

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, 2022, at a meeting of the governing body of the charter holder on the 25th day of January 2023.



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, 2022 and 2021

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

Independent Auditor's Reports and
Financial Statements

August 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Houston Heights High School

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Foundation for Recovering Youth as of August 31, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Foundation for Recovering Youth's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Foundation for Recovering Youth'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 Foundation for Recovering Youth'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 special-purpose statements on pages 13 through 17 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 schedule of expenditures of federal awards 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 25, 2023, 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 solely 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 effectiveness of Foundation for Recovering Youth's 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.

Ralph and Ralph, P.C.

Houston, Texas January 25, 2023

Houston Heights High School
Statements of Financial Position
August 31, 2022 and 2021

	2022	2021
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,447,414	\$ 1,457,899
Investments, certificates of deposit	422,228	420,084
Accounts receivable	64,368	40,201
Prepaid expense	44,942	40,412
Total current assets	1,978,952	1,958,596
Right of use asset, occupancy lease, net of accumulated depreciation of \$674,362	1,182,783	1,531,123
Property and equipment, net of accumulated depreciation of \$735,551 and \$725,947, respectively	58,743	68,347
Total assets	\$ 3,220,478	\$ 3,558,066
Liabilities		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 53,027	\$ 55,380
Total current liabilities	53,027	55,380
Accrued lease expense, right of use	58,810	67,741
Lease obligation, right of use	1,123,973	1,463,383
Total liabilities	\$ 1,235,810	\$ 1,586,504
Net assets		
Without restriction	185,593	183,580
With restriction	1,799,075	1,787,982
Total net assets	1,984,668	1,971,562
Total liabilities and net assets	\$ 3,220,478	\$ 3,558,066

The accompanying notes are an integral part of these statements.

Houston Heights High School
Statements of Activities
For the Years Ended August 31, 2022 and 2021

	Without Restriction	With Restriction	Totals	
			2022	2021
Revenues				
Local support				
5740 Other revenues from local sources	\$ 2,163	\$ -	\$ 2,163	\$ 5,318
Total local support	2,163	-	2,163	5,318
State program revenues				
5810 Foundation School Program Act	-	1,902,257	1,902,257	1,945,425
5820 State program revenues distributed	-	-	-	8,724
Total state program revenues	-	1,902,257	1,902,257	1,954,149
Federal program revenues				
5920 Federal revenues distributed by Texas Education Agency	-	526,860	526,860	309,684
Total federal program revenues	-	526,860	526,860	309,684
Net assets released from restrictions				
Restrictions satisfied by payments	2,418,024	(2,418,024)	-	-
Total revenues	2,420,187	11,093	2,431,280	2,269,151
Expenses				
Program services:				
11 Instruction	1,446,272	-	1,446,272	1,308,308
13 Curriculum development and instructional staff development	3,000	-	3,000	12,950
21 Instructional leadership	66,248	-	66,248	64,983
23 School leadership	58,763	-	58,763	55,170
31 Guidance, counseling, and evaluation service	89,807	-	89,807	26,597
33 Health services	-	-	-	-
35 Food services	20,302	-	20,302	9,920
36 Cocurricular/ extracurricular activities	35,745	-	35,745	10,883
Program support from plant maintenance	379,474	-	379,474	388,135
Support services:				
41 General administration	167,442	-	167,442	147,757
51 Plant maintenance and operations	149,396	-	149,396	139,945
52 Security and monitoring services	1,725	-	1,725	2,056
Total expenses	2,418,174	-	2,418,174	2,166,704
Change in net assets	2,013	11,093	13,106	102,447
Net assets, beginning of year	183,580	1,787,982	1,971,562	1,869,115
Net assets, end of year	\$ 185,593	\$ 1,799,075	\$ 1,984,668	\$ 1,971,562

The accompanying notes are an integral part of these statements.

Houston Heights High School
 Statements of Functional Expenses
 For the Years Ended August 31, 2022 and 2021

	2022			2021 Total
	Program Activities	Support Activities	Total	
Expenses				
Salaries and wages	\$ 1,235,589	\$ 79,032	\$ 1,314,621	\$ 1,042,316
Payroll taxes and benefits	155,411	16,556	171,967	133,406
Total compensation expense	<u>1,391,000</u>	<u>95,588</u>	<u>1,486,588</u>	<u>1,175,722</u>
Occupancy	339,639	37,737	377,376	393,555
Professional services	203,741	55,387	259,128	280,598
Repair and maintenance	-	72,851	72,851	72,528
Utilities	31,191	3,466	34,657	25,918
Insurance	-	26,973	26,973	25,142
Depreciation	8,644	960	9,604	11,788
Supplies and materials	57,651	21,632	79,283	165,617
Travel	11,190	-	11,190	6,480
Office and administration	56,555	3,969	60,524	9,356
Total expenses	<u>\$ 2,099,611</u>	<u>\$ 318,563</u>	<u>\$ 2,418,174</u>	<u>\$ 2,166,704</u>

The accompanying notes are an integral part of these statements.

Houston Heights High School
Statements of Cash Flows
For the Years Ended August 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Foundation School Program payments	\$ 1,902,257	\$ 1,945,425
Grant payments	502,693	283,524
Miscellaneous sources	2,163	5,318
Payments to vendors for goods and services	(1,104,450)	(874,112)
Payments to charter school personnel for services	(1,311,004)	(1,257,587)
Net cash provided by operating activities	(8,341)	102,568
Cash flows from investing activities		
Purchase/sale of investments, certificates of deposit	(2,144)	452,039
Net cash used by investing activities	(2,144)	452,039
Net change in cash and cash equivalents	(10,485)	554,607
Cash and cash equivalents, beginning of year	1,457,899	903,292
Cash and cash equivalents, end of year	\$ 1,447,414	\$ 1,457,899
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 13,106	\$ 102,447
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,604	11,788
(Increase) decrease in assets:		
Accounts receivable	(24,167)	(39,750)
Deposits and prepaid expenses	(4,530)	4,297
Increase (decrease) in net liabilities:		
Accounts payable and accrued expenses	(2,354)	23,786
Deferred revenue	-	-
Net cash provided by operating activities	\$ (8,341)	\$ 102,568

The accompanying notes are an integral part of these statements.

Houston Heights High School
Notes to the Financial Statements
August 31, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

The general-purpose financial statements of foundation for Recovering Youth, Inc., (Charter holder), dba Houston Heights High School (the School) 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.

Reporting Entity

The Charter holder/School is a not-for-profit organization incorporated in the State of Texas and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The school is governed by a Board of Directors comprised of three members. The Board of Directors is selected pursuant to the bylaws of the School and has the authority to make decisions, appoint the chief executive officer of the charter holder, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the charter holder.

Since the school receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds.

Corporate Operations

In 1998, the State Board of Education of the State of Texas granted the Charter holder 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, the school was opened in 1999. 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.

Basis of Accounting and Presentation

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board designated.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Houston Heights High School
Notes to the Financial Statements
August 31, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Support and Revenue

The School accounts for support as with restrictions or without restrictions, depending on the existence and/or nature of any donor or grantor restrictions. Support that is restricted by the donor or grantor is reported as an increase in net assets with restriction in the period in which the support is recognized. When a restriction expires, net assets with restriction are reclassified as net assets without restriction and reported in the statement of activities as net assets released from restrictions.

As of August 31, 2022, the School has not received any funds with donor-imposed restrictions that are perpetual in nature.

The Charter school's operations are primarily funded from the Texas Education Agency through the State's Foundation School Program. For the years ended August 31, 2022 and 2021, these funds represented 78% and 86%, respectively, of total revenues.

Cash and Cash Equivalents

For financial statement purposes, the School considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Fair Value Measurement of Financial Instruments

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 that 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 an asset or liability. A three-tier hierarchy categorizes the inputs used to measure the fair value as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the School can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Houston Heights High School
Notes to the Financial Statements
August 31, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurement of Financial Instruments (Continued)

Assets measured at fair value at August 31, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 62,478	\$ -	\$ -	\$ 62,478
Total assets measured at fair value	\$ 62,478	\$ -	\$ -	\$ 62,478

Assets measured at fair value at August 31, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 62,471	\$ -	\$ -	\$ 62,471
Total assets measured at fair value	\$ 62,471	\$ -	\$ -	\$ 62,471

Certificates of deposit are presented at cost/ face value, plus earned interest. At August 31, 2021, investments in certificates of deposit totaled \$420,084, with maturities through May 2022. At August 31, 2022, the certificates of deposit balance was \$422,228, with maturities ranging from January 2023 to May 2023. Due to the nature of the terms and the maturity dates, the recorded value of the investments approximates their fair value.

The School'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.

Capital Assets

Capital assets, which include leasehold improvements and furniture and equipment, are defined by the charter holder as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated 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, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of the donation, which is then treated as cost.

Income Taxes

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The charter holder believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Functional allocation of expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Certain expenses have been allocated among the programs and supporting services benefited. Expenses allocated include depreciation, utilities, and occupancy, which are allocated based on compensation costs ratios, as representative of the facilities usage.

Houston Heights High School
Notes to the Financial Statements
August 31, 2022 and 2021

Note 2 – Capital Assets

Capital assets at August 31, 2022 and 2021 consist of the following:

	2022	2021
Improvements	\$ 590,979	\$ 590,979
Furniture and equipment	203,316	203,316
	794,295	794,295
Less: Accumulated depreciation	(735,552)	(725,948)
	\$ 58,743	\$ 68,347

Depreciation expense for the years ended August 31, 2022 and 2021 were \$9,604 and \$11,788, respectively.

In addition to the capital assets above, the School has a right of use asset. This asset is the right of use of the administrative office achieved under an occupancy lease. The carrying value of the right of use asset is presented net of accumulated depreciation of \$1,978,209. Depreciation expense for the ROU asset totaled \$348,340 and \$326,024, for the years ended August 31, 2022 and 2021, respectively

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

Note 3 – Pension Plan Obligations

Plan Description

The Charter school contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiemployer, 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. 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 issued 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 Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Funding Policy

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 of all members of the system; (2) a state statute prohibits benefit improvement 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 3 years, or, If the amortization period already exceeds 1 year, the period would be increased by such action.

Houston Heights High School
Notes to the Financial Statements
August 31, 2022 and 2021

Note 3 – Pension Plan Obligations (Continued)

Funding Policy (Continued)

State law provides for a member contribution rate of 8.0% for fiscal year 2022 and for fiscal years 2021 and 2020, and a state contribution rate of 7.75% for fiscal year and 7.5% for fiscal years 2021 and 2020. The charter school’s employees’ contributions to the System for the years ended August 31, 2022 and 2021 were \$97,384 and \$78,538, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum for the years ended August 31, 2022 and 2021 were \$65,734 and \$46,405, respectively, equal to the required contributions for each year.

Note 4 – Healthcare Coverage

During the years ended August 31, 2022 and 2021, 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 5 – Net Assets with Donor Restrictions

Net assets with donor restrictions for the years ended August 31, 2021 and 2020 consisted of the following:

	2022	2021
FSP revenues (420)	1,783,707	1,783,707
Federal funds (289)	15,368	4,275
	\$ 1,799,075	\$ 1,787,982

Note 6 – Leases

The School’s facility lease under an operating lease, with an average monthly expense of \$27,154 plus facility property taxes. The lease has a termination date of December 1, 2025. Under the lease, the School incurred \$389,250 and \$393,556, respectively, in facilities lease expenses during the years ended August 31, 2022 and 2021. Future minimum payments under the lease agreement are as follows:

For the year ended August 31, 2023	\$	394,818
For the year ended August 31, 2024	\$	400,011
For the year ended August 31, 2025	\$	134,187

The lease is represented on the statement of financial position as a right to use asset, with a carrying value based on the net present value of the lease payments over the term of the lease. School liabilities include a lease obligation and accrued lease payment liabilities. The right of use asset is amortized on a straight-line basis over the term of the lease. The accrued lease payment liability reflects the difference between the average lease expense used to amortize the right of use asset and the cash basis payment made based on the rents outlined in the lease agreement.

Houston Heights High School
Notes to the Financial Statements
August 31, 2022 and 2021

Note 7 – Related Party Transactions

In the years ended August 31, 2022 and 2021, the School paid a \$3,000 legal retainer to a board member.

Note 8 – Budget

The School's budget is prepared annually and formally adopted by the Board of Directors.

Note 9 - Commitment and Contingencies

The Charter school 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 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 10 – COVID-19

The COVID-19 pandemic developed rapidly in 2020 and continued through the full fiscal year 2021, with a significant number of cases occurring nationwide. The School took a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures (such as social distancing, remote working and temperature checks) for our staff and the students we serve. The impact on the school was a negative effect on attendance and the cancelation of certain programs. The School resumed routine operations and continues operations in the best and safest way possible.

Note 11 – Subsequent Event

In preparing the financial statements, the School has evaluated the events and transactions for potential recognition or disclosure through January 25, 2023, the date that the financial statements were available to be issued.

Special Purpose Statements

Houston Heights High School
Schedule of Expenses
For the Years Ended August 31, 2022 and 2021

	Totals	
	2022	2021
Expenses		
6100 Payroll Costs	\$ 1,488,808	\$ 1,257,587
6200 Professional and Contracted Services	449,276	700,934
6300 Supplies and Materials	71,365	155,304
6400 Other Operating Costs	408,725	52,879
Total Expenses	<u>\$ 2,418,174</u>	<u>\$ 2,166,704</u>

Houston Heights High School
Schedule Capital Assets
August 31, 2022

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 1,447,414	\$ -
1910 Investments	-	422,228	-
1520 Improvements	52,804	538,175	-
1539 Furniture and Equipment	39,650	122,505	41,160
	\$ 92,454	\$ 2,530,322	\$ 41,160

Houston Heights High School
 Budgetary Comparison Schedule
 For the Year Ended August 31, 2021

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local support				
5740 Other Revenues from local sources	\$ 2,000	\$ 2,000	\$ 2,163	\$ 163
5750 Revenue from enterprising sources	-	-	-	-
State program revenues				
5810 Foundation School Program Act	1,974,000	1,905,000	1,902,257	(2,743)
5820 State Program revenues distributed by Texas Education Agency	15,000	-	-	-
Total state program revenues	<u>1,989,000</u>	<u>1,905,000</u>	<u>1,902,257</u>	<u>(2,743)</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	316,001	529,000	526,860	(2,140)
Total federal revenues	<u>316,001</u>	<u>529,000</u>	<u>526,860</u>	<u>(2,140)</u>
Total revenues	<u>2,307,001</u>	<u>2,436,000</u>	<u>2,431,280</u>	<u>(4,720)</u>
Expenses				
11 Instruction	1,305,300	1,459,000	1,446,272	12,728
13 Curriculum Development and Instructional Staff Development	15,900	3,000	3,000	-
21 Instructional Leadership	77,500	67,000	66,248	752
23 School Leadership	53,000	59,000	58,763	237
31 Guidance, Counseling and Evaluation Services	55,582	90,000	89,807	193
33 Health Services	500	-	-	-
35 Food Service	19,000	20,500	20,302	198
36 Cocurricular/Extracurricular Activities	48,000	32,650	35,745	(3,095)
41 General Administration	168,873	168,800	167,442	1,358
51 Plant Maintenance and Operations	546,000	545,000	528,870	16,130
52 Security and Monitoring Services	2,500	1,800	1,725	75
Total expenses	<u>2,292,155</u>	<u>2,446,750</u>	<u>2,418,174</u>	<u>28,576</u>
Change in net assets	14,846	(10,750)	13,106	23,856
Net assets, beginning of year	<u>1,971,562</u>	<u>1,971,562</u>	<u>1,971,562</u>	<u>-</u>
Net assets, end of year	<u>\$ 1,986,408</u>	<u>\$ 1,960,812</u>	<u>\$ 1,984,668</u>	<u>\$ 23,856</u>

See auditors report

Houston Heights High School
 Schedule of Related Party Transactions
 For the Year Ended August 31, 2022

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid During FY
Constance Singleton	n/a	Board Member	Retainer	Legal Services	State	Yearly	\$3,000

Houston Heights High School
 J-4 Schedule Use of Funds Report – Select State Allotment Programs
 For the Year Ended August 31, 2022

Data Codes	Section A: Compensatory Education Programs	Column 1 Responses
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.	\$224,233
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$147,806
Section B: Bilingual Education Programs		
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?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$0
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$0

Supplemental Reporting



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), as of and for the years ended August 31, 2022 and 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Houston Heights High School's internal control over financial reporting (internal control) as a basis for designing 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 Houston Heights High School's internal control. Accordingly, we do not express an opinion on the effectiveness of Houston Heights High 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 or significant deficiencies may exist that were not 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 financial statements. 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 25, 2023

Houston Heights High School
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2022

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, 2022

None identified; no 2021 findings.