

POR VIDA, INC.

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

YEARS ENDED
AUGUST 31, 2019 AND 2018

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CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**

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POR VIDA, INC.

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August 31, 2019 and 2018

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POR VIDA, INC.

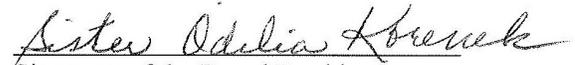
CERTIFICATE OF BOARD

August 31, 2019

We, the undersigned, certify that the attached annual financial and compliance report for Por Vida, Inc. (including the operations of Por Vida Academy, Cesar E. Chavez Academy and Corpus Christi College Preparatory High School) was reviewed and (check one) approved disapproved for the year ended August 31, 2019, at a meeting of the governing body of said charter school on the 22nd day of January 2020.



Signature of the Board Secretary



Signature of the Board President

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Por Vida, Inc.
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Por Vida, Inc. (a nonprofit organization) (Por Vida), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Por Vida as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019, Por Vida adopted new accounting guidance, FASB Accounting Standards Update No. 2016 – 14 (Topic 958), “*Presentation of Financial Statements of Not-for-Profit Entities*”. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 22, 2020, on our consideration of Por Vida’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 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 Por Vida’s internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas
January 22, 2020

FINANCIAL STATEMENTS

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POR VIDA, INC.

STATEMENTS OF FINANCIAL POSITION

August 31,

	<u>ASSETS</u>	2019	2018
CURRENT ASSETS			
Cash and cash equivalents		\$ 245,308	\$ 260,932
Receivables:			
Due from governments		34,625	6,798
Other receivables		9,757	-
Prepayments and deposits		<u>9,000</u>	<u>14,000</u>
Total current assets		298,690	281,730
Capital assets (net of accumulated depreciation)		<u>956,123</u>	<u>1,062,315</u>
 Total assets		<u><u>\$ 1,254,813</u></u>	<u><u>\$ 1,344,045</u></u>
	<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES			
Accounts payable		\$ 12,224	\$ 94,982
Payroll deductions and withholdings payable		31,569	38,708
Loan payable		<u>16,891</u>	<u>76,642</u>
Total current liabilities		60,684	210,332
NON-CURRENT LIABILITIES - loan payable		<u>158,341</u>	<u>213,670</u>
 Total liabilities		<u>219,025</u>	<u>424,002</u>
NET ASSETS			
Without donor restrictions		1,058	20
With donor restrictions			
Net invested in capital assets		780,891	802,003
Program activities		<u>253,839</u>	<u>118,020</u>
Total net assets		<u>1,035,788</u>	<u>920,043</u>
 Total liabilities and net assets		<u><u>\$ 1,254,813</u></u>	<u><u>\$ 1,344,045</u></u>

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

POR VIDA, INC.

STATEMENT OF ACTIVITIES

August 31, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE AND OTHER SUPPORT			
Local support:			
Contributions	\$ 2,526,658	\$ -	\$ 2,526,658
Food service activity	4,522	-	4,522
Other income	<u>101,096</u>	<u>-</u>	<u>101,096</u>
Total local support	<u>2,632,276</u>	<u>-</u>	<u>2,632,276</u>
State program revenues:			
Foundation School Program	-	2,338,648	2,338,648
Other state aids	<u>-</u>	<u>346</u>	<u>346</u>
Total state program revenues	<u>-</u>	<u>2,338,994</u>	<u>2,338,994</u>
Federal program revenues:			
Title I, Part A-Improving Basic Programs	-	226,558	226,558
Title I, Priority School Improvement Grants	-	409,191	409,191
Child Nutrition	-	54,048	54,048
Title II, Part A - TPTR	-	11,110	11,110
IDEA, Part B	-	67,330	67,330
Carl Perkins Grant	-	3,542	3,542
LEP Summer Program	<u>-</u>	<u>9,229</u>	<u>9,229</u>
Total federal program revenues	<u>-</u>	<u>781,008</u>	<u>781,008</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions satisfied by payments	<u>3,005,295</u>	<u>(3,005,295)</u>	<u>-</u>
Total revenues and other support	<u>5,637,571</u>	<u>114,707</u>	<u>5,752,278</u>

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

POR VIDA, INC.

STATEMENT OF ACTIVITIES

August 31, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
EXPENSES			
Program services:			
11 Instruction	\$ 3,489,956	\$ -	\$ 3,489,956
13 Curriculum development and instructional staff development	863	-	863
21 Instructional leadership	31,788	-	31,788
23 School leadership	523,538	-	523,538
31 Guidance, counseling, and evaluation services	242,906	-	242,906
32 Social work services	49,804	-	49,804
33 Health services	10,913	-	10,913
34 Student (pupil) transportation	8,683	-	8,683
35 Food service	122,186	-	122,186
36 Cocurricular/extracurricular activities	7,986	-	7,986
41 General administration	242,872	-	242,872
51 Plant maintenance and operations	735,772	-	735,772
52 Security and monitoring services	68,036	-	68,036
53 Data processing services	32,890	-	32,890
61 Community services	53,931	-	53,931
71 Debt service	<u>14,409</u>	<u>-</u>	<u>14,409</u>
Total expenses	<u>5,636,533</u>	<u>-</u>	<u>5,636,533</u>
CHANGE IN NET ASSETS	1,038	114,707	115,745
NET ASSETS - BEGINNING OF YEAR	<u>20</u>	<u>920,023</u>	<u>920,043</u>
NET ASSETS - END OF YEAR	<u>\$ 1,058</u>	<u>\$ 1,034,730</u>	<u>\$ 1,035,788</u>

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

POR VIDA, INC.

STATEMENT OF ACTIVITIES

August 31, 2018

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE AND OTHER SUPPORT			
Local support:			
Contributions	\$ 2,336,434	\$ -	\$ 2,336,434
Food service activity	6,025	-	6,025
Other income	<u>177,163</u>	<u>-</u>	<u>177,163</u>
Total local support	<u>2,519,622</u>	<u>-</u>	<u>2,519,622</u>
State program revenues:			
Foundation School Program	-	2,294,947	2,294,947
Other state aids	<u>-</u>	<u>26,991</u>	<u>26,991</u>
Total state program revenues	<u>-</u>	<u>2,321,938</u>	<u>2,321,938</u>
Federal program revenues:			
Title I, Part A-Improving Basic Programs	-	174,231	174,231
Title I, Priority School Improvement Grants	-	591,393	591,393
Child Nutrition	-	50,960	50,960
Title II, Part A - TPTR	-	10,227	10,227
IDEA, Part B	<u>-</u>	<u>69,678</u>	<u>69,678</u>
Total federal program revenues	<u>-</u>	<u>909,308</u>	<u>909,308</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions satisfied by payments	<u>3,285,323</u>	<u>(3,285,323)</u>	<u>-</u>
Total revenues and other support	<u>5,804,945</u>	<u>(54,077)</u>	<u>5,750,868</u>

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

POR VIDA, INC.

STATEMENT OF ACTIVITIES

August 31, 2018

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
EXPENSES			
Program services:			
11 Instruction	\$ 3,509,484	\$ -	\$ 3,509,484
13 Curriculum development and instructional staff development	534	-	534
21 Instructional leadership	68,128	-	68,128
23 School leadership	548,107	-	548,107
31 Guidance, counseling, and evaluation services	209,240	-	209,240
32 Social work services	49,718	-	49,718
33 Health services	8,928	-	8,928
34 Student (pupil) transportation	44,007	-	44,007
35 Food service	154,261	-	154,261
36 Cocurricular/extracurricular activities	15,957	-	15,957
41 General administration	185,422	-	185,422
51 Plant maintenance and operations	796,285	-	796,285
52 Security and monitoring services	89,224	-	89,224
53 Data processing services	65,134	-	65,134
61 Community services	42,249	-	42,249
71 Debt service	21,654	-	21,654
	<u>5,808,332</u>	<u>-</u>	<u>5,808,332</u>
Total expenses			
	<u>5,808,332</u>	<u>-</u>	<u>5,808,332</u>
CHANGE IN NET ASSETS	(3,387)	(54,077)	(57,464)
NET ASSETS - BEGINNING OF YEAR	<u>3,407</u>	<u>974,100</u>	<u>977,507</u>
NET ASSETS - END OF YEAR	<u>\$ 20</u>	<u>\$ 920,023</u>	<u>\$ 920,043</u>

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

POR VIDA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

August 31, 2019 and 2018

	PROGRAM ACTIVITIES			SUPPORTING ACTIVITIES	TOTALS	
	INSTRUCTION SERVICES	SCHOOL LEADERSHIP	STUDENT SUPPORT	GENERAL AND ADMINISTRATIVE	2019	2018
EXPENSES						
Salaries and wages	\$ 2,851,551	\$ 325,147	\$ 309,095	\$ 224,893	\$ 3,710,686	\$ 3,913,860
Benefits	193,069	27,683	32,174	14,581	267,507	266,357
Payroll taxes	46,066	4,172	4,410	2,916	57,564	58,846
Total payroll expenses	<u>3,090,686</u>	<u>357,002</u>	<u>345,679</u>	<u>242,390</u>	<u>4,035,757</u>	<u>4,239,063</u>
Professional services	29,855	15,090	1,859	143,223	190,027	262,626
Maintenance and repairs	-	-	3,965	50,688	54,653	67,413
Utilities	-	-	-	123,626	123,626	151,873
Rental expense	304	-	171	301,441	301,916	341,578
Miscellaneous contracted services	129,078	-	11,685	1,233	141,996	30,225
Supplies	218,286	1,817	7,642	12,217	239,962	214,980
Food	-	-	57,542	-	57,542	45,197
Travel	3,785	3,990	917	8,416	17,108	76,381
Insurance and bonding costs	-	-	-	71,014	71,014	53,149
Depreciation	-	-	-	106,192	106,192	109,002
Other	18,825	177,427	13,018	73,061	282,331	195,191
Interest	-	-	-	14,409	14,409	21,654
Total non-payroll expenses	<u>400,133</u>	<u>198,324</u>	<u>96,799</u>	<u>905,520</u>	<u>1,600,776</u>	<u>1,569,269</u>
Total expenses	<u>\$ 3,490,819</u>	<u>\$ 555,326</u>	<u>\$ 442,478</u>	<u>\$ 1,147,910</u>	<u>\$ 5,636,533</u>	<u>\$ 5,808,332</u>

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

POR VIDA, INC.

STATEMENTS OF CASH FLOWS

August 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from Foundation School Program	\$ 2,338,648	\$ 2,294,947
Cash received from grantors	753,527	955,907
Cash received from contributors	2,516,901	2,336,434
Cash received from food service activity	4,522	6,025
Cash received from other sources	101,096	177,163
Cash paid to suppliers for goods and services	(1,557,933)	(1,371,260)
Cash paid to employees for services	(4,042,896)	(4,230,621)
Interest payments	(14,409)	(21,654)
Net cash provided in (used by) operating activities	99,456	146,941
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from loan proceeds	90,000	855,000
Loan payments	(205,080)	(822,710)
Net cash provided in (used by) financing activities	(115,080)	32,290
Net increase (decrease) in cash and cash equivalents	(15,624)	179,231
CASH AND CASH EQUIVALENTS - BEGINNING	260,932	81,701
CASH AND CASH EQUIVALENTS - ENDING	\$ 245,308	\$ 260,932
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 115,745	\$ (57,464)
Adjustments to reconcile change in net assets to net cash provided for operating activities		
Depreciation	106,192	109,002
Decrease (increase) in assets		
Receivables	(37,584)	19,608
Prepayments and deposits	5,000	10,000
Increase (decrease) in liabilities		
Accounts payable	(82,758)	57,353
Payroll deductions and withholdings payable	(7,139)	8,442
NET CASH PROVIDED IN (USED BY) OPERATING ACTIVITIES	\$ 99,456	\$ 146,941

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

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POR VIDA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

(1) Summary of significant accounting policies

Organization

Blessed Sacrament Academy Second Chance High School, Inc. was incorporated August 9, 1996. A certificate of amendment was issued February 1, 2001 to reflect the name change to Por Vida, Inc. (Por Vida).

Por Vida, Inc. operates Por Vida Academy (the High School), Corpus Christi College Preparatory High School, and Cesar E. Chavez Academy.

The Por Vida Academy and Cesar E. Chavez Academy provide an alternative high school diploma program to students who did not thrive in the normal high school setting or have returned for a high school diploma after entering the work force. The Corpus Christi College Preparatory High School is a college preparatory high school preparing students to enter into a university immediately following high school graduation. The Por Vida Academy, Cesar E. Chavez Academy, and the Corpus Christi College Preparatory High School operate under an open enrollment charter granted by the Texas State Board of Education. The Por Vida Academy, Cesar E. Chavez Academy, and the Corpus Christi College Preparatory High School are part of the public school system of the State of Texas and are entitled to distribution from the state's available school fund. The Por Vida Academy, Cesar E. Chavez Academy, and the Corpus Christi College Preparatory High School do not have the authority to impose taxes or charge tuition. Por Vida, Inc. does not conduct other charter or non-charter activities.

Por Vida, Inc. is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting policies

The financial statements have been prepared on the accrual basis of accounting. The accounting system is organized 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. The significant accounting policies are as follows:

To ensure observance of limitation and restrictions placed on the use of resources available to Por Vida, the accounts are maintained in accordance with the principles of fund accounting during the year. Resources for various purposes are classified for accounting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, the accompanying statements of financial position and activities focus on the Organization as a whole and report the total assets, liabilities, net assets and changes in net assets.

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

- *Net assets with donor restrictions* – Net assets subject to 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. When a restriction expires, these resources are classified to net assets without restriction and reported in the statement of activities as net assets released from restrictions.

POR VIDA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

(1) Summary of significant accounting policies (continued)

Accounting policies (continued)

- *Net assets without donor restrictions* – Net assets that are available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of Por Vida, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Change in accounting policy

During fiscal year 2019, Por Vida changed accounting policies related to presentation of its financial statements by adopting FASB Accounting Standards Update No. 2016 – 14 (Topic 958), “*Presentation of Financial Statements of Not-for-Profit Entities*”. Accordingly, the financial statements have been presented in accordance with the standard.

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 with initial maturity of three months or less.

Capital assets

All assets acquired with a value of \$5,000 or greater are recorded as capital assets and are valued at cost or estimated cost. Donated assets are reported at the fair market value at time of acquisition.

Depreciation of building improvements, vehicles, and equipment is determined on a straight-line basis on the following useful lives:

Land improvements	15 years
Building improvements	6-40 years
Vehicles	5 years
Equipment	5 years

Credit risk

Financial instruments, which potentially subject Por Vida, Inc. to concentrations of credit risk consist primarily of cash. At August 31, 2019 and 2018, Por Vida, Inc. did not have any uninsured cash balances.

Revenues and support

Revenues from the state’s available school fund are based on reported attendance. Contributions received are recognized as revenue in the period received and are reported as either with donor restrictions or without donor restrictions.

Governmental grant contracts that are entered into by Por Vida, Inc. are recognized as revenue when services are rendered or when the expenses in connection with those services are incurred.

POR VIDA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

(1) Summary of significant accounting policies (continued)

Personal leave

All employees earn between 1 to 10 days of paid personal leave per year depending on the number of days worked. Paid leave must be used during the year or it is forfeited. There is no payment of leave after resignation or termination date; therefore a liability is not recorded at August 31, 2019 and 2018.

Estimates

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

Fair value of financial instruments

The following methods and assumptions were used by Por Vida, Inc. in estimating its fair value disclosures for financial instruments:

Cash and receivables: the carrying amounts reported in the statement of financial position approximate the fair value because of the short maturities of those instruments.

(2) Capital assets

An analysis of capital assets as of August 31, 2019, is presented as follows:

	OBJECT CODE	COST	ACCUMULATED DEPRECIATION	NET
Leasehold improvements	1520	\$ 1,990,080	\$ 1,034,947	\$ 955,133
Furniture and equipment	1540	179,786	178,796	990
Vehicles	1531	<u>119,641</u>	<u>119,641</u>	-
Totals		<u>\$ 2,289,507</u>	<u>\$ 1,333,384</u>	<u>\$ 956,123</u>

Depreciation expense for the current year was \$106,192.

An analysis of capital assets as of August 31, 2018, is presented as follows:

	OBJECT CODE	COST	ACCUMULATED DEPRECIATION	NET
Leasehold improvements	1520	\$ 1,990,080	\$ 931,727	\$ 1,058,353
Furniture and equipment	1540	179,786	175,824	3,962
Vehicles	1531	<u>119,641</u>	<u>119,641</u>	-
Totals		<u>\$ 2,289,507</u>	<u>\$ 1,227,192</u>	<u>\$ 1,062,315</u>

Depreciation expense for 2018 was \$109,002.

POR VIDA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

(3) Ownership in property and equipment

As of August 31, 2019, the following disclosure of ownership interests in property and equipment is provided to address certain requirements discussed in House Bill 6, 77th Legislature (2001).

	OBJECT CODE	OWNERSHIP INTEREST		TOTAL
		STATE	FEDERAL	
Leasehold improvements				
Classroom improvements	1520	\$ 16,500	\$ -	\$ 16,500
Science lab renovations	1520	12,575	-	12,575
High school renovations	1520	1,071,777	880,663	1,952,440
Fence improvements	1520	8,567	-	8,567
Instructional/non-instructional equipment				
Furniture and equipment	1540	167,313	12,471	179,784
Vehicle	1531	<u>119,641</u>	<u>-</u>	<u>119,641</u>
Total property and equipment		<u>\$ 1,396,373</u>	<u>\$ 893,134</u>	<u>\$ 2,289,507</u>

As of August 31, 2018, the following disclosure of ownership interests in property and equipment is provided to address certain requirements discussed in House Bill 6, 77th Legislature (2001).

	OBJECT CODE	OWNERSHIP INTEREST		TOTAL
		STATE	FEDERAL	
Leasehold improvements				
Classroom improvements	1520	\$ 16,500	\$ -	\$ 16,500
Science lab renovations	1520	12,575	-	12,575
High school renovations	1520	1,071,777	880,663	1,952,440
Fence improvements	1520	8,567	-	8,567
Instructional/non-instructional equipment				
Furniture and equipment	1540	167,313	12,471	179,784
Vehicle	1531	<u>119,641</u>	<u>-</u>	<u>119,641</u>
Total property and equipment		<u>\$ 1,396,373</u>	<u>\$ 893,134</u>	<u>\$ 2,289,507</u>

POR VIDA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

(4) Defined benefit pension plan

Plan description

The school participates in the Teacher Retirement System of Texas (“TRS”), a public employee retirement system. TRS is a cost sharing, multiple-employer defined benefit plan with one exception: all risks and costs are not shared by the school, but are the liability of the State of Texas. TRS provides service retirement and disability retirement benefits and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in the Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teachers Retirement System of Texas, which is subject to amendment by the Texas state legislature. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. The report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-877-0123, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under TRS publications.

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.

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 and a state contribution rate of not less than 6.0% and not more than 10.0% 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 31 years, the period would be increased by such action. Under provisions in Texas state law, plan members are required to contribute 7.7% of their annual covered salary for each of the years ended August 31, 2019 and 2018, respectively. The state’s contribution rate as a nonemployer contributing entity was 6.8% for the years ended August 31, 2019 and 2018. The School’s employees’ contributions to TRS for the years ended August 31, 2019 and 2018 totaled \$274,430 and \$292,022 respectively, equal to the required contributions for each year. There have been no changes that would affect the comparison from year to 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 \$118,048 and \$134,813 for the years ended August 31, 2019 and 2018, respectively.

POR VIDA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

(5) Defined contribution plan

All Por Vida employees may elect to participate in the 403(b) plan. This is a qualified tax deferred annuity plan under Section 403(b) of the Internal Revenue Code. The 403(b) plan consists solely of employee contributions which are made on a “pre-tax” basis.

Employees are fully vested upon entry to the plan.

(6) Health care coverage

During the years ended August 31, 2019 and 2018, employees of Por Vida were covered by a health insurance plan (the Plan). Por Vida, Inc. contributed \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to a licensed insurer. During the years ending 2019 and 2018, Por Vida contributed \$106,294 and \$89,218, respectively, for charter employees.

(7) Due from governments

Por Vida participated in a variety of federal and state programs from which it received grants to partially or fully finance certain activities. Por Vida received entitlements from the state through the Foundation School Program. Amounts due from federal and state governments as of August 31, 2019 and 2018 are summarized below. All federal grants shown below are passed through the TEA or other agencies.

<u>PROGRAM</u>	<u>2019 AMOUNT</u>	<u>2018 AMOUNT</u>
Federal and state programs	<u>\$ 34,625</u>	<u>\$ 6,798</u>
Total due from governments	<u>\$ 34,625</u>	<u>\$ 6,798</u>

(8) Leases

Por Vida, Inc. has entered into various lease agreements for equipment and other items necessary to operate. The future minimum payments under noncancelable operating leases as of August 31, 2019 are as follows:

<u>YEARS ENDING AUGUST 31,</u>	<u>AMOUNT*</u>
2020	115,560
2021	<u>9,630</u>
Total	<u>\$ 125,190</u>

*In January of 2019 Por Vida cancelled a lease agreement for a rental property resulting in forfeitures and penalties of \$55,000.

POR VIDA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

(8) Leases (continued)

The future minimum payments under noncancelable operating leases as of August 31, 2018 are as follows:

YEARS ENDING AUGUST 31,	AMOUNT
2019	241,560
2020	241,560
2021	30,630
Total	\$ 513,750

(9) Loans

On January 29, 2018, Por Vida Inc. refinanced a note with Frost Bank that was previously held with JP Morgan Chase in the amount of \$200,000 with a maturity date of January 31, 2028. The stated interest rate is 5.490% and the note is payable in 120 payments of \$2,177.66 beginning on February 28, 2018. The note is collateralized with the property (land and improvements) owned and occupied by Blessed Sacrament Academy. Payments are paid directly to Frost Bank by Por Vida, Inc. Balance at August 31, 2019 was \$175,232. Interest expense related to this note was \$10,235 and \$4,808 for 2019 and 2018, respectively.

On April 2, 2009 Por Vida, Inc. obtained a \$75,000 revolving line-of-credit maturing on April 2, 2019. The line-of-credit is secured by furniture owned by Por Vida and carries an interest rate of 1.75% over prime. The line-of-credit carried a \$- and \$30,000 balance as of August 31, 2019 and 2018. Interest expense was \$611 and \$1,626 for 2019 and 2018, respectively.

On November 1, 2016, Por Vida secured a loan with Lone Star Capital Bank in the amount of \$75,320.47 bearing interest at 5.750% with a maturity date of November 1, 2019. On November 3, 2017, Por Vida took out an additional \$40,000. The note is payable in 36 monthly payments of \$2,840.13 beginning on December 1, 2016. Por Vida paid off the outstanding principal balance during the fiscal year resulting in an outstanding principal balance at August 31, 2019 and 2018 of \$- and \$69,184, respectively. Interest expense was \$3,562 and \$4,515 for 2019 and 2018, respectively.

Changes in long-term debt

	ORIGINAL PROCEEDS	INTEREST RATE	BALANCE 8/31/2018	ADDITIONS	REDUCTIONS	BALANCE 8/31/2019	DUE WITHIN ONE YEAR
Frost Bank							
Line of credit	\$ -	1.75% + WSI Prime	\$ 30,000	\$ 90,000	\$ 120,000	\$ -	\$ -
Frost bank school building loan	200,000	5.549%	191,128	-	15,896	175,232	16,891
Frost Bank total			221,128	90,000	135,896	175,232	16,891
Lone Star Bank							
	75,320	5.750%	69,184	-	69,184	-	-
Total			\$ 290,312	\$ 90,000	\$ 205,080	\$ 175,232	\$ 16,891

POR VIDA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

(9) Loans (continued)

As of August 31, 2019, summary information for future note payments through 2024 and thereafter were as follows:

YEARS ENDING AUGUST 31,	PRINCIPAL	INTEREST	TOTAL
2020	\$ 16,891	\$ 9,241	\$ 26,132
2021	17,903	8,229	26,132
2022	18,911	7,221	26,132
2023	19,976	6,156	26,132
2024	21,100	5,032	26,132
Thereafter	80,451	7,817	88,268
Totals	<u>\$ 175,232</u>	<u>\$ 43,696</u>	<u>\$ 218,927</u>

As of August 31, 2018, summary information for future note payments through 2023 and thereafter were as follows:

YEARS ENDING AUGUST 31,	PRINCIPAL	INTEREST	TOTAL
2019	\$ 76,642	\$ 13,314	\$ 89,956
2020	49,658	10,556	60,214
2021	23,905	8,275	32,180
2022	18,911	7,221	26,132
2023	19,976	6,156	26,132
Thereafter	101,220	12,844	114,064
Totals	<u>\$ 290,312</u>	<u>\$ 58,366</u>	<u>\$ 348,678</u>

(10) Related parties

During the year, Por Vida, Inc. had various transactions with Blessed Sacrament Academy, Inc., a related party, which included the lease of a building. Rent paid to Blessed Sacrament was \$58,000 and \$48,000 for 2019 and 2018, respectively. Also during 2019, Por Vida made a contribution of \$50,400 to Mission Up, a related party nonprofit organization. Por Vida, Inc. has adopted a conflict of interest policy regarding related party transactions. The policy was not violated during the year.

POR VIDA, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

(11) Commitments and contingencies

Por Vida, Inc. received funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency. In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

(12) Concentrations

Por Vida's funding is concentrated in the foundation school program and various state and federal grants. Discontinued funding would have a severe impact on operations. Por Vida's ability to maintain continuing operations would be uncertain in such a situation. Management does not expect any material reductions in funding in the foreseeable future.

(13) Shared services arrangement

During the fiscal year 2019 and 2018, Por Vida, Inc. was a member of the San Antonio Charter Schools Special Education Co-op shared services arrangement (SSA). The Southwest Preparatory Charter School is the Fiscal Agent for the SSA. As a member of the SSA, Por Vida, Inc. received special education (IDEA B Formula) services in the amount of \$67,330 and \$69,678 in 2019 and 2018 respectively, as reported to Por Vida by the fiscal agent. Por Vida is also a member of the Education Service Center Region 20 Carl Perkins shared services arrangement. Por Vida received \$3,542 and \$2,819 in 2019 and 2018 respectively, as reported to Por Vida, by the fiscal agent. In accordance with the guidance provided in the TEA Special Supplement to the Financial Accountability System Resource Guide, Charter Schools, Por Vida has accounted for the special education expenditures within their financial statements.

(14) Net assets

Donor restricted net assets as of August 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Capital assets (net) purchased with state and federal funds	\$ 780,891	\$ 802,003
Federal and state program activities	<u>253,839</u>	<u>118,020</u>
Total donor restricted assets	<u>\$ 1,034,730</u>	<u>\$ 920,023</u>

(15) Evaluation of subsequent events

Por Vida has evaluated subsequent events by Por Vida, Inc.'s management through January 22, 2020, the date which the financial statements were available to be issued. There are no subsequent events for disclosure.

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**SUPPLEMENTAL INFORMATION
FOR CHARTER SCHOOL OPERATIONS**

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POR VIDA, INC.

**STATEMENT OF ACTIVITIES
REVENUE AND OTHER SUPPORT BY OBJECT CODE**

Year ended August 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND OTHER SUPPORT			
Local support:			
5720 Local revenue from other school districts	\$ 2,526,658	\$ -	\$ 2,526,658
5740 Other revenues from local sources	1,010	-	1,010
5750 Revenues from cocurricular, enterprising services or activities	4,608	-	4,608
5760 Revenue from intermediate sources	<u>100,000</u>	-	<u>100,000</u>
Total local support	<u>2,632,276</u>	-	<u>2,632,276</u>
State program revenues:			
5810 Foundation school program act revenues	-	2,338,648	2,338,648
5820 State program revenues distributed by Texas Education Agency	-	<u>346</u>	<u>346</u>
Total state program revenues	<u>-</u>	<u>2,338,994</u>	<u>2,338,994</u>
Federal program revenues:			
5920 Federal revenues distributed by the Texas Education Agency	-	<u>781,008</u>	<u>781,008</u>
Total federal program revenues	<u>-</u>	<u>781,008</u>	<u>781,008</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions satisfied by payments	<u>3,005,295</u>	<u>(3,005,295)</u>	<u>-</u>
Total revenues and other support	<u>5,637,571</u>	<u>114,707</u>	<u>5,752,278</u>
EXPENSES			
11 Instruction	3,489,956	-	3,489,956
13 Curriculum development and instructional staff development	863	-	863
21 Instructional leadership	31,788	-	31,788
23 School leadership	523,538	-	523,538
31 Guidance, counseling, and evaluation services	242,906	-	242,906
32 Social work services	49,804	-	49,804
33 Health services	10,913	-	10,913
34 Student (pupil) transportation	8,683	-	8,683
35 Food services	122,186	-	122,186
36 Cocurricular/extracurricular activities	7,986	-	7,986
41 General administration	242,872	-	242,872
51 Plant maintenance and operations	735,772	-	735,772
52 Security and monitoring services	68,036	-	68,036
53 Data processing services	32,890	-	32,890
61 Community services	53,931	-	53,931
71 Debt service	<u>14,409</u>	-	<u>14,409</u>
Total expenses	<u>5,636,533</u>	-	<u>5,636,533</u>
CHANGE IN NET ASSETS	1,038	114,707	115,745
NET ASSETS - BEGINNING OF YEAR	<u>20</u>	<u>920,023</u>	<u>920,043</u>
NET ASSETS - END OF YEAR	<u>\$ 1,058</u>	<u>\$ 1,034,730</u>	<u>\$ 1,035,788</u>

POR VIDA, INC.

SCHEDULE OF EXPENSES

Year ended August 31, 2019

	<u>TOTAL</u>
EXPENSES	
6100 Payroll costs	\$ 4,035,757
6200 Professional and contracted services	812,218
6300 Supplies and materials	297,504
6400 Other operating costs	476,645
6500 Debt	<u>14,409</u>
	<u>\$ 5,636,533</u>

POR VIDA, INC.

**BUDGETARY COMPARISON SCHEDULE -
BUDGET VARIANCE ORIGINAL TO FINAL**

Year ended August 31, 2019

	BUDGET		ACTUAL	BUDGET VARIANCE ORIGINAL TO FINAL POSITIVE OR (NEGATIVE)	
	ORIGINAL	FINAL			
REVENUE					
Local support:					
5720 Local revenue from other school districts	\$ 2,239,737	\$ 2,510,331	\$ 2,526,658	\$ 270,594	(1)
5740 Other revenues from local sources	4,309	413	1,010	(3,896)	(2)
5750 Revenues from cocurricular, enterprising services or activities	23,391	4,156	4,608	(19,235)	(3)
5760 Revenue from intermediate sources	-	49,600	100,000	49,600	(4)
State support:					
5810 Foundation school program act revenues	2,587,374	2,338,648	2,338,648	(248,726)	
5820 State program revenues distributed by Texas Education Agency	18,611	346	346	(18,265)	(5)
Federal program revenues:					
5920 Federal revenues distributed by the Texas Education Agency	172,534	710,227	781,008	537,693	(6)
Total revenues	<u>5,045,956</u>	<u>5,613,721</u>	<u>5,752,278</u>	<u>567,765</u>	
EXPENSES					
11 Instruction	2,922,573	3,441,228	3,489,956	518,655	(7)
13 Curriculum development and instructional staff development	-	400	863	400	
21 Instructional leadership	44,130	27,904	31,788	(16,226)	(8)
23 School leadership	518,496	523,394	523,538	4,898	
31 Guidance, counseling and evaluation services	213,776	214,999	242,906	1,223	
32 Social work services	49,935	49,802	49,804	(133)	
33 Health services	11,412	11,923	10,913	511	
34 Student (pupil) transportation	37,760	8,683	8,683	(29,077)	(9)
35 Food services	153,087	113,723	122,186	(39,364)	(10)
36 Cocurricular/extracurricular activities	8,903	8,586	7,986	(317)	
41 General administration	185,734	227,350	242,872	41,616	(11)
51 Plant maintenance and operations	682,754	624,075	735,772	(58,679)	
52 Security and monitoring services	91,453	68,011	68,036	(23,442)	(12)
53 Data processing services	64,229	32,014	32,890	(32,215)	(13)
61 Community services	-	-	53,931	-	
71 Debt	61,714	27,932	14,409	(33,782)	(14)
Total expenses	<u>5,045,956</u>	<u>5,380,024</u>	<u>5,636,533</u>	<u>334,068</u>	
Net income	-	233,697	115,745	233,697	
CHANGE IN NET ASSETS	-	233,697	115,745	233,697	
NET ASSETS - BEGINNING OF YEAR	<u>920,043</u>	<u>920,043</u>	<u>920,043</u>	<u>-</u>	
NET ASSETS - END OF YEAR	<u>\$ 920,043</u>	<u>\$ 1,153,740</u>	<u>\$ 1,035,788</u>	<u>\$ 233,697</u>	

POR VIDA, INC.

**NOTE TO BUDGETARY COMPARISON SCHEDULE –
BUDGET VARIANCE ORIGINAL TO FINAL**

Year ended August 31, 2019

Note 1: Variance between original and final budget

- (1) Object code 5729 Fund 167 was not included in original budget \$69,611. Object code 5729 Fund 190 was under budget by \$199,530.
- (2) Object code 5744 Fund 161 did not receive any donations or other income during the year and was reduced by \$3,896 in the final budget.
- (3) Object code 5751 Fund 161 staff cafeteria sales was over budgeted in the original budget by \$18,449.
- (4) Object code 5769 Fund 420 YES payroll services not in original budget.
- (5) Object code 5829 Fund 410 Textbook fund revenue was budgeted in the amount of \$18,611 but not used removed from the final budget.
- (6) Object Code 5929 Fund 211 SIG for \$125,000 and object code 5929 Fund 211 Transformation for \$409,191 were not in the original budget but were in the final budget.
- (7) Function 11 Fund 161 was over budgeted by \$18,791 in the original budget. Function 11 Fund 167 payroll for \$69,661 was not in the original budget. Function 11 Fund 174 under budget by \$9,376. Function 11 Fund 190 under budgeted by \$199,529. Function 11 Fund 420 was under budgeted by \$212,376.
- (8) Function 21 Fund 420 payroll over budgeted by \$16,226 on the original budget.
- (9) Function 34 Fund 420 payroll over budgeted by \$29,077 on the original budget.
- (10) Function 35 Fund 240 payroll was over budgeted by \$39,364 on the original budget.
- (11) Function 41 Fund 211 payroll for \$16,790 was not in the original budget. Function 41 Fund 420 contracted services was under budgeted by \$19,158 on the original budget.
- (12) Function 52 Fund 420 contracted services were over budgeted by \$23,442 on the original budget.
- (13) Function 53 Fund 420 contracted services were over budgeted by \$32,215 on the original budget.
- (14) Function 71 Fund 420 debt principal was over budget by \$32,215.

POR VIDA, INC.

**BUDGETARY COMPARISON SCHEDULE –
VARIANCE WITH FINAL BUDGET**

Year ended August 31, 2019

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)	
	ORIGINAL	FINAL		OR (NEGATIVE)	
REVENUE					
Local support:					
5720 Local revenue from other school districts	\$ 2,239,737	\$ 2,510,331	\$ 2,526,658	\$ 16,327	
5740 Other revenues from local sources	4,309	413	1,010	597	(1)
5750 Revenues from cocurricular, enterprising services or activities	23,391	4,156	4,608	452	(2)
5760 Revenue from intermediate sources	-	49,600	100,000	50,400	(3)
State support:					
5810 Foundation school program act revenues	2,587,374	2,338,648	2,338,648	-	
5820 State program revenues distributed by Texas Education Agency	18,611	346	346	-	
Federal program revenues:					
5920 Federal revenues distributed by the Texas Education Agency	<u>172,534</u>	<u>710,227</u>	<u>781,008</u>	<u>70,781</u>	
Total revenues	<u>5,045,956</u>	<u>5,613,721</u>	<u>5,752,278</u>	<u>138,557</u>	
EXPENSES					
11 Instruction	2,922,573	3,441,228	3,489,956	(48,728)	
13 Curriculum development and instructional staff development	-	400	863	(463)	(4)
21 Instructional leadership	44,130	27,904	31,788	(3,884)	(5)
23 School leadership	518,496	523,394	523,538	(144)	
31 Guidance, counseling and evaluation services	213,776	214,999	242,906	(27,907)	(6)
32 Social work services	49,935	49,802	49,804	(2)	
33 Health services	11,412	11,923	10,913	1,010	
34 Student (pupil) transportation	37,760	8,683	8,683	-	
35 Food services	153,087	113,723	122,186	(8,463)	
36 Cocurricular/extracurricular activities	8,903	8,586	7,986	600	
41 General administration	185,734	227,350	242,872	(15,522)	
51 Plant maintenance and operations	682,754	624,075	735,772	(111,697)	(7)
52 Security and monitoring services	91,453	68,011	68,036	(25)	
53 Data processing services	64,229	32,014	32,890	(876)	
61 Community services	-	-	53,931	(53,931)	(8)
71 Debt	61,714	27,932	14,409	13,523	(9)
Total expenses	<u>5,045,956</u>	<u>5,380,024</u>	<u>5,636,533</u>	<u>256,509</u>	
CHANGE IN NET ASSETS	-	233,697	115,745	(117,952)	
NET ASSETS - BEGINNING OF YEAR	<u>920,043</u>	<u>920,043</u>	<u>920,043</u>	<u>-</u>	
NET ASSETS - END OF YEAR	<u>\$ 920,043</u>	<u>\$ 1,153,740</u>	<u>\$ 1,035,788</u>	<u>\$ (117,952)</u>	

POR VIDA, INC.

**NOTE TO BUDGETARY COMPARISON SCHEDULE –
VARIANCE WITH FINAL BUDGET**

Year ended August 31, 2019

Note 1: Variance between actual and final budget

- (1) Object code 5749 Fund 161 Summer school revenues of \$585 were not budgeted.
- (2) Object code 5751 Fund 161 cafeteria sales under budgeted by \$452.
- (3) Contribution to a nonprofit organization from Por Vida for \$50,400 was adjusted to be presented as an expense instead of a reduction of revenue.
- (4) Function 13 Fund 224 SSA services of \$673 were not budgeted. Function 13 Fund 420 professional development was over budgeted by \$210.
- (5) Function 21 Fund 224 SSA services of \$3,884 were not budgeted.
- (6) Function 31 Fund 224 SSA services of \$27,927 were never budgeted.
- (7) Function 51 Fund 420 depreciation of \$106,191 not budgeted for. Leases were under budgeted by \$5,000.
- (8) Contribution to a nonprofit organization from Por Vida for \$50,400 was adjusted to be presented as an expense in function 61 instead of a reduction of revenue.
- (9) Function 71 Fund 420 credit card interest of \$14,471 was reclassified to a different function.

**INDEPENDENT AUDITORS' 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
Por Vida, Inc.
San Antonio, 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 Por Vida, Inc. (a nonprofit organization) (Por Vida), which comprise the statement of financial position as of August 31, 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, and have issued our report thereon dated January 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Por Vida'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 Por Vida's internal control. Accordingly, we do not express an opinion on the effectiveness of Por Vida'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 or significant deficiencies. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Por Vida'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

Por Vida's Response to Findings

Por Vida's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Por Vida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Por Vida'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.

ABIP, PC

San Antonio, Texas
January 22, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Por Vida, Inc.
San Antonio, Texas

Report on Compliance for the Major Federal Program

We have audited Por Vida's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Por Vida's major federal program for the year ended August 31, 2019. Por Vida's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Por Vida's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Por Vida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Por Vida's compliance.

Opinion on the Major Federal Program

In our opinion, Por Vida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended August 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

Por Vida's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Por Vida's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Por Vida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Por Vida's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Por Vida's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies.

Por Vida's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Por Vida's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

ABIP, PC

San Antonio, Texas
January 22, 2020

POR VIDA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended August 31, 2019

GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PROJECT NUMBER	FEDERAL EXPENDITURES
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed through State Department of Education			
Title I, Part A - Improving Basis Programs	84.010A	19610101015801	\$ 100,378
Title I 1003 School Improvement	84.010A	19610141015801	125,000
Title I 1003 School Improvement	84.010A	18610123015801	<u>1,180</u>
Total CFDA Number 84.010A			<u>226,558</u>
Title II, Part A - Supporting Effective Instructions	84.367A	19694501015801	<u>11,110</u>
School Transformation Fund - Implementation - CEC	84.377A	176107337110022	187,183
School Transformation Fund - Implementation - PVA	84.377A	176107337110023	<u>222,008</u>
Total CFDA Number 84.377A			<u>409,191</u>
Title IV, Part A Subpart I	84.424A	19680101015801	<u>9,229</u>
Passed through Southwest Preparatory School			
IDEA, Part B - Formula	84.027A	196600010158076600	56,036
IDEA, Part B - Formula	84.027A	186600010158076600	<u>11,294</u>
Total CFDA Number 84.027A			<u>67,330</u>
Passed through Education Service Center Region 20			
Carl Perkins Grant - SSA	84.048	20420006015950	35
Carl Perkins Grant - SSA	84.048	19420006015950	<u>3,507</u>
Total CFDA Number 84.048			<u>3,542</u>
Total U.S. Department of Education			<u>726,960</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed through State Department of Education			
National School Lunch	10.555	71301801	40,409
School Breakfast Program	10.553	71401801	<u>13,639</u>
Total Child Nutrition Cluster			<u>54,048</u>
Total U. S. Department of Agriculture			<u>54,048</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u>\$ 781,008</u>

POR VIDA, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended August 31, 2019

1. For all federal programs, Por Vida, Inc. used the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.
2. Expenditures for the National School Lunch and Breakfast Program are not specifically attributable to the federal revenue source and are on the schedule in an amount equal to federal revenue.
3. The United States Department of Education has given the Texas Education Agency (TEA) authority to issue indirect cost rates for the Texas School Districts and Charter Schools. To recover any indirect costs, the District must request and receive new indirect cost rates for every school year allowed by the Uniform Guidance Part 200.57. The District has elected not to use the 10% de minimis indirect cost rate.
4. There were no awards passed through to subrecipients

POR VIDA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2019

Section I: Summary of Auditor's Results

1. Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified?

 Yes X No

Significant deficiencies(s) identified that are not considered to be material weaknesses?

 Yes X None

Noncompliance material to financial statements noted?

 X Yes No

2. Federal Awards

Internal Control Over Major Programs:

Material weakness(es) identified?

 X Yes No

Significant deficiencies(s) identified that are not considered to be material weaknesses?

 Yes X None

Type of Auditor's Report Issued on Compliance for Major Programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

 X Yes No

Identification of Major Programs:

CFDA Number(s)

84.377A

Name of Federal Program or Cluster

Title 1, School Improvement Grants

Dollar Threshold used to Distinguish between Type A and Type B Programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

POR VIDA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended August 31, 2019

Section II: Financial Statement Findings

None noted

Section III: Federal Award Findings and Questioned Costs

2019-001 Procurement
Type of Finding: Material Weakness; Material Noncompliance
CFDA No. 84.377A Title 1, School Improvement Grants
Total Questioned Costs - \$158,152

Criteria: Purchases should be properly procured in accordance with the Uniform Guidance and the State of Texas procurement laws.

Condition/Cause: Por Vida could not support that the school properly procured several vendors in accordance with the Uniform Guidance and State of Texas procurement laws.

Recommendation: We recommend that Por Vida implement procedures to predict, monitor, and track vendor expenses to determine and document that vendors are being properly procured in accordance with the Uniform Guidance and State of Texas procurement laws.

Planned Correction Action Response: Por Vida will review and update their procurement policy and designate a member of the administrative team to monitor vendor expenses and procurement documentation to ensure compliance with Uniform Guidance and the State of Texas procurement laws.

Responsible Persons: Stephanie Rodriguez, Human Resources Director; Joseph Rendon, Superintendent

POR VIDA, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended August 31, 2019

Section II: Financial Statement Findings

None noted

Section III: Federal Award Findings and Questioned Costs

None noted