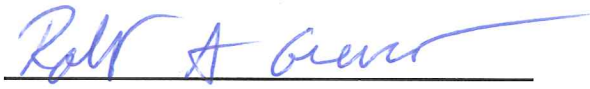
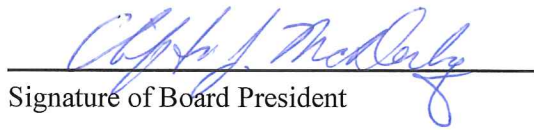


Foundation for Recovering Youth (Charter Holder)
DBA Houston Heights High School
(Federal Employer Identification Number: 76-0584154)
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of the Foundation for Recovering Youth DBA Houston Heights High School was reviewed and (check one) X approved disapproved for the year ended August 31, 2018, at a meeting of the governing body of the charter holder on the 15th day of January 2019.



Signature of Board Secretary



Signature of Board President

NOTE: If the governing body of the charter holder does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

Foundation for Recovering Youth (Charter Holder)
Houston Heights High School (School)

Independent Auditor's Reports and
Financial Statements

August 31, 2018 and 2017

Houston Heights High School
Financial Statements and Supplemental Information

August 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Houston Heights High School

We have audited the accompanying financial statements of Foundation for Recovering Youth (charter holder) and Houston Heights High School (the charter school), which comprise the statement of financial position as of August 31, 2018 and 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Recovering Youth as of August 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The special-purpose statements, beginning on page 12, are presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2019, on our consideration of Foundation for Recovering Youth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation for Recovering Youth's internal control over financial reporting and compliance.



Houston, Texas
January 14, 2019

Houston Heights High School
 Statements of Financial Position
 August 31, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 1,401,057	\$ 1,212,631
Accounts receivable	-	42,270
Prepaid expenses and deposits	43,426	12,876
Total current assets	1,444,483	1,267,777
Investments, certificates of deposit	250,000	250,000
Property and equipment, net	109,686	150,505
	359,686	400,505
Total assets	\$ 1,804,169	\$ 1,668,282
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,626	\$ 8,381
Deferred revenue	2,222	-
Total current liabilities	7,848	8,381
Net assets		
Unrestricted net assets	207,383	214,683
Temporarily restricted	1,588,938	1,445,218
Total net assets	1,796,321	1,659,901
Total liabilities and net assets	\$ 1,804,169	\$ 1,668,282

The notes to the financial statements are an integral part of the financial statements.

Houston Heights High School
 Statements of Activities
 For the Years Ended August 31, 2018 and 2017

	Unrestricted	Temporarily Restricted	Totals	
			2018	2017
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 3,469	\$ -	\$ 3,469	\$ 10,818
5750 Revenue from enterprising sources	-	-	-	-
State program revenues				
5810 Foundation School Program Act	-	2,120,338	2,120,338	2,122,671
5820 State program revenues distributed by Texas Education Agency	-	24,976	24,976	50,525
Total state program revenues	-	2,145,314	2,145,314	2,173,196
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	-	172,843	172,843	123,416
Net assets released from restrictions:				
Restrictions satisfied by payments	2,174,437	(2,174,437)	-	-
Total revenues and other support	2,177,906	143,720	2,321,626	2,307,430
Expenses and other losses				
11 Instruction	1,223,169	-	1,223,169	1,175,147
12 Instructional resources and media services	-	-	-	-
13 Curriculum development and instructional staff development	3,048	-	3,048	900
21 Instructional leadership	74,099	-	74,099	73,867
23 School leadership	54,323	-	54,323	79,780
31 Guidance, counseling and evaluation service	70,359	-	70,359	98,020
33 Health services	-	-	-	887
35 Food services	18,215	-	18,215	14,526
36 Cocurricular/extracurricular activities	51,744	-	51,744	37,330
41 General administration	151,863	-	151,863	159,281
51 Plant maintenance and operations	538,386	-	538,386	593,688
52 Security and monitoring services	-	-	-	-
53 Data processing services	-	-	-	-
	2,185,206	-	2,185,206	2,233,426
Change in net assets	(7,300)	143,720	136,420	74,004
Net assets, beginning of year	214,683	1,445,218	1,659,901	1,585,897
Net assets, ending of year	\$ 207,383	\$ 1,588,938	\$ 1,796,321	\$ 1,659,901

The notes to the financial statements are an integral part of the financial statements.

Houston Heights High School
Statements of Cash Flows
For the Years Ended August 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Foundation School Program payments	\$ 2,120,338	\$ 2,122,671
Grant payments	240,089	143,396
Miscellaneous sources	3,469	10,818
Payments to vendors for goods and services	(1,029,188)	(963,938)
Payments to charter school personnel for services	(1,146,282)	(1,232,012)
Net cash provided by operating activities	188,426	80,935
Cash flows from investing activities		
Purchase of property and equipment	-	(39,825)
Net cash used by investing activities	-	(39,825)
Net change in cash and cash equivalents	188,426	41,110
Cash and cash equivalents, beginning of year	1,212,631	1,171,521
Cash and cash equivalents, end of year	\$ 1,401,057	\$ 1,212,631
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	136,420	74,004
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,819	43,539
(Increase) decrease in assets:		
Accounts receivable	42,270	(30,545)
Deposits and prepaid expenses	(30,550)	1,824
Increase (decrease) in net liabilities:		
Accounts payable and accrued expenses	(2,755)	(7,887)
Deferred revenue	2,222	-
Net cash provided by operating activities	\$ 188,426	\$ 80,935

The notes to the financial statements are an integral part of the financial statements.

Houston Heights High School
Notes to the Financial Statements
August 31, 2018 and 2017

Note 1 – Summary of Significant Accounting Policies

Organization and Nature of Activities

Foundation for Recovering Youth, Inc., (charter holder), dba Houston Heights High School (“HHHS”), is a non-profit organization incorporated under the laws of the State of Texas. The charter school was organized to provide educational services for grades 8-12 and its programs, services and functions are governed by the corporation’s board of directors. The charter holder operates one charter school, in Houston, Texas and does not engage in any other non-charter activity. The charter schools operations and primarily funds from the Texas Education Agency through the State’s Foundation School Program. For the years ended August 31, 2018 and 2017, these program funds represented 91% and 92%, respectively, of total revenues.

The charter holder is governed by a board of directors comprised of three members. The Board of Directors is selected pursuant to the by-laws of the corporation and has the authority to make decisions, appoint the chief executive officer of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the affairs of the charter holder. Since the charter holder received funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds.

In 1998, the State Board of Education of the State of Texas granted the corporation an open enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, HHHS was opened in 1999. HHHS operates as part of the state public school system subject to all federal and state laws and rules governing public schools pursuant to its charter granted by the State Board of Education in accordance with the Texas Education Code Section 12, Subchapter D, Open-Enrollment Charter School. HHHS is also subject to all laws and rules pertaining to open enrollment charter schools in Section 12 of the Texas Education Code.

Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP). The accounting system is organization under the *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter School Chart of Accounts*, a module of the Texas Education Agency Financial Accountability Resource Guide.

HHHS reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted net assets – Unrestricted net assets include unrestricted resources which represent the portions of funds that are available for the operating objectives of the organization.

Temporarily restricted net assets – Temporarily restricted net assets consist of donor-restricted funds and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and unexpended amounts are reported as temporarily restricted net assets at year-end.

Houston Heights High School
Notes to the Financial Statements
August 31, 2018 and 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Permanently restricted net assets – Permanently restricted net assets consist of donor-restricted contributions, which are required to be held in perpetuity. Income for the assets held is available for either general or specific purposes. HHHS has no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are comprised of cash on hand and in banks. This category also includes all highly liquid investment instruments with a maturity of three months or less.

Capital Assets

Capital assets, comprised of leasehold improvements, equipment and furniture, are reported in the financial statements. Capital assets are defined by the charter holder as assets with an estimated useful life of more than one year and a cost of \$5,000 or more. Such assets are recorded at historical cost and are depreciated over the estimate useful lives of the assets, which range from five to 15 years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized; maintenance and repairs are charged to expense as incurred. Acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Donations of assets are recorded at fair value at the date of the donation, which is then treated as cost.

Support and Revenue

Support and revenue are recorded based on the accrual method. Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. Contributions and awards are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and report in the statement of activities as net assets released from restriction.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.

Budget

An official school budget is required for adoption for required Government Fund Types. The School's annual budget is prepared on a basis consistent with generally accepted accounting principles and is formally adopted by the Board.

Note 2 – Cash Deposits

The charter holder's funds are deposits and invested with depository contracts. The depository bank for the charter school accounts should deposit for safekeeping and trust with the charter holder's agent bank approved pledged securities in an amount sufficient to protect charter school funds on a day-to-day basis during the period of contract.

The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Houston Heights High School
Notes to the Financial Statements
August 31, 2018 and 2017

Note 3 – Investments and Fair Value

Investments in certificates of deposit are reported at amortized cost. Interest income is reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of investments with maturities of twelve months or less. Long-term investments consist of investments with maturities greater than twelve months.

	<u>2018</u>	<u>2017</u>
Certificates of deposit, cost/ face value	\$ 250,000	\$ 250,000
Maturity date	12/15/2020	12/15/2020
Interest rate	0.50%	0.50%

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes the inputs used to measure fair value. 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets and have the highest priority.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* - Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Certificates of deposit are presented at a amortized cost, a Level 2 valuation. Due to the nature of the terms and the maturity dates, the recorded value of the investments approximates their fair value.

The charter holder’s other financial instruments are cash and cash equivalents, prepaid expenses, and accounts receivable payable. The recorded values of these items approximate their fair values based on their short-term nature.

Note 4 – Capital Assets

Capital assets at August 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Improvements	\$ 590,979	\$ 590,979
Furniture and equipment	237,271	237,271
	<u>828,250</u>	<u>828,250</u>
Less: Accumulated depreciation	(718,564)	(677,745)
	<u><u>\$ 109,686</u></u>	<u><u>\$ 150,505</u></u>

Depreciation expense was \$40,819 and \$43,539 for the years ended August 31, 2018 and 2017, respectively.

Capital assets acquired with public funds received by the charter holder for the operation of Houston Heights High School constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

Houston Heights High School
Notes to the Financial Statements
August 31, 2018 and 2017

Note 5 – Pension Plan Obligations

Plan Description

The charter school contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is 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. The System provides service retirement and disability retirement benefits and death benefits to plan members and beneficiaries.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. If a participating employer stops contribution to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement.

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.

The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement System, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System’s annual financial report and other required disclosure information are available by writing the TRS Communications Department, 1000 Red River, Austin, Texas 78701 or by calling the TRS Communications Department at 1-(800) 223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under TRS Publications Heading.

Funding Policy

Employee contribution rates are set in the state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2018. The following contribution rates were in effect for the years ended August 31, 2018 and 2017:

Contributor Rates by Type	2018	2017
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%

The charter school employees’ contributions to the System for the years ended August 31, 2018 and 2017, were \$86,737 and \$86,188, equal to the required contributions for these years.

Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum at a rate of 6.8% for the years ending August 31, 2018 and 2017, were \$25,866 and \$26,031, respectively, equal to the required contributions for each year. There have been no changes that would affect the comparison of employer contributions from year to year.

The charter’s contributions to the plan did not represent more than 5% of the total contributions to the plan. The charter holder made contributions for the Non-Old Age Survivor and Disability Insurance

Houston Heights High School
Notes to the Financial Statements
August 31, 2018 and 2017

Note 5 – Pension Plan Obligations (Continued)

(Non-OASDI) for certain employees. The total amount contributed for Non-OASDI for the fiscal years ending August 31, 2018 and 2017 was \$16,910 and \$15,606, respectively.

As of August 31, 2018, the Plan consisted of the following:

<u>Plan Name</u>	<u>Plan Number</u>	<u>Total Plan Assets</u>	<u>Accumulated Benefit Obligations</u>	<u>% Funded</u>
Teacher Retirement System of Texas	N/A	\$ 176,942,454,000	\$ 209,611,329,000	73.74%

As the non-employer contributing entity for public education, 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 are required to pay the employer contribution rate in the following instances:

- 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 source or a privately sponsored source

In addition to the employer contribution listed above, when employing a retiree of the Teacher’s Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Note 6 – Health Care Coverage

During the years ended August 31, 2018 and 2017, employees of the charter school were covered by a Health Insurance Plan (the Plan). The charter school contributed \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 7 – Lease Obligation and Related Party Transactions

The HHHS is under an operating lease for its facility, with a monthly expense of \$25,335 plus facility property taxes and a termination date of December 1, 2025. HHHS incurred \$365,452 and \$360,690 in facilities lease expenses for the years ended August 31, 2018 and 2017, respectively. Future minimum payments under this agreement for the years ending August 31 are as follows:

2019	\$	304,020
2020		304,020
2021		304,020
2022		304,020
2023		304,020

Houston Heights High School
Notes to the Financial Statements
August 31, 2018 and 2017

Note 7 – Lease Obligation and Related Party Transactions (Continued)

The facility lease agreement is with an entity, which is wholly owned by Mr. Richard Mik, the former superintendent and CEO of HHHS. The arrangement has been disclosed to the TEA, and the rental rates are less comparable to the prevailing market rate.

Note 8 – Commitments and Contingencies

The charter school receives funds through state and federal programs that are governed by various statutes and regulations of the grantor agency. State Foundation program funding is based on student enrollment and attendance, as reported to the Texas Education Agency by the charter holder.

Student enrollment and attendance reports are subject to audit by the Texas Education Agency and amounts paid to the charter holder may be adjusted according to the results of any such TEA audit. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex 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. In the opinion of management, there are no contingent liabilities relating to enrollment and attendance records as filed or relative to compliance with the rules and regulations governing grant expenditures; therefore, no provision has been made in the accompanying financial statements for such contingencies.

Note 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets for the years ending August 31, 2018 and 2017 consisted of the following:

	2018	2017
FSP revenues (420)	1,586,299	1,445,218
Federal funds (289)	2,639	-
	<u>1,588,938</u>	<u>1,445,218</u>

Note 10 - Income Taxes

HHHS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business taxable income. The School had no unrelated business income for the years ended August 31, 2018 and 2017 and, therefore, has no provision for income taxes.

The tax positions taken related to HHHS's tax exempt status have been reviewed. In management's opinion, these positions would more likely than not be sustained by examination. Accordingly, the School has not recorded an income tax liability for uncertain tax benefits. For the years ended August 31, 2018 and 2017, there were no penalties related to income taxes recorded or included in the financial statements. As of August 31, 2018, the School's tax years 2015 and thereafter are subject to examination.

Note 11 – Subsequent events

Generally accepted accounting principles establish standard of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued. Management has evaluated subsequent events through January 14, 2019, which is the date the financial statements were available to be issued and determined that no events have occurred that warrant disclosure.

Special-Purpose Statements

Houston Heights High School
 Schedule of Expenses
 For the Years Ended August 31, 2018 and 2017

	Totals	
	2018	2017
Expenses		
6100 Payroll Costs	\$ 1,279,835	\$ 1,340,144
6200 Professional and Contracted Services	678,186	651,052
6300 Supplies and Materials	120,749	140,202
6400 Other Operating Costs	106,436	102,028
6500 Debt	-	-
Total Expenses	\$ 2,185,206	\$ 2,233,426

Houston Heights High School
 Schedule of Capital Assets
 As of August 31, 2018

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 1,401,057	\$ -
1910 Investments	-	250,000	-
1520 Improvements	52,804	452,088	-
1539 Furniture and Equipment	39,650	242,547	41,160
	\$ 92,454	\$ 2,345,692	\$ 41,160

Houston Heights High School
 Budgetary Comparison Schedule
 For the Year Ended August 31, 2018

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local support				
5740 Other Revenues from local sources	\$ 1,400	\$ 3,500	\$ 3,469	\$ (31)
5750 Revenue from enterprising sources	-	-	-	-
State program revenues				
5810 Foundation School Program Act	2,030,000	2,120,000	2,120,338	338
5820 State Program revenues distributed by Texas Education Agency	25,000	25,000	24,976	(24)
Total state program revenues	<u>2,055,000</u>	<u>2,145,000</u>	<u>2,145,314</u>	<u>314</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	127,000	169,855	172,843	2,988
Total federal revenues	<u>127,000</u>	<u>169,855</u>	<u>172,843</u>	<u>2,988</u>
Total revenues	<u>2,183,400</u>	<u>2,318,355</u>	<u>2,321,626</u>	<u>3,271</u>
Expenses				
11 Instruction	1,140,000	1,221,500	1,223,169	(1,669)
12 Instructional Resource and Media	-	-	-	-
13 Curriculum Development and Instructional Staff Development	2,400	-	3,048	(3,048)
21 Instructional Leadership	77,500	75,500	74,099	1,401
23 School Leadership	63,000	57,000	54,323	2,677
31 Guidance, Counseling and Evaluation Services	65,000	72,000	70,359	1,641
32 Social Work Services	-	-	-	-
33 Health Services	750	250	-	250
34 Student (Pupil) Travel	-	-	-	-
35 Food Service	16,000	18,500	18,215	285
36 Cocurricular/Extracurricular Activities	40,500	52,025	51,744	281
41 General Administration	152,500	156,500	151,863	4,637
51 Plant Maintenance and Operations	570,000	546,000	538,386	7,614
52 Security and Monitoring Services	-	-	-	-
Total expenses	<u>2,127,650</u>	<u>2,199,275</u>	<u>2,185,206</u>	<u>14,069</u>
Change in net assets	55,750	119,080	136,420	17,340
Net assets, beginning of year	<u>1,659,901</u>	<u>1,659,901</u>	<u>1,659,901</u>	<u>-</u>
Net assets, end of year	<u>\$ 1,715,651</u>	<u>\$ 1,778,981</u>	<u>\$ 1,796,321</u>	<u>\$ 17,340</u>

See auditors report

Supplemental Reporting



A Professional Corporation
One Greenway Plaza, Suite 320
Houston, Texas 77046

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

To the Board of Directors of
Houston Heights High School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Houston Heights High School (the School) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018 and 2017 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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.

Ralph and Ralph, P.C.

January 14, 2019

Houston Heights High School
 Schedule of Findings and Questioned Costs
 For the Year Ended August 31, 2018

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on the financial statements of the auditee

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

Yes none reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Auditee did not meet the requirements for a single audit.

II. Financial Statement Findings

None identified

III. Findings and questioned costs for state and federal awards

None identified

Houston Heights High School
Schedule of Prior Audit Findings
For the Year Ended August 31, 2018

None identified; no 2017 findings.