

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

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A+ UNLIMITED POTENTIAL CHARTER SCHOOL
101-871

(Federal Employer Identification Number: 46-3897845)

CERTIFICATE OF BOARD

June 30, 2019

We, the undersigned, certify that the attached Annual Financial and Compliance Report of A+ Unlimited Potential Charter School was reviewed and approved _____ disapproved for the year ended June 30, 2019, at a meeting of the governing body of said charter school on the 27th day of November, 2019.



Signature of Board Secretary



Signature of Board President

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
A+ Unlimited Potential Charter School
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of A+ Unlimited Potential Charter School (A+ UP) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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.

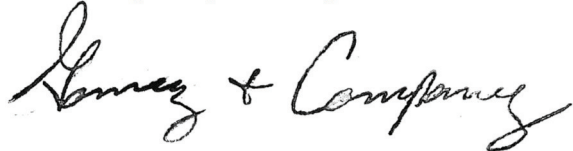
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A+ UP as of June 30, 2019, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of A+ UP'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 A+ UP'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 A+ UP's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Loney & Company". The signature is written in black ink and is positioned above the typed text.

Houston, TX
November 25, 2019

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	513,456
Grants Receivable		295,262

TOTAL CURRENT ASSETS		<u>808,718</u>
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PROPERTY AND EQUIPMENT

Equipment		6,205
Less: Accumulated Depreciation		(3,447)

		<u>2,758</u>
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OTHER ASSETS

Other Assets		87,097
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TOTAL ASSETS	\$	<u><u>898,573</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	25,522
Accrued Liabilities		3,770

TOTAL CURRENT LIABILITIES		<u>29,292</u>
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NET ASSETS

Without Donor Restrictions		497,089
With Donor Restrictions		372,192

TOTAL NET ASSETS		<u>869,281</u>
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TOTAL LIABILITIES NET ASSETS	\$	<u><u>898,573</u></u>
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See accompanying notes to financial statements

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Revenues			
Local Support:			
Other revenues from local sources	\$ 77,090	\$ -	\$ 77,090
Interest Income	<u>-</u>	<u>-</u>	<u>-</u>
Total Local Support	77,090	-	77,090
State Program Revenues	<u>-</u>	<u>1,562,602</u>	<u>1,562,602</u>
Total State Program Revenues	-	1,562,602	1,562,602.00
Federal Program Revenues	<u>-</u>	<u>285,593</u>	<u>285,593</u>
Total Federal Program Revenues	-	285,593	285,593
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>1,848,195</u>	<u>(1,848,195)</u>	<u>-</u>
Total Revenues	<u>1,925,285</u>	<u>-</u>	<u>1,925,285</u>
Expenses			
Program Services			
Instruction and Instructional-Related Services	904,991	-	904,991
Instructional and School Leadership	151,270	-	151,270
Support Services			
Administrative Support Services	370,129	-	370,129
Ancillary Services	5,889	-	5,889
Support Services- Non-Student Based	424,654	-	424,654
Support Services- Student (Pupil)	131,443	-	131,443
Total Expenses	<u>1,988,376</u>	<u>-</u>	<u>1,988,376</u>
Change in Net Assets	<u>(63,091)</u>	<u>-</u>	<u>(63,091)</u>
Net Assets, beginning of year	<u>560,180</u>	<u>372,192</u>	<u>932,372</u>
Net Assets, end of year	<u>\$ 497,089</u>	<u>\$ 372,192</u>	<u>\$ 869,281</u>

See accompanying notes to financial statements

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services			2019 Total
	Program Expense	General and Administrative	Fundraising	Total Supporting Services	
Expenses					
Salaries	\$ 634,124	\$ 251,914	\$ -	\$ 251,914	\$ 886,038
Payroll taxes	24,871	5,378	-	5,378	30,249
Employee Benefits	55,627	29,091	-	29,091	84,718
Rental Expense	-	333,336	-	333,336	333,336
Maintenance and Repairs	-	1,466	-	1,466	1,466
Utilities	-	10,709	-	10,709	10,709
Depreciation and Amortization	-	2,068	-	2,068	2,068
Supplies	128,251	7,278	-	7,278	135,529
Travel	210	7,136	-	7,136	7,346
Insurance	-	14,031	-	14,031	14,031
Professional Fees	204,475	265,897	-	265,897	470,372
Other	8,703	3,811	-	3,811	12,514
Total Expenses	\$ 1,056,261	\$ 932,115	\$ -	\$ 932,115	\$ 1,988,376

See accompanying notes to financial statements

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (63,091)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	2,068
Loss on write off of fixed asset	44,442
(Increase) decrease grant receivables	(19,376)
(Increase) decrease prepaid expenses	(30,935)
(Increase) decrease deposits	(46,862)
Increase (decrease) accounts payable	(21,686)
Increase (decrease) payable to affiliate	(17,298)
Increase (decrease) accrued liabilities	<u>3,769</u>
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(148,969)
NET CHANGE IN CASH	<u>(148,969)</u>
CASH AT BEGINNING OF YEAR	<u>662,425</u>
CASH AT END OF YEAR	<u><u>\$ 513,456</u></u>

See accompanying notes to financial statements

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

A. Organization:

A+UP (dba A+ Unlimited Potential Charter School) (the School) operates a Texas Open-Enrollment Charter School pursuant to Chapter 12 of the Texas Education Code under state charter #101871. The School has two campuses in Houston, Texas, which serve approximately 155 students from 6th through 8th grades for the 2017-2018 school year. The School is supported by state and federal grants provided by the Texas Education Agency and by private contributions. The School operates a single charter school and does not conduct any other charter or non-charter activities.

B. Summary of Significant Accounting Policies:

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. A+UP reports its financial information based on the *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-205 Presentation of Financial Statements*. Under *FASB ASC 958-205*, an organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

NEW ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Foundation, including required disclosures about liquidity and availability of resources and increased disclosures on June 30, 2019 and thereafter and must be applied on a retrospective basis. The Foundation adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

CLASSIFICATION OF NET ASSETS—

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions— Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

B. Summary of Significant Accounting Policies: (Continued)

CLASSIFICATION OF NET ASSETS – (CONTINUED)

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Foundation. Certain restrictions may need to be maintained in perpetuity. Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law. On occasion, the governing board may designate a portion of net assets without donor restrictions for a specific purpose. Designated net assets are not governed by donor-imposed restrictions and may be reversed by the governing board at any time.

SUPPORT AND REVENUE

Support and revenue are recorded based on the accrual method.

CASH DONATIONS AND DONATED SERVICES

Cash donations are considered to be available for unrestricted use unless specifically restricted by the donor. No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such donations. Nevertheless, a substantial number of volunteers have donated their time in connection with the program service and administration of the Organization.

CONTRIBUTIONS

In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-605 Revenue Recognition*, contributions received are recorded as with donor restrictions and without donor restrictions support depending on the existence or nature of any donor restrictions.

PLEDGES AND ACCOUNTS RECEIVABLE

Contributions are recognized when the donor makes a promise to give a contribution to A+ UP that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

No provision has been made for uncollectible promises to give and accounts receivable as of the statement of financial position date, given that none have been identified.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

B. Summary of Significant Accounting Policies: (Continued)

PROPERTY AND EQUIPMENT

Property and equipment purchased by A+ UP are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All purchases and donations in excess of \$5,000 are capitalized. Depreciation is provided on the straight-line method based upon estimated useful lives of five years for equipment, seven years for furniture, fifteen years for building and land improvements, and thirty years for buildings. Gains or losses on retired or sold property and equipment are reflected in income for the period. The proceeds from such sales which are not legally required or expected to be reinvested in property and equipment are transferred to net assets without donor restrictions.

FUNCTIONAL EXPENSES

Expenses are charged to each program based on direct expenditures incurred. Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff, or other reasonable methods for allocating the organization's multiple function expenditures.

INCOME TAXES

A+ UP qualifies as a tax-exempt organization under section 501(c) (3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

CASH AND CASH EQUIVALENTS

A+ UP considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in demand accounts with various banks. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per account. At times, individual bank accounts exceeded federally insured limits. A+ UP has not experienced any losses on such accounts.

ESTIMATES

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

C. Pension Plan:

Plan Description

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. TRS administers the retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public-school systems of Texas.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

C. Pension Plan: (Continued)

The plan 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 Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

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. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing 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. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2018 provided the following information (ABO refers to the accumulated benefit obligation):

Pension	Total Plan Assets	ABO	Percent
<u>Fund</u>	<u>2017</u>	<u>2017</u>	<u>Funded</u>
TRS	\$ 176,942,454,000	\$ 209,611,329,000	76.09 %

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% 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. State law provides for a member contribution rate of 7.7% for fiscal year 2019. The state’s contribution rate as a non-employer contributing entity was 6.8% for fiscal year 2019. The charter school’s employee contributions to the system for the year ended June 30, 2019 were \$59,994 equal to the required contributions for the year.

Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum were contributed at a rate of 6.8% totaling \$856 for the year ended June 30, 2019. The charter school’s contributions into this plan do not represent more than 5% of the total contributions to the plan. The charter school was not assessed a surcharge.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

D. Budget:

The official school budget is prepared for adoption for required Governmental Fund Types. The annual budget is adopted on a basis consistent with generally accepted accounting principles and is formally adopted by the Board of Directors.

E. Liquidity and Availability of Financial Assets:

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets at year-end		
Cash	\$	513,456
Accounts Receivable		295,262
Total Financial assets at year-end	\$	<u>808,718</u>
Assets:		
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted imposed restrictions as to use:		372,192
Donor-restricted imposed restrictions as to time:		
Financial assets available to meet cash needs for general expenditure within one year	\$	<u><u>436,526</u></u>

The Organization manages its liquid assets conservatively within standard depository bank accounts at national banks. Cash is managed to provide sufficient funds for meeting program expenditures of the Organization. Excess cash is typically restricted to future use within the food programs administered by the Organization.

F. Operating Lease Commitment:

A+ UP leases equipment and facilities under non-cancelable operating leases. The minimum annual lease commitment is as follows:

<u>Twelve months ending June 30,</u>	<u>Amount</u>
2020	\$ 251,185
2021	438,577
2022	387,502
2023	386,355
2024	397,946
Thereafter	-
Total	<u><u>\$ 1,861,565</u></u>

Operating lease expense amounted to \$ 333,336 for the year ended June 30, 2019.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

G. Commitments 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 it 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. The school is economically dependent on these charter school funds.

H. Health Care Coverage:

During the year ended June 30, 2019, employees of A+ UP were covered by a Health Insurance Plan (the Plan). A+ UP contributed \$325 for teachers and \$540 for Superintendent per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers.

I. Nets Assets with Donor Restrictions:

Net Assets with Donor Restrictions at June 30, 2019, are available for the following periods:

Periods after June 30, 2019	
Walton Foundation	\$ 372,192
Total restricted funds	<u>\$ 372,192</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

State Funds	\$ 1,562,602
Federal Funds	285,593
Total restrictions released	<u>\$ 1,848,195</u>

J. Evaluation of Subsequent Events:

A+ UP has evaluated subsequent events through November 25, 2019 the date which the financial statements were available to be issued.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
A+ Unlimited Potential Charter School
Houston, Texas

We have audited the financial statements of A+ Unlimited Potential Charter School (A+ UP) as of and for the year ended June 30, 2019, and our report thereon dated November 25, 2019, which contained an unmodified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedules for Individual Charter School dated June 30, 2019, and appearing on pages 14 to 17, are presented for purposes of additional analysis and are 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.



Houston, TX
November 25, 2019

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
REVENUES			
Local Support:			
5720 Local Revenues Realized as a Result of Services Rendered to Other Sources	\$ -	\$ -	\$ -
5740 Other Revenues from Local Sources	1,946	-	1,946
5750 Revenue from Cocurriculum Activities	98	-	98
5760 Revenue from Intermediate Sources	75,046	-	75,046
Total Local Support	<u>77,090</u>	<u>-</u>	<u>77,090</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	1,560,602	1,560,602
5820 State Program Revenues Distributed by Texas Education Agency	-	1,500	1,500
5830 State Program Revenues from State of Texas	-	500	500
Total State Program Revenues	<u>-</u>	<u>1,562,602</u>	<u>1,562,602</u>
Federal Program Revenues:			
5910 Federal Revenues Distributed by Education Service Center	-	-	-
5920 USDA Donated Commodities	-	285,593	285,593
5930 Federal Revenues Distributed by Other Government Agencies	497,089	-	497,089
Total Federal Program Revenues	<u>497,089</u>	<u>285,593</u>	<u>782,682</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>1,848,195</u>	<u>(1,848,195)</u>	<u>-</u>
Total Revenues	<u>1,925,285</u>	<u>-</u>	<u>1,925,285</u>
Expenses			
11 Instruction	860,029	-	860,029
12 Instructional Resources and Media Services	-	-	-
13 Curriculum Development and Instructional Staff Development	44,961	-	44,961
21 Instructional Leadership	-	-	-
23 School Leadership	151,270	-	151,270
31 Guidance, Counseling and Evaluating Services	38,736	-	38,736
32 Social Work Services	-	-	-
33 Health Services	1,652	-	1,652
34 Student (Pupil) Transportation	-	-	-
35 Food Services	91,055	-	91,055
36 Cocurricular/Extracurricular Activities	-	-	-
41 General Administration	370,129	-	370,129
51 Plant Maintenance and Operations	360,791	-	360,791
52 Security and Monitoring Services	-	-	-
53 Data Processing Services	63,864	-	63,864
61 Community Services	5,889	-	5,889
71 Debt Service	-	-	-
Total Expenses	<u>1,988,376</u>	<u>-</u>	<u>1,988,376</u>
CHANGE IN NET ASSETS	<u>(63,091)</u>	<u>-</u>	<u>(63,091)</u>
NET ASSETS, beginning of year	<u>560,180</u>	<u>372,192</u>	<u>932,372</u>
NET ASSETS, end of year	<u>\$ 497,089</u>	<u>\$ 372,192</u>	<u>\$ 869,281</u>

See accompanying notes to financial statements

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

EXPENSES

6100 Payroll Costs	\$ 1,001,005
6200 Professional and Contracted Services	815,883
6300 Supplies and Materials	135,529
6400 Other Operating Costs	35,959
Total Expenses	<u>\$ 1,988,376</u>

See accompanying notes to financial statements

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

SCHEDULE OF CAPITAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2019

	Ownership Interest		
	Local	State	Federal
1110 Cash		513,456	
1539 Furniture and Equipment			6,205
Total Capital Assets	<u>\$ -</u>	<u>\$ 513,456</u>	<u>\$ 6,205</u>

See accompanying notes to financial statements

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Support:				
5720 Local Revenues Realized as a Result of Services Rendered to Other Sources	\$ 1,900	\$ -	\$ -	\$ -
5740 Other Revenues from Local Sources	-	1,946	1,946	-
5750 Revenue from Cocurricular Activities	13,000	12,901	98	(12,803)
5760 Revenue from Intermediate Sources	75,046	-	75,046	75,046
Total Local Support	<u>89,946</u>	<u>14,847</u>	<u>77,090</u>	<u>62,243</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	1,588,392	1,586,193	1,560,602	(25,591)
5820 State Program Revenues Distributed by Texas Education Agency	46,422	13,853	1,500	(12,353)
5839 State Revenue from State of Texas Government Agencies	-	500	500	-
Total State Program Revenues	<u>1,634,814</u>	<u>1,600,546</u>	<u>1,562,602</u>	<u>(37,944)</u>
Federal Program Revenues:				
5910 Federal Revenues Distributed by Education Service Center	-	-	-	-
5920 USDA Donated Commodities	-	-	285,593	285,593
5930 Federal Revenues Distributed by Other Government Agencies	497,089	-	-	-
Total Federal Program Revenues	<u>372,192</u>	<u>-</u>	<u>285,593</u>	<u>285,593</u>
Total Revenues	<u>2,096,952</u>	<u>1,615,393</u>	<u>1,925,285</u>	<u>309,892</u>
Expenses				
11 Instruction	579,432	628,464	860,029	(231,565)
12 Instructional Resources and Media Services	-	-	-	-
13 Curriculum Development and Instructional Staff Development	149,435	63,565	44,961	18,604
21 Instructional Leadership	-	-	-	-
23 School Leadership	80,132	136,969	151,270	(14,301)
31 Guidance, Counseling and Evaluating Services	-	-	38,736	(38,736)
32 Social Work Services	-	-	-	-
33 Health Services	-	1,653	1,652	1
34 Student (Pupil) Transportation	-	-	-	-
35 Food Services	55,000	88,981	91,055	(2,074)
36 Cocurricular/Extracurricular Activities	37,034	-	-	-
41 General Administration	249,135	356,857	370,129	(13,272)
51 Plant Maintenance and Operations	402,797	322,225	360,791	(38,566)
52 Security and Monitoring Services	-	-	-	-
53 Data Processing Services	72,634	58,031	63,864	(5,833)
61 Community Services	53,606	5,892	5,889	3
71 Debt Service	-	-	-	-
Total Expenses	<u>1,679,205</u>	<u>1,662,637</u>	<u>1,988,376</u>	<u>(325,739)</u>
CHANGE IN NET ASSETS	<u>417,747</u>	<u>(47,244)</u>	<u>(63,091)</u>	<u>15,847</u>
NET ASSETS, beginning of year	<u>932,372</u>	<u>932,372</u>	<u>932,372</u>	<u>0.00</u>
NET ASSETS, end of year	<u>\$ 1,350,119</u>	<u>\$ 885,128</u>	<u>\$ 869,281</u>	<u>\$ (15,847)</u>

See accompanying notes to financial statements

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

To the Board of Directors of
A+ Unlimited Potential Charter School
Houston, Texas

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 A+ Unlimited Potential Charter School (A+ UP) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 November 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered A+ UP'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 A+ UP's internal control. Accordingly, we do not express an opinion on the effectiveness of A+ UP'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. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and questioned cost that we consider to be significant deficiencies. Item 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether A+ UP'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.

A handwritten signature in cursive script that reads "Loney & Company". The signature is written in black ink and is positioned below the main text block.

Houston, TX
November 25, 2019

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2019

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. One significant deficiencies or material weaknesses on internal control over financial statements. Item 2019-001.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. An audit of major programs was not required because expenditures of federal awards were less than \$750,000.

<u>Current Year Findings</u>	<u>Questioned Cost</u>
Finding 2019-001 Time and Effort support documentation	-0-

Condition:

During our testing on Internal Control for payroll, we noted that the school did not maintain proper records for time and effort in regards with employees paid from federal funds.

Criteria:

The Organization is responsible for having an internal control process to ensure the time and effort is recorded to properly allocate payroll expenditures

Cause:

The finding related to time and effort records occurred as a result of the Organization moving to a new building and losing time and effort records.

Effect:

Failure to monitor compliance with time and effort records for allocation of payroll expenditures could result in noncompliance and disallowed cost.

Recommendation:

We recommend that the Organization implement procedures to maintain time and effort records in electronic format as well as paper to avoid losing relevant information.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Views of Responsible Officials and Planned Corrective Actions:

Corrective Action Taken:

A+ Unlimited Potential management recognizes that due to the relocation of both campuses and its central office to a new location, certain documents were not located and may in fact be lost. One of those items are the timesheets for some employees.

As a corrective action, A+UP will be documenting all pay time sheets for employees paid through federal grants through both electronic and paper tracking systems. By doing this, we will better ensure that all pay documentation is gathered in a timely, accurate, and compliant manner and to ensure that all funds are managed correctly and in a manner that is compliant with state and federal guidelines.

Effective Date: November 26, 2019

Responsible Party: Paul Castro – Superintendent

Estimated Completion Date: November 26, 2019

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

Finding 2018-001 - Significant Deficiency and Other Noncompliance

Condition:

During our compliance testing, we noted the following:

- The two Campus Administrative Officers did not have training certificates or other documentation available for testing of the compliance requirement of 10 instructional hours of training.
- Six Board of Trustees members did not complete sufficient instructional hours of training and four of the members did not have training certificates evidencing completion of their training.
- The School has a conflict of interest policy in place; however, the signed conflict of interest statements were not available for review.

This finding occurred in fiscal 2017 as finding #2017-002.

Criteria:

The School is responsible for having an internal control process to ensure the Board of Trustees, Chief Executive and Central Administrative Officers, Campus Administrative Officers, and Business Manager maintain adequate training according to Texas Administrative Code (TAC) §100.1102 through §100.1106. Additionally, the School is responsible for having conflict of interest policies and procedures and to obtain confirmation from each Board of Trustees member stating that the Trustee and his or her spouse has had no significant financial interest in entities doing business with the School.

Cause:

The finding related to training occurred as a result of the School's failure to monitor compliance with the training requirements and maintenance of training certificates evidencing fulfillment of the requirement. The conflict of interest statement finding occurred as a result of the School's failure to emphasize compliance with the maintenance of signed conflict of interest statements.

Effect:

Failure to monitor compliance with training requirements and maintenance of training certificates could result in noncompliance. Failure to obtain the signed conflict of interest statements may prevent the School from identifying potential conflicts of interest prior to entering business transactions.

Recommendation:

Communicate and monitor training requirements and maintenance of training certificates and emphasize adherence to maintenance of signed conflict of interest statements

Status:

This finding has been resolved.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

Finding 2018-002 – Significant Deficiency and Other Noncompliance

Condition:

Texas Education Code (TEC) §44.031 require competitive procurement procedures for purchases over \$50,000 to ensure compliance with federal requirements. During our testing of three vendors requiring procurement, we noted one exception for the documentation of procurement for a contract for substitute teachers.

Criteria:

Procurement – The School is responsible for having an internal control process to ensure purchasing procedures comply with federal, state, and local procurement requirements.

Cause:

Failure to adhere to procurement compliance requirements and maintenance of procurement records.

Effect:

As a result of not adhering to procurement compliance requirements, the procurement may not have been conducted in a manner to provide full and open competition.

Recommendation:

Provide training to personnel on the procurement standards and adherence to state and federal laws.

Status:

This finding has been resolved.

Finding 2018-003 – Significant Deficiency and Other Noncompliance

Condition:

During our payroll testing, we noted that 2 out of 5 employment agreements were not signed and approved by authorized personnel.

Criteria:

The School is responsible for having an internal control process to ensure the pay rates are approved by authorized personnel.

Cause:

Failure to emphasize the policies and procedures of maintaining approved employment agreements.

Effect:

Failure to maintain approved employment agreements may result in unauthorized payroll disbursements.

Recommendation:

Emphasize adherence to the policies and procedures of maintaining approved payroll records.

Status:

This finding has been resolved.

A+ UNLIMITED POTENTIAL CHARTER SCHOOL

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

Finding 2018-004 – Other Noncompliance

Condition:

At June 30, 2018, the School did not have a surety bond or pledge securities agreement to protect funds held at its bank in excess of FDIC insurance.

Criteria:

The School is required to have a surety bond or pledge securities agreement to protect funds held on deposit at its bank in excess of FDIC insurance.

Cause:

The School failed to have a surety bond or pledge security agreement in effect at June 30, 2018.

Effect:

Failure to have a surety bond or pledge security agreement could result in the School putting funds in excess of the FDIC insurance limit at risk.

Recommendation:

Obtain a surety bond or pledge securities agreement for funds held at the bank in excess of FDIC insurance.

Status:

This finding has been resolved.