ 981,727

**Liabilities and Net Assets**

Current liabilities:

Accrued Salaries	<u>19,308</u>
Total Current Liabilities	<u>19,308</u>

Total Liabilities

19,308

Net assets:

Without Donor Restrictions	-
With Donor Restrictions	<u>962,419</u>
Total net assets	<u>962,419</u>

**Total Liabilities and Net Assets**

\$ 981,727

**Corpus Christi Montessori School  
Statement of Activities  
For the Year Ended August 31, 2021**

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Local Support			
5742 Earnings from Temporary Deposits	\$ 3,251	\$ -	\$ 3,251
5744 Contributions	-	-	-
5748 Other Revenues from Local Sources-Locally Defined	-	-	-
5749 Other Revenues from Local Sources	4,356	-	4,356
Total local support	7,607	-	7,607
State Program Revenues			
5810 Foundation School Program	-	1,223,610	1,223,610
5820 State Program Revenues Distributed by the Texas Education Agency	-	24,218	24,218
5830 Revenues from Texas Government Agencies	-	54,762	54,762
Total State Program Revenue	-	1,302,590	1,302,590
Federal program revenues			
5920 Federal Revenues Distributed by the Texas Education Agency	-	36,501	36,501
Total Federal Program Revenue	-	36,501	36,501
Net assets released from restrictions:			
Restrictions satisfied by payments	1,197,347	(1,197,347)	-
Total Revenue and Other Support	1,204,954	141,744	1,346,698
<b>EXPENSES</b>			
11 Instruction	688,101	-	688,101
12 Instructional Resources and Media Services	-	-	-
13 Curriculum Development and Instructional Staff Development	92,894	-	92,894
21 Instructional Leadership	36,831	-	36,831
23 School Leadership	67,324	-	67,324
31 Guidance Counseling and Evaluation	-	-	-
35 Food Services	-	-	-
36 Cocurricular/Extracurricular Activities	-	-	-
41 General Administration	162,180	-	162,180
51 Plant Maintenance and Operations	127,936	-	127,936
52 Security and Monitoring Services	14,863	-	14,863
53 Data Processing	14,825	-	14,825
61 Community Services	-	-	-
81 Fund Raising	-	-	-
Total Expenses	1,204,954	-	1,204,954
Excess (Deficiency) of Revenues Over (Under) Expenses	-	141,744	141,744
<b>CHANGE IN NET ASSETS</b>	-	141,744	141,744
<b>NET ASSETS BEGINNING OF YEAR</b>	-	820,675	820,675
<b>NET ASSETS END OF YEAR</b>	\$ -	\$ 962,419	\$ 962,419

**Corpus Christi Montessori School  
Statement of Cash Flows  
For the Year Ended August 31, 2021**

Exhibit B-3

**Cash Flows From Operating Activities**

Change in Net Assets	\$ 141,744
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	34,153
(Increase) Decrease in:	
Due from State	(122,949)
Due from Other Funds	-
Prepaid Expenses	-
Increase (Decrease) in:	
Accounts Payable	-
Due to State	-
Payroll Taxes	-
Teacher Retirement	-
Accrued Liabilities	-
Accrued Wages	(31,378)
<b>Cash Flows From Operating Activities</b>	<u>21,570</u>

**Cash Flows From Investing Activities**

Purchase of furniture, fixtures & equipment	<u>-</u>
	<u>-</u>

**Cash Flows From Financing Activities**

Principal Payments	<u>-</u>
	<u>-</u>

Net Increase (Decrease) in Cash 21,570

**Cash at Beginning of Year** 551,990

**Cash at End of Year** \$ 573,560

Summary of Cash:

Cash in Bank	<u>573,560</u>
Total Cash	<u>\$ 573,560</u>

**Corpus Christi Montessori School**  
**Schedule of Capital Assets**  
**August 31, 2021**

Exhibit D-1

	Ownership Interest			Total
	Local	State	Federal	
1510 Land and Improvements	\$ -	\$ -	\$ -	-
1520 Buildings and Improvements	-	499,930	-	499,930
1539 Furniture, Fixtures and Equipment	-	32,177	-	32,177
Total Property and Equipment	\$ -	\$ 532,107	\$ -	532,107



**Corpus Christi Montessori School  
Schedule of Expenses  
For the Year ended August 31, 2021**

Exhibit C-1

**Expenses**

6100 Payroll Costs	\$ 840,535
6200 Professional and Contract Services	229,345
6300 Supplies and Materials	41,223
6400 Other Operating Costs	93,851
6500 Interest Expense	-
Total Expenses	<u>\$ 1,204,954</u>

**Corpus Christi Montessori School  
Budgetary Comparison Schedule  
For the Year Ended August 31, 2021**

Exhibit E-1

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	from Final Budget
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support				
5742 Earnings on Temporary Deposits	\$ 1,000	\$ 1,000	\$ 3,251	\$ 2,251
5744 Contributions	-	-	-	-
5748 Other Revenues from Local Sources-Locally Defined	-	-	-	-
5749 Other Revenues from Local Sources	2,000	4,356	4,356	-
Total local support	3,000	5,356	7,607	2,251
State Program Revenues				
5810 Foundation School Program	1,072,578	1,223,610	1,223,610	-
5820 State Program Revenues Distributed by the Texas Education Agency	10,000	24,218	24,218	-
5830 Revenues from Texas Government Agencies	-	54,762	54,762	-
Total State Program Revenue	1,082,578	1,302,590	1,302,590	-
Federal program revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	3,000	36,501	36,501	-
Total Federal Program Revenue	3,000	36,501	36,501	-
Total Revenue and Other Support	1,088,578	1,344,447	1,346,698	2,251
<b>EXPENSES</b>				
11 Instruction	625,227	797,224	688,101	109,123
12 Instructional Resources and Media Services	38,275	81	-	81
13 Curriculum Development and Instructional Staff Development	87,257	103,655	92,894	10,761
21 Instructional Leadership	35,955	42,129	36,831	5,298
23 School Leadership	69,701	72,535	67,324	5,211
31 Guidance Counseling and Evaluation	14,750	51	-	51
35 Food Services	-	-	-	-
36 Cocurricular/Extracurricular Activities	-	-	-	-
41 General Administration	148,106	174,578	162,180	12,398
51 Plant Maintenance and Operations	80,744	131,403	127,936	3,467
52 Security and Monitoring Service	15,000	14,863	14,863	-
53 Data Processing	15,000	14,926	14,825	101
61 Community Services	-	-	-	-
81 Fundraising	-	-	-	-
Total Expenses	1,130,015	1,351,445	1,204,954	146,491
Excess (Deficiency) of Revenues Over (Under) Expenses	-	-	141,744	148,742
<b>CHANGE IN NET ASSETS</b>	(41,437)	(6,998)	141,744	148,742
<b>NET ASSETS BEGINNING OF PERIOD</b>	820,675	820,675	820,675	-
<b>NET ASSETS END OF PERIOD</b>	\$ 779,238	\$ 813,677	\$ 962,419	\$ 148,742

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

Certified Public Accountants

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Corpus Christi, Texas 78411

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

To the Board of Directors  
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, 2021, 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 November 9, 2021.

**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

November 9, 2021

MONTESSORI ASSOCIATION OF SOUTH TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**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 ☐ Yes ☒ No  
are not considered to be material weaknesses?

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, 2021

N/A