



HOUSTON HEIGHTS HIGH SCHOOL

FOUNDATION FOR RECOVERING YOUTH

DBA HOUSTON HEIGHTS HIGH SCHOOL

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2023

TABLE OF CONTENTS

CERTIFICATE OF THE BOARD	1
INDEPENDENT AUDITOR’S REPORT	2
GENERAL-PURPOSE FINANCIAL STATEMENTS	5
STATEMENT OF FINANCIAL POSITION.....	6
STATEMENT OF ACTIVITIES.....	7
STATEMENT OF FUNCTIONAL EXPENSES	8
STATEMENTS OF CASH FLOWS.....	9
NOTES TO FINANCIAL STATEMENTS.....	10
SUPPLEMENTARY INFORMATION	17
SCHEDULE OF EXPENSES.....	18
SCHEDULE OF CAPITAL ASSETS.....	19
BUDGETARY COMPARISON SCHEDULE.....	20
NOTES TO BUDGETARY COMPARISON SCHEDULE	21
SPECIAL PROGRAM COMPLIANCE SCHEDULE	22
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST	23
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS.....	24
SCHEDULE OF RELATED PARTY TRANSACTIONS.....	25
COMPLIANCE AND INTERNAL CONTROL.....	26
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27

**HOUSTON HEIGHTS HIGH SCHOOL
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 76-0584154
COUNTY DISTRICT NUMBER 101821**

CERTIFICATE OF THE BOARD

We, the undersigned, certify that the attached Financial and Compliance Report of Houston Heights High School was reviewed and (check one) approved disapproved for the year ended August 31, 2023, at a meeting of the governing body of the charter holder on the 23rd day of JANUARY, 2024.



Signature of Board Secretary



Signature of Board President



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Houston Heights High School
Houston, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Houston Heights High School, which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Houston Heights High School as of August 31, 2023, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Houston Heights High School 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 opinion.

Auditor's Responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Houston Heights High School's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 GAAS 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 GAAS 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 Houston Heights High School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Houston Heights High School's ability to continue as a going concern for a reasonable period of time.

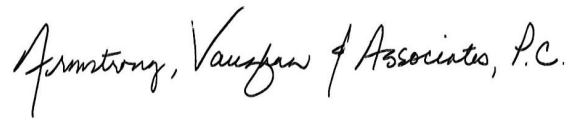
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information (consisting of the statements and schedules as listed in the table of contents) is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of Houston Heights High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering Houston Heights High School's internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.

December 15, 2023

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

HOUSTON HEIGHTS HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2023

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,418,426
Certificates of Deposit	432,253
Accounts Receivable:	
Grants	98,422
Prepaid Expenses	95,583
<i>Total Current Assets</i>	<u>2,044,684</u>

Other Assets:

Right of Use Operating Lease Asset	701,213
Property and Equipment, net	49,139
<i>Total Other Assets</i>	<u>750,352</u>

TOTAL ASSETS \$ 2,795,036

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 43,000
Wages Payable	96,071
Payroll Deductions and Withholdings	16,517
Operating Lease Liability - Current Portion	320,276
<i>Total Current Liabilities</i>	<u>475,864</u>

Long-term Liabilities:

Operating Lease Liability (net of current portion)	423,267
<i>Total Liabilities</i>	<u>899,131</u>

Net Assets:

Without Donor Restrictions	195,618
With Donor Restrictions	1,700,287
<i>Total Net Assets</i>	<u>1,895,905</u>

TOTAL LIABILITIES AND NET ASSETS \$ 2,795,036

The accompanying notes are an integral part of these financial statements.

HOUSTON HEIGHTS HIGH SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE			
<i>Local Revenue</i>			
Other Local Revenues	\$ 10,025	\$ -	\$ 10,025
<i>State Program Revenue</i>			
Foundation School Program	-	1,939,882	1,939,882
Other TEA Programs	-	131,284	131,284
<i>Federal Program Revenue</i>			
Passed through TEA	-	603,858	603,858
	<u>10,025</u>	<u>2,675,024</u>	<u>2,685,049</u>
Net Assets Released from Restrictions	<u>2,642,799</u>	<u>(2,642,799)</u>	<u>-</u>
TOTAL REVENUE	<u>2,652,824</u>	<u>32,225</u>	<u>2,685,049</u>
EXPENSES			
<i>Program Activities</i>			
Instruction	1,589,885	-	1,589,885
Instructional and School Leadership	128,736	-	128,736
Student Support	146,208	-	146,208
Facilities, Security and Data	602,371	-	602,371
<i>Supporting Services</i>			
Administration	<u>175,599</u>	<u>-</u>	<u>175,599</u>
TOTAL EXPENSES	<u>2,642,799</u>	<u>-</u>	<u>2,642,799</u>
CHANGE IN NET ASSETS	10,025	32,225	42,250
NET ASSETS - BEGINNING OF YEAR	185,593	1,799,075	1,984,668
Prior Period Adjustment	<u>-</u>	<u>(131,013)</u>	<u>(131,013)</u>
NET ASSETS - END OF YEAR	<u>\$ 195,618</u>	<u>\$ 1,700,287</u>	<u>\$ 1,895,905</u>

The accompanying notes are an integral part of these financial statements.

HOUSTON HEIGHTS HIGH SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023

	Payroll and Benefits	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Totals
<i>Program Activities</i>					
Instruction	\$ 1,243,452	\$ 221,055	\$ 110,062	\$ 15,316	\$ 1,589,885
Instructional and School Leadership	124,736	-	4,000	-	128,736
Student Support	91,962	34,585	1,587	18,074	146,208
Facilities, Security and Data	-	471,100	99,631	31,640	602,371
<i>Total Program Services</i>	<u>1,460,150</u>	<u>726,740</u>	<u>215,280</u>	<u>65,030</u>	<u>2,467,200</u>
<i>Supporting Services</i>					
Administration	<u>102,615</u>	<u>56,996</u>	<u>3,776</u>	<u>12,212</u>	<u>175,599</u>
TOTAL	<u><u>\$ 1,562,765</u></u>	<u><u>\$ 783,736</u></u>	<u><u>\$ 219,056</u></u>	<u><u>\$ 77,242</u></u>	<u><u>\$ 2,642,799</u></u>

The accompanying notes are an integral part of these financial statements.

HOUSTON HEIGHTS HIGH SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2023

CASH FLOWS PROVIDED (USED) BY	
OPERATING ACTIVITIES	
Cash Received from State and Federal Grantors	\$ 2,640,970
Cash Received from Others	10,025
Payments to Employees for Services	(1,581,605)
Payments to Vendors for Goods and Services	<u>(1,088,353)</u>
NET CASH PROVIDED (USED) BY	
OPERATING ACTIVITIES	<u>(18,963)</u>
CASH FLOWS PROVIDED (USED) BY	
INVESTING ACTIVITIES	
Interest Reinvested in Certificate of Deposit	<u>(10,025)</u>
NET CASH PROVIDED (USED) BY	
INVESTING ACTIVITIES	<u>(10,025)</u>
NET INCREASE (DECREASE) IN CASH	(28,988)
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,447,414</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 1,418,426</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS	
TO NET CASH PROVIDED (USED) BY	
OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ 42,250
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	9,604
(Increase) Decrease in Assets:	
Accounts Receivable:	
Grants	(34,054)
Prepaid Expenses	(13,221)
Right of Use Operating Lease Asset Amortization	481,570
Increase (Decrease) in Liabilities:	
Accounts Payable	6,621
Payroll Deductions and Withholdings	(131)
Wages Payable	(18,709)
Operating Lease Liability	<u>(492,893)</u>
NET CASH PROVIDED (USED) BY	
OPERATING ACTIVITIES	<u><u>\$ (18,963)</u></u>

The accompanying notes are an integral part of these financial statements.

HOUSTON HEIGHTS HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Foundation for Recovering Youth (doing business as Houston Heights High School) is a Texas nonprofit corporation that operates an open-enrollment charter school, serving ninth through twelfth grade on one campus in Houston, Texas. The State Board of Education of the State of Texas approved the open-enrollment charter, pursuant to Chapter 12 of the Texas Education Code (“TEC”). Foundation for Recovering Youth is governed by a three member Board of Directors, which has the authority to make decisions, appoint the chief executive officer, and has the primary accountability for the fiscal affairs of the school.

Foundation for Recovering Youth receives the majority of its funding from the Texas Education Agency based on average daily attendance in the school it operates. Since this includes funding from local, state, and federal government sources, Foundation for Recovering Youth must comply with the requirements of the entities providing those funds.

Basis of Accounting and Presentation

The general-purpose financial statements of Foundation for Recovering Youth were prepared in conformity with accounting principles generally accepted in the United States. The *Financial Accounting Standards Board* is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when they are incurred.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Without Donor Restrictions – net assets that are not subject to grantor or donor-imposed stipulations.

With Donor Restrictions – net assets subject to grantor or donor-imposed stipulations that may be met either by actions of Foundation for Recovering Youth and/or passage of time or may be required to remain in perpetuity.

Cash and Cash Equivalents

For financial statement purposes, Foundation for Recovering Youth considers all highly liquid investment instruments with an original maturity of three months or less to be cash.

Investments

Foundation for Recovering Youth invests in certificates of deposit that are reported at amortized cost.

HOUSTON HEIGHTS HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2023

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Contributions

Foundation for Recovering Youth accounts for contributions as with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Promises to give are recognized when communication of the promise is made if the gift is unconditional. Conditional promises to give are not recognized until the conditions are met.

Capital Assets

Capital assets are defined by Foundation for Recovering Youth as assets with a useful life greater than one year and an individual cost of more than \$5,000. Such assets are recorded at historical cost (or fair value if donated) and are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation. Leasehold improvements are amortized over the lesser of the life of the lease or the expected useful life.

Use of 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.

Functional Expenses

Foundation for Recovering Youth records expenses in accordance with the Texas Education Agency's chart of accounts outlined in the Financial Accountability System Resource Guide. Indirect expenses are generally recorded as administrative expenses. Administrative expenses include the office of the superintendent, legal and accounting fees.

Income Taxes

Foundation for Recovering Youth is a not-for-profit organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, except to the extent that it has unrelated business income. No provision for income taxes has been made in the financial statements.

Subsequent Events

Subsequent events were considered through December 15, 2023, which is the date the financial statements were available to be issued.

HOUSTON HEIGHTS HIGH SCHOOL
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 AUGUST 31, 2023

NOTE 2 -- CASH

Bank deposits as of August 31, 2023 were collateralized by a combination of FDIC coverage and securities pledged by the depository.

NOTE 3 -- ACCOUNTS RECEIVABLE

Accounts Receivable at August 31, 2023 consisted of funding from the following programs:

<i>Texas Education Agency</i>	
Foundation School Program	\$ 12,664
Other Programs	52,131
<i>Other Entities</i>	
IDEA-B Special Education	33,627
Total Accounts Receivable	\$ 98,422

NOTE 4 -- CAPITAL ASSETS

Capital assets at August 31, 2023 were as follows:

Leasehold Improvements	\$ 587,779
Less: Accumulated Depreciation	(538,640)
Property and Equipment - Net	\$ 49,139

Capital assets acquired with public funds received by Foundation for Recovering Youth for the operation of the open-enrollment charter school constitute public property pursuant to Charter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets. Should the charter school be closed, these assets may revert to the Texas Education Agency. Depreciation expense was \$9,604 for the year ending August 31, 2023.

NOTE 5 -- NET ASSETS WITH DONOR RESTRICTIONS

As of August 31, 2023, Foundation for Recovering Youth net assets with donor restrictions consisted solely of unspent Foundation School Program revenues. These revenues are restricted for the operation of the open-enrollment charter school, Foundation for Recovering Youth' primary function.

HOUSTON HEIGHTS HIGH SCHOOL
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 AUGUST 31, 2023

NOTE 5 -- NET ASSETS WITH DONOR RESTRICTIONS (CONT.)

Releases of net assets with donor restrictions during the year ending August 31, 2023 were from the following purpose restrictions:

<i>Satisfaction of Purpose Restrictions</i>	
Foundation School Program	\$ 1,907,657
ESSER	419,850
Every Student Succeeds Act	131,600
Special Education	33,627
Other Federal and Local Programs	150,065
<i>Total Released from Restriction</i>	<u>\$ 2,642,799</u>

NOTE 6 -- PENSION PLAN OBLIGATION

The charter school contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the charter school, but are the liability of the State of Texas. Charters are legally separate entities from the State and there is no withdrawal penalty for leaving TRS. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publications Heading.

The plan financial statements for the year ending August 31, 2022 reported a plan net position of \$184 billion with a total pension liability of \$244 billion. Net position of the plan represented 75.6% of the total pension liability.

Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a 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 1 year, the period would be increased by such action.

HOUSTON HEIGHTS HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2023

NOTE 6 -- PENSION PLAN OBLIGATION (CONT.)

The following table presents contribution rates and amounts:

	<u>Member</u>	<u>State</u>	<u>Employer</u>
Contribution Rates	8.00%	8.00%	8.00%
Contributions	\$108,667	\$108,667	\$ 47,336

Certain employer contributions are made by the state for salaries funded through state programs. Contributions for the year were less than 5% of all TRS contributions.

NOTE 7 -- RETIREE HEALTH PLAN – OTHER POST EMPLOYMENT BENEFIT

TRS also offers retiree health insurance, called TRS-Care, a cost-sharing multiple-employer defined benefit postemployment health care plan. Qualified retirees (and their dependents) receive health insurance paid for by the plan. The statutory authority for the program is Texas Insurance Code, Chapter 1575. The State, employees and employers contribute a portion of covered payroll.

The plan financial statements for the year ending August 31, 2022 reported a plan net position of \$3.1 billion with a total OPEB liability of \$27 billion. Net position of the plan represented 11.5% of the total OPEB liability.

Contribution requirements are not actuarially determined but are established each biennium by the Texas State Legislature. The Contribution rates and amounts were as follows:

	<u>Member</u>	<u>State</u>	<u>Employer</u>
Contribution Rates	0.65%	1.25%	0.75%
Contributions	\$ 8,829	\$ 16,979	\$ 10,187

Foundation for Recovering Youth is required to contribute 0.75% of all covered salaries. Additional contributions are required for salaries funded through certain private and federal grants.

HOUSTON HEIGHTS HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2023

NOTE 8 -- LEASE

In December 2015, the Organization signed a lease for ten years for its campus location. The lease requires monthly payments and includes no renewal or purchase options. In previous years, the lease required the lessee to also be responsible for property taxes. However, the property is now tax exempt. Lease costs for the year ending August 31, 2023 are as follows:

Lease Costs		
Operating Lease Cost	\$	325,384
Other Information for Operating Leases		
Cash Paid	\$	336,168
Remaining Lease Term		27 months
Discount Rate		3.50%

Future payments on the lease liability are as follows:

Year Ending August 31,	Future Lease Payments		
	Principal	Interest	Total
2024	\$ 320,276	\$ 20,935	\$ 341,211
2025	336,867	9,461	346,328
2026	86,400	504	86,904
	\$ 743,543	\$ 30,900	\$ 774,443

NOTE 9 -- LIQUIDITY AND AVAILABILITY

Foundation for Recovering Youth is substantially supported by the State of Texas Foundation School Program (FSP) which is based on student enrollment. While restricted by law, Foundation for Recovering Youth considers the FSP as available for operations since the charter school is the primary program of Foundation for Recovering Youth. The following schedule summarizes resources available to fund Foundation for Recovering Youth operations as of August 31, 2023:

<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 1,418,426
Certificates of Deposit	432,253
Accounts Receivable	98,422
<i>Current Liabilities:</i>	(475,864)
<i>Less Net Assets with Donor Imposed Restrictions</i>	
Restrictions Other than Foundation School Program	-
<i>Available to Fund Operations</i>	<u>\$ 1,473,237</u>

In addition, an initial FSP allotment of \$1.7 million will be available to fund the 2024 fiscal year.

HOUSTON HEIGHTS HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONT.)
AUGUST 31, 2023

NOTE 10 -- COMMITMENTS AND CONTINGENCIES

Foundation for Recovering Youth receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

NOTE 11 -- LITIGATION

Management is unaware of any pending or threatened litigation that would result in any significant financial impact.

NOTE 12 -- PRIOR PERIOD ADJUSTMENT

The financial statements for the year ending August 31, 2022 have been restated for the effects of three changes. First, teachers earn compensation in August of each year, however, their pay does not start until September. This timing difference was previously not accounted for at year end. A payroll accrual to recognize the portion of their completed contract earned as of August 31 was recorded. Similarly, the unexpired portion of insurance policies was not accounted for as an asset. A change was made to recognize prepaid insurance over the life of the policy. Lastly, an adjustment to the lease liability was necessary to remove property taxes from the lease payments and to adjust the amortization of the right of use asset so that straight-line expense was achieved over the life of the lease. These changes are as follows:

Beginning Net Assets, Previously Reported	\$ 1,984,668
Record Prepaid Insurance	37,420
Record Accrued Wages	(114,780)
Recalculated Lease Liability	<u>(53,653)</u>
Beginning Net Assets, Restated	<u>\$ 1,853,655</u>

SUPPLEMENTARY INFORMATION

HOUSTON HEIGHTS HIGH SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023

EXPENSES	
6100 Payroll	\$ 1,562,765
6200 Professional and Contracted Services	783,736
6300 Supplies and Materials	219,056
6400 Other Operating Costs	77,242
6500 Debt Service	-
Total Expenses	<u>\$ 2,642,799</u>

HOUSTON HEIGHTS HIGH SCHOOL
 SCHEDULE OF CAPITAL ASSETS
 AUGUST 31, 2023

	Local	State	Federal
1110 Cash	\$ -	\$ 1,418,426	\$ -
1120 Certificates of Deposit	-	432,253	-
1510 Land and Improvements	-	-	-
1520 Buildings	-	587,779	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	-	-
Total Property and Equipment	\$ -	\$ 2,438,458	\$ -

HOUSTON HEIGHTS HIGH SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

	Budgeted Amounts		Actual Amounts	Variance from
	Original	Final		Final Budget
REVENUE				
<i>Local Revenue</i>				
5740 Other Local Revenues	\$ 6,000	\$ 10,000	\$ 10,025	\$ 25
<i>State Program Revenues</i>				
5810 Foundation School Program	1,948,814	1,927,218	1,939,882	12,664
5820 Through Texas Education Agency	28,000	79,153	131,284	52,131
<i>Federal Program Revenues</i>				
5920 Through Texas Education Agency	525,000	603,858	603,858	-
TOTAL REVENUE	<u>2,507,814</u>	<u>2,620,229</u>	<u>2,685,049</u>	<u>64,820</u>
EXPENSES				
11 Instruction	1,510,785	1,608,000	1,572,410	35,590
13 Curriculum Development and Instructional Student Development	15,900	17,500	17,477	23
21 Instructional Leadership	68,500	68,500	67,781	719
23 School Leadership	61,500	61,500	60,955	545
31 Guidance and Counseling	90,000	90,000	89,312	688
35 Food Services	25,000	25,000	25,090	(90)
36 Co and Extracurricular Activities	33,500	33,900	31,805	2,095
41 General Administration	175,300	175,300	175,598	(298)
51 Plant Maintenance	510,000	492,000	487,262	4,738
52 Security and Monitoring	3,500	63,000	115,109	(52,109)
TOTAL EXPENSES	<u>2,493,985</u>	<u>2,634,700</u>	<u>2,642,799</u>	<u>(8,099)</u>
 CHANGE IN NET ASSETS	 13,829	 (14,471)	 42,250	 56,721
 BEGINNING NET ASSETS	 1,984,668	 1,984,668	 1,984,668	 -
Prior Period Adjustment	-	-	(131,013)	(131,013)
ENDING NET ASSETS	<u>\$ 1,998,497</u>	<u>\$ 1,970,197</u>	<u>\$ 1,895,905</u>	<u>\$ (74,292)</u>

See Independent Auditor's Report.

HOUSTON HEIGHTS HIGH SCHOOL
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

BUDGETARY APPROACH

Foundation for Recovering Youth begins the year with known revenue streams in the budget. As federal and other grants are awarded, the budget is amended to include the new revenue and related expenses. This will cause the final budget to be substantially higher than the original budget. For the year ending August 31, 2023, this resulted in increases of 10% or more to the following functional budgets:

13 Curriculum Development and Instructional Student Development
52 Security and Monitoring

BUDGETARY VARIANCES

Expenses in the following functions exceeded the final budget by 10%:

52 Security and Monitoring – Grants were awarded for security improvements that were not expected to be utilized until the 23-24 fiscal year.

HOUSTON HEIGHTS HIGH SCHOOL
SPECIAL PROGRAM COMPLIANCE SCHEDULE
AUGUST 31, 2023

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the LEA 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 District's fiscal year.	\$ 232,964
AP4	List the actual direct program expenditures for state compensatory education during the LEA's fiscal year (PICs 24, 26, 28, 29, 30, 34)	\$ 146,969
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	No
AP6	Does the LEA have written policies and procedures for its bilingual education program?	No
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ -
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ -

HOUSTON HEIGHTS HIGH SCHOOL
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
AUGUST 31, 2023

Not Applicable

HOUSTON HEIGHTS HIGH SCHOOL
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
AUGUST 31, 2023

Not Applicable

HOUSTON HEIGHTS HIGH SCHOOL
 SCHEDULE OF RELATED PARTY TRANSACTIONS
 AUGUST 31, 2023

<u>Related Party Name</u>	<u>Name of Relation of the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During Fiscal Year</u>
Constance Singleton	N/A	Board Member	Retainer	Monthly	State	Annual	\$ 3,000

See Independent Auditor's Report.

**COMPLIANCE AND
INTERNAL CONTROL**



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Houston Heights High School (Foundation for Recovering Youth)
Houston, 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 combined financial statements of Foundation for Recovering Youth, which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Foundation for Recovering Youth'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 Foundation for Recovering Youth's internal control. Accordingly, we do not express an opinion on the effectiveness of Foundation for Recovering Youth's internal control.

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

Our consideration of 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 control 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Houston Heights High School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that were communicated to management in a separate letter dated December 15, 2023.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armstrong, Vaughan & Associates, P.C.

December 15, 2023