

POR VIDA, INC.

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

YEARS ENDED AUGUST 31, 2016 AND 2015



ABIP
CERTIFIED PUBLIC ACCOUNTANTS and ADVISORS

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POR VIDA, INC.

CERTIFICATE OF BOARD

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, 2016, at a meeting of the governing body of said charter school on the 19th day of January 2017.



Signature of the Board Secretary



Signature of the Board President

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Independent Auditor's Report

To the Board of Directors
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, 2016 and 2015, and the related statements of activities 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.

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.

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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, 2016 and 2015, 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.

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 19, 2017, 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 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

Certified Public Accountants
San Antonio, Texas

January 19, 2017

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FINANCIAL STATEMENTS

POR VIDA, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 142,010	\$ 7,141
Receivables		
Due from Governments	26,339	60,668
Other Receivables	75,299	88,870
Prepayments and Deposits	<u>14,000</u>	<u>37,500</u>
Total Current Assets	257,648	194,179
Capital Assets (Net of Accumulated Depreciation)	<u>1,288,753</u>	<u>1,406,189</u>
 TOTAL ASSETS	 <u>\$ 1,546,401</u>	 <u>\$ 1,600,368</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 74,461	\$ 106,825
Payroll Deductions and Withholdings Payable	29,082	9,722
Loan Payable	114,485	75,522
Other Current Payables	<u>-</u>	<u>660</u>
Total Current Liabilities	218,028	192,729
 <u>NON-CURRENT LIABILITIES - LOAN PAYABLE</u>	 <u>201,960</u>	 <u>282,107</u>
 Total Liabilities	 <u>419,988</u>	 <u>474,836</u>
<u>NET ASSETS</u>		
Unrestricted	16,885	6,692
Temporarily Restricted		
Net Invested in Capital Assets	972,308	1,048,562
Program Activities	<u>137,220</u>	<u>70,278</u>
Total Net Assets	<u>1,126,413</u>	<u>1,125,532</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,546,401</u>	 <u>\$ 1,600,368</u>

POR VIDA, INC.
STATEMENTS OF ACTIVITIES
AUGUST 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support			
Contributions	\$ 523,678	\$ -	\$ 523,678
Food Service Activity	8,055	-	8,055
Other Income	<u>223,946</u>	<u>-</u>	<u>223,946</u>
Total Local Support	<u>755,679</u>	<u>-</u>	<u>755,679</u>
State Program Revenues			
Foundation School Program	-	2,521,738	2,521,738
Other State Aids	<u>-</u>	<u>29,566</u>	<u>29,566</u>
Total State Program Revenues	<u>-</u>	<u>2,551,304</u>	<u>2,551,304</u>
Federal Program Revenues			
Title I, Part A - Improving Basic Programs	-	402,648	402,648
Title I, Priority School School Improvement Grants	-	622,421	622,421
Child Nutrition	-	57,175	57,175
Title II, Part A - TPTR	-	20,955	20,955
IDEA, Part B	<u>-</u>	<u>67,333</u>	<u>67,333</u>
Total Federal Program Revenues	<u>-</u>	<u>1,170,532</u>	<u>1,170,532</u>
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>			
Restrictions Satisfied by Payments	<u>3,731,148</u>	<u>(3,731,148)</u>	<u>-</u>
Total Revenues and Other Support	<u>4,486,827</u>	<u>(9,312)</u>	<u>4,477,515</u>

POR VIDA, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
AUGUST 31, 2016

<u>EXPENSES</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Program Services			
11 Instruction	\$ 2,069,265	\$ -	\$ 2,069,265
13 Curriculum Development and Instructional Staff Development	1,184	-	1,184
21 Instructional Leadership	102,535	-	102,535
23 School Leadership	527,888	-	527,888
31 Guidance, Counseling, and Evaluation Services	85,124	-	85,124
32 Social Work Services	64,958	-	64,958
33 Health Services	8,113	-	8,113
34 Student (Pupil) Transportation	41,028	-	41,028
35 Food Service	172,653	-	172,653
36 Cocurricular/Extracurricular Activities	13,285	-	13,285
51 Plant Maintenance and Operations	906,655	-	906,655
52 Security and Monitoring Services	62,695	-	62,695
53 Data Processing Services	40,264	-	40,264
61 Community Services	11,599	-	11,599
71 Debt Service	28,585	-	28,585
Support Services			
41 General Administration	<u>340,803</u>	<u>-</u>	<u>340,803</u>
Total Expenses	<u>4,476,634</u>	<u>-</u>	<u>4,476,634</u>
CHANGE IN NET ASSETS	10,193	(9,312)	881
NET ASSETS - BEGINNING OF YEAR	<u>6,692</u>	<u>1,118,840</u>	<u>1,125,532</u>
NET ASSETS - END OF YEAR	<u>\$ 16,885</u>	<u>\$ 1,109,528</u>	<u>\$ 1,126,413</u>

POR VIDA, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
AUGUST 31, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support			
Contributions	\$ 67,490	\$ -	\$ 67,490
Food Service Activity	5,685	-	5,685
Other Income	<u>176,934</u>	<u>-</u>	<u>176,934</u>
Total Local Support	<u>250,109</u>	<u>-</u>	<u>250,109</u>
State Program Revenues			
Foundation School Program	-	2,645,489	2,645,489
Other State Aids	<u>-</u>	<u>32,393</u>	<u>32,393</u>
Total State Program Revenues	<u>-</u>	<u>2,677,882</u>	<u>2,677,882</u>
Federal Program Revenues			
Title I, Part A - Improving Basic Programs	-	427,765	427,765
Title I, Priority School School Improvement Grants	-	1,114,057	1,114,057
Child Nutrition	-	65,074	65,074
Title II, Part A - TPTR	-	15,260	15,260
IDEA, Part B	<u>-</u>	<u>67,892</u>	<u>67,892</u>
Total Federal Program Revenues	<u>-</u>	<u>1,690,048</u>	<u>1,690,048</u>
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>			
Restrictions Satisfied by Payments	<u>4,348,953</u>	<u>(4,348,953)</u>	<u>-</u>
Total Revenues and Other Support	<u>4,599,062</u>	<u>18,977</u>	<u>4,618,039</u>

POR VIDA, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
AUGUST 31, 2015

<u>EXPENSES</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Program Services			
11 Instruction	\$ 2,092,949	\$ -	\$ 2,092,949
13 Curriculum Development and Instructional Staff Development	2,044	-	2,044
21 Instructional Leadership	161,649	-	161,649
23 School Leadership	527,659	-	527,659
31 Guidance, Counseling, and Evaluation Services	76,615	-	76,615
32 Social Work Services	59,754	-	59,754
33 Health Services	8,580	-	8,580
34 Student (Pupil) Transportation	44,775	-	44,775
35 Food Service	192,259	-	192,259
36 Cocurricular/Extracurricular Activities	36,929	-	36,929
41 General Administration	3,209	-	3,209
51 Plant Maintenance and Operations	865,413	-	865,413
52 Security and Monitoring Services	75,236	-	75,236
53 Data Processing Services	67,385	-	67,385
61 Community Services	16,940	-	16,940
71 Debt Service	39,113	-	39,113
Support Services			
41 General Administration	<u>315,875</u>	<u>-</u>	<u>315,875</u>
Total Expenses	<u>4,586,384</u>	<u>-</u>	<u>4,586,384</u>
CHANGE IN NET ASSETS	12,678	18,977	31,655
NET ASSETS - BEGINNING OF YEAR	<u>(5,986)</u>	<u>1,099,863</u>	<u>1,093,877</u>
NET ASSETS - END OF YEAR	<u>\$ 6,692</u>	<u>\$ 1,118,840</u>	<u>\$ 1,125,532</u>

POR VIDA, INC.
STATEMENTS OF CASH FLOWS
AUGUST 31

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Foundation School Program	\$ 2,521,738	\$ 2,645,489
Cash Received from Grantors	1,247,998	2,091,470
Cash Received from Contributors	523,678	67,490
Cash Received from Food Service Activity	8,055	5,685
Cash Received from Other Sources	223,946	176,934
Cash Paid to Suppliers for Goods and Services	(1,409,857)	(1,712,007)
Cash Paid to Employees for Services	(2,910,920)	(2,772,237)
Interest Payments	(28,585)	(39,113)
Net Cash Provided in Operating Activities	<u>176,053</u>	<u>463,711</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Capital Assets	-	(24,844)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Cash Received from Loan Proceeds	395,000	405,000
Loan Payments	(436,184)	(877,912)
Net Cash Used by Financing Activities	<u>(41,184)</u>	<u>(472,912)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	134,869	(34,045)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>7,141</u>	<u>41,186</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 142,010</u>	<u>\$ 7,141</u>
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 881	\$ 31,655
Adjustments to Reconcile Change in Net Assets to Net Cash Provided for Operating Activities		
Depreciation	117,436	119,237
Decrease in Assets		
Receivables	47,900	369,029
Prepayments and Deposits	23,500	(23,500)
Increase (Decrease) in Liabilities		
Accounts Payable	(32,364)	(37,520)
Payroll Deductions and Withholdings Payable	19,360	4,810
Other Liabilities	(660)	-
NET CASH PROVIDED IN OPERATING ACTIVITIES	<u>\$ 176,053</u>	<u>\$ 463,711</u>

POR VIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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.

POR VIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Accounting Policies (Continued)

The statement of financial position reports the amounts of each of two classes of net assets: temporarily restricted and unrestricted net assets.

- Temporarily restricted net assets result from contributions and other inflows of assets that are limited by donor-imposed stipulations that can be fulfilled and removed by actions of Por Vida, Inc. pursuant to those stipulations.

When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

- Unrestricted net assets are the remaining part of Por Vida's net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

C. 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.

D. 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

E. Credit Risk

Financial instruments, which potentially subject Por Vida, Inc. to concentrations of credit risk, consist primarily of cash. At August 31, 2016 and 2015, Por Vida, Inc. did not have any uninsured cash balances.

POR VIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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 restricted or unrestricted support.

- Contributions with donor-imposed restrictions are reported as restricted support. Restricted support increases temporarily restricted net assets.
- Contributions without donor imposed restrictions are reported as unrestricted support. Unrestricted support increases unrestricted net assets.

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.

G. 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, 2016 and 2015.

H. 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.

I. 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.

POR VIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015

NOTE 2: CAPITAL ASSETS

An analysis of capital assets as of August 31, 2016, is presented as follows:

	<u>OBJECT CODE</u>	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>NET</u>
Leasehold Improvements	1520	\$ 1,990,080	\$ 724,949	\$ 1,265,131
Furniture and Equipment	1540	179,786	169,883	9,903
Vehicles	1531	<u>119,641</u>	<u>105,922</u>	<u>13,719</u>
TOTALS		<u>\$ 2,289,507</u>	<u>\$ 1,000,754</u>	<u>\$ 1,288,753</u>

Depreciation expense for the current year was \$117,436.

An analysis of capital assets as of August 31, 2015, is presented as follows:

	<u>OBJECT CODE</u>	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>NET</u>
Leasehold Improvements	1520	\$ 1,990,080	\$ 621,560	\$ 1,368,520
Furniture and Equipment	1540	179,786	166,658	13,128
Vehicles	1531	<u>119,641</u>	<u>95,100</u>	<u>24,541</u>
TOTALS		<u>\$ 2,289,507</u>	<u>\$ 883,318</u>	<u>\$ 1,406,189</u>

Depreciation expense for 2015 was \$119,237.

POR VIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015

NOTE 3: OWNERSHIP IN PROPERTY AND EQUIPMENT

As of August 31, 2016, 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	119,641	-	119,641
TOTAL PROPERTY AND EQUIPMENT		<u>\$ 1,396,373</u>	<u>\$ 893,134</u>	<u>\$ 2,289,507</u>

As of August 31, 2015, 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	119,641	-	119,641
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 (CONTINUED)
AUGUST 31, 2016 AND 2015

NOTE 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 7.2% and 6.7% of their annual covered salary for each of the years ended August 31, 2016 and 2015, respectively. The state's contribution rate as a nonemployer contributing entity was 6.8% for the years ended August 31, 2016 and 2015. The School's employees' contributions to TRS for the years ended August 31, 2016 and 2015 totaled \$184,048 and \$162,127 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 \$77,773 and \$90,903 for the years ended August 31, 2016 and 2015, respectively.

POR VIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015

NOTE 4: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy (Continued)

The School's contributions into this plan do not represent more than 5.0% of the total contributions to the plan. The School's participation in the TRS plan for the year ended August 31, 2016 is outlined in the table below (ABO refers to the accumulation benefit obligation):

<u>Pension Fund</u>	<u>Total Plan Assets 2015</u>	<u>ABO 2015</u>	<u>Percent Funded</u>	<u>Surcharge Imposed</u>
TRS	\$ 149,780,061,824	\$ 163,887,375,172	78.43%	No

NOTE 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.

NOTE 6: HEALTH CARE COVERAGE

During the years ended August 31, 2016 and 2015, 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 2016 and 2015, Por Vida contributed \$91,072 and \$87,513, respectively, for charter employees.

NOTE 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, 2016 are summarized below. All Federal grants shown below are passed through the TEA or other agencies.

<u>PROGRAM</u>	<u>2016 AMOUNT</u>	<u>2015 AMOUNT</u>
Federal and State Programs	\$ 15,212	\$ 49,541
State Entitlement	<u>11,127</u>	<u>11,127</u>
TOTAL DUE FROM GOVERNMENTS	<u>\$ 26,339</u>	<u>\$ 60,668</u>

POR VIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015

NOTE 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, 2016 are as follows:

<u>YEARS ENDING</u> <u>AUGUST 31,</u>	<u>AMOUNT</u>
2017	\$ 234,000
2018	240,930
2019	241,560
2020	241,560
2021	<u>30,630</u>
TOTAL	<u>\$ 988,680</u>

The future minimum payments under noncancelable operating leases as of August 31, 2015 are as follows:

<u>YEARS ENDING</u> <u>AUGUST 31,</u>	<u>AMOUNT</u>
2016	\$ 278,000
2017	234,000
2018	240,930
2019	241,560
2020	241,560
Thereafter	<u>30,630</u>
TOTAL	<u>\$ 1,266,680</u>

NOTE 9: LOANS

- A. On March 19, 2008, Blessed Sacrament Academy refinanced a note with JP Morgan Chase Bank in the amount of \$409,202 with a maturity date of March 19, 2018. The stated interest rate is 5.870% and the note is payable in 119 payments of \$3,443 beginning on April 19, 2008. The note carries a balloon payment estimated at \$181,697 payable on March 18, 2018. The note is collateralized with the property (land and improvements) owned and occupied by Blessed Sacrament Academy. Payments are paid directly to JP Morgan Chase Bank by Por Vida, Inc. The balances as of August 31, 2016 and 2015 were \$212,840 and \$240,556, respectively. Interest expense during 2016 and 2015 were \$13,600 and \$17,798, respectively.

POR VIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015

NOTE 9: LOANS (CONTINUED)

- B. 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 \$-0- balance as of August 31, 2016 and 2015. Interest expense was \$4,545 and \$3,523 for 2016 and 2015, respectively.
- C. During 2014, the Sisters of Incarnate Word obtained a note with Frost Bank in the amount of \$267,157 maturing in 2015 with a stated interest rate of 4.50%. The payments are made by Por Vida. The loan was paid off during the fiscal year ended August 31, 2015.
- D. On September 28, 2012, Por Vida, Inc. secured a loan with Frost National Bank in the amount of \$32,771 bearing interest at 5.43% with a maturity date of September 28, 2017. This note is secured by two 2010 Chevrolet Express Vans and is payable in 60 monthly payments of \$625 beginning October 28, 2012. The principal balance at August 31, 2016 was \$7,874 and at August 31, 2015 was \$14,742. Interest expense during 2016 was \$632 and was \$995 for 2015.
- E. On June 14, 2013, Por Vida, Inc. secured a loan with Frost National Bank in the amount of \$19,967 bearing interest at 5.585% with a maturity date of June 14, 2018. This note is secured by a 2010 Chevrolet Express Van and is payable in 60 monthly payments of \$370 beginning July 17, 2013. The principal balance at August 31, 2016 was \$7,714 and at August 31, 2015 was \$11,601. Interest expense during 2016 was \$549 and during 2015 was \$760.
- F. On April 28, 2014, Por Vida, Inc. obtained a loan with Blessed Sacrament Academy in the amount of \$175,000 bearing an interest rate of 10.45% with a maturity date of September 28, 2014. The loan was paid off during the fiscal year ending August 31, 2015. Interest expense during the year ending August 31, 2016 and 2015 was \$0 and \$1,063 respectively.
- G. On April 11, 2014 Por Vida, Inc. obtained a note from YS&LS in the amount of \$89,148 payable in full in 2015. The note starts to incur interest at 7% if the balance is not paid in full by July 2015. A lien and security interest was granted to YS&LS against all nonexempt personal property at 4609-4613 S. Padre Island Drive, Corpus Christi, TX to secure the tenant's performance under the lease of the previously stated property. The balance was paid off during the fiscal year ending August 31, 2015. The principal balance at August 31, 2015 is \$85,148. The note was paid in full in 2016.
- H. On December 22, 2014, Por Vida, Inc. secured a loan with Frost National Bank in the amount of \$115,000 bearing interest at 4.41% with a maturity date of December 22, 2017. This note is secured by all accounts, equipment and furniture and is payable in 36 monthly payments of \$3,420 beginning January 22, 2015. The principal balance at August 31, 2016 and 2015 was \$53,017 and \$90,731, respectively. Interest expense during 2016 and 2015 was \$3,332 and \$3,070, respectively.

POR VIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015

NOTE 9: LOANS (CONTINUED)

- I. On June 3, 2016, Por Vida, Inc. secured a non-interest bearing note with an individual in the amount of \$35,000 with a maturity date of August 31, 2017. This is an unsecured note payable with monthly installments of \$3,000 beginning in September 2016. The principal balance at August 31, 2016 was \$35,000.

As of August 31, 2016, summary information for future note payments through 2018 as follows:

<u>YEARS ENDING</u> <u>AUGUST 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	\$ 114,485	\$ 14,803	\$ 129,288
2018	<u>201,960</u>	<u>5,907</u>	<u>207,867</u>
TOTALS	<u>\$ 316,445</u>	<u>\$ 20,710</u>	<u>\$ 337,155</u>

As of August 31, 2015, summary information for future note payments through 2018 were as follows:

<u>YEARS ENDING</u> <u>AUGUST 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$ 75,522	\$ 15,522	\$ 91,044
2017	79,485	13,261	92,746
2018	<u>202,622</u>	<u>5,784</u>	<u>208,406</u>
TOTALS	<u>\$ 357,629</u>	<u>\$ 34,567</u>	<u>\$ 392,196</u>

NOTE 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 \$48,000 and \$14,000 for the years ending August 31, 2016 and 2015, respectively. 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 (CONTINUED)
AUGUST 31, 2016 AND 2015

NOTE 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 provision have been made in the accompanying financial statements for such contingencies.

NOTE 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.

NOTE 13: SHARED SERVICES ARRANGEMENT

During the fiscal year 2016 and 2015, 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 \$67,333 and \$67,892 in 2016 and 2015 respectively, as reported to Por Vida, Inc. 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.

NOTE 14: NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Capital Assets (net) Purchased with State and Federal Funds	\$ 972,308	\$ 1,048,562
Federal and State Program Activities	<u>137,220</u>	<u>70,278</u>
Total Temporarily Restricted Assets	<u>\$ 1,109,528</u>	<u>\$ 1,118,840</u>

POR VIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2016 AND 2015

NOTE 15: EVALUATION OF SUBSEQUENT EVENTS

Por Vida has evaluated subsequent events by Por Vida, Inc.'s management through January 19, 2017, the date which the financial statements were available to be issued. Subsequent to August 31, 2016, Por Vida, Inc. received a \$75,320 loan from Lone Star Capital Bank for facility improvements and upgrades.

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**SUPPLEMENTAL INFORMATION
FOR CHARTER SCHOOL OPERATIONS**

POR VIDA, INC.
STATEMENT OF ACTIVITIES
REVENUE AND OTHER SUPPORT BY OBJECT CODE
YEAR ENDED AUGUST 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support			
5720 Local Revenue from other School Districts	\$ 521,874	\$ -	\$ 521,874
5740 Other Revenues from Local Sources	62,699	-	62,699
5750 Revenues from Cocurricular, Enterprising Services or Activities	31,312	-	31,312
5760 Revenue from Intermediate Sources	<u>139,794</u>	<u>-</u>	<u>139,794</u>
Total Local Support	<u>755,679</u>	<u>-</u>	<u>755,679</u>
State Program Revenues			
5810 Foundation School Program Act Revenues	-	2,521,738	2,521,738
5820 State Program Revenues Distributed by Texas Education Agency	<u>-</u>	<u>29,566</u>	<u>29,566</u>
Total State Program Revenues	<u>-</u>	<u>2,551,304</u>	<u>2,551,304</u>
Federal Program Revenues			
5920 Federal Revenues Distributed by the Texas Education Agency	<u>-</u>	<u>1,170,532</u>	<u>1,170,532</u>
Total Federal Program Revenues	<u>-</u>	<u>1,170,532</u>	<u>1,170,532</u>
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>			
Restrictions Satisfied by Payments	<u>3,731,148</u>	<u>(3,731,148)</u>	<u>-</u>
Total Revenues and Other Support	<u>4,486,827</u>	<u>(9,312)</u>	<u>4,477,515</u>
<u>EXPENSES</u>			
11 Instruction	2,069,265	-	2,069,265
13 Curriculum Development and Instructional Staff Development	1,184	-	1,184
21 Instructional Leadership	102,535	-	102,535
23 School Leadership	527,888	-	527,888
31 Guidance, Counseling, and Evaluation Services	85,124	-	85,124
32 Social Work Services	64,958	-	64,958
33 Health Services	8,113	-	8,113
34 Student (Pupil) Transportation	41,028	-	41,028
35 Food Services	172,653	-	172,653
36 Cocurricular/Extracurricular Activities	13,285	-	13,285
41 General Administration	340,803	-	340,803
51 Plant Maintenance and Operations	906,655	-	906,655
52 Security and Monitoring Services	62,695	-	62,695
53 Data Processing Services	40,264	-	40,264
61 Community Services	11,599	-	11,599
71 Debt Service	<u>28,585</u>	<u>-</u>	<u>28,585</u>
Total Expenses	<u>4,476,634</u>	<u>-</u>	<u>4,476,634</u>
CHANGE IN NET ASSETS	10,193	(9,312)	881
NET ASSETS - BEGINNING OF YEAR	<u>6,692</u>	<u>1,118,840</u>	<u>1,125,532</u>
NET ASSETS - END OF YEAR	<u>\$ 16,885</u>	<u>\$ 1,109,528</u>	<u>\$ 1,126,413</u>

POR VIDA, INC.
SCHEDULE OF EXPENSES
YEAR ENDED AUGUST 31, 2016

<u>EXPENSES</u>	<u>TOTAL</u>
6100 Payroll Costs	\$ 2,930,280
6200 Professional and Contracted Services	1,001,089
6300 Supplies and Materials	194,723
6400 Other Operating Costs	321,957
6500 Debt	<u>28,585</u>
	<u>\$ 4,476,634</u>

POR VIDA, INC.
BUDGETARY COMPARISON SCHEDULE -
BUDGET VARIANCE ORIGINAL TO FINAL
YEAR ENDED AUGUST 31, 2016

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>BUDGET VARIANCE ORIGINAL TO FINAL POSITIVE OR (NEGATIVE)</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>				
<u>REVENUE</u>						
Local Support						
5720	Local Revenue from other School Districts	\$ 24,000	\$ 580,184	\$ 521,874	\$ 556,184	(1)
5740	Other Revenues from Local Sources	-	46,930	62,699	46,930	
5750	Revenues from Cocurricular, Enterprising Services or Activities	4,142	27,531	31,312	23,389	(2)
5760	Revenue from Intermediate Sources	-	139,794	139,794	139,794	
State Support						
5810	Foundation School Program Act Revenues	2,932,261	2,516,869	2,521,738	(415,392)	(3)
5820	State Program Revenues Distributed by Texas Education Agency	10,437	22,081	29,566	11,644	(4)
Federal Program Revenues						
5920	Federal Revenues Distributed by the Texas Education Agency	1,065,067	1,187,070	1,170,532	122,003	(5)
Total Revenues		<u>4,035,907</u>	<u>4,520,459</u>	<u>4,477,515</u>	<u>484,552</u>	
<u>EXPENSES</u>						
11	Instruction	1,573,170	2,082,002	2,069,265	508,832	(6)
13	Curriculum Development and Instructional Staff Development	3,295	1,295	1,184	(2,000)	(7)
21	Instructional Leadership	130,639	101,166	102,535	(29,473)	(8)
23	School Leadership	461,367	528,968	527,888	67,601	(9)
31	Guidance, Counseling and Evaluation Services	92,797	94,918	85,124	2,121	
32	Social Work Services	105,305	65,346	64,958	(39,959)	(10)
33	Health Services	7,430	8,113	8,113	683	
34	Student (Pupil) Transportation	44,146	40,633	41,028	(3,513)	
35	Food Services	193,467	175,422	172,653	(18,045)	
36	Cocurricular/Extracurricular Activities	24,299	15,624	13,285	(8,675)	(11)
41	General Administration	398,738	347,928	340,803	(50,810)	(12)
51	Plant Maintenance and Operations	756,467	791,948	906,655	35,481	
52	Security and Monitoring Services	79,431	62,695	62,695	(16,736)	(13)
53	Data Processing Services	47,567	40,264	40,264	(7,303)	(14)
61	Community Services	21,501	9,628	11,599	(11,873)	(15)
71	Debt	96,288	28,389	28,585	(67,899)	(16)
Total Expenses		<u>4,035,907</u>	<u>4,394,339</u>	<u>4,476,634</u>	<u>358,432</u>	
CHANGE IN NET ASSETS		-	126,120	881	126,120	
<u>NET ASSETS - BEGINNING OF YEAR</u>		<u>1,125,532</u>	<u>1,125,532</u>	<u>1,125,532</u>	-	
NET ASSETS - END OF YEAR		<u>\$ 1,125,532</u>	<u>\$ 1,251,652</u>	<u>\$ 1,126,413</u>	<u>\$ 126,120</u>	

POR VIDA, INC.
NOTE TO BUDGETARY COMPARISON SCHEDULE –
BUDGET VARIANCE ORIGINAL TO FINAL
YEAR ENDED AUGUST 31, 2016

NOTE 1: VARIANCE BETWEEN ORIGINAL AND FINAL BUDGET

- (1) Object code 5729 Fund 190 Payroll services was not included in original budget \$478,979. Object code 5729 Fund 420 original budget was under budget by \$74,923 because e-rate.
- (2) Object code 5755 Fund 821 concession was not included in original budget by \$18,789. Object code 5759 Fund 821 GED testing and Activity Center was not included in original budget by \$990. Object code 5751 Cafeteria sales was under budget on original budget by \$3,853.
- (3) Object code 5811 Fund 420 Per Capita was over budgeted \$7,779. Object code 5812 Fund 420 Foundation School Program was over budgeted by \$407,613.
- (4) Object code 5829 Fund 240 GR School Matching was over budgeted \$561. Object code 5829 Fund 410 State Textbook was under budget by \$12,204.
- (5) Object code 5929 Fund 211 SIG Grant was not in original budget \$161,992. Object code 5921 Fund 240 School Breakfast was under budget \$1,400. Object code 5922 Fund 240 School Lunch was over budget \$9,871.98. Object code 5929 Fund 255 Title II A was under budget by \$1,243. Object code 5929 Fund 276 TTIPS Grant was over budget by \$287,500.
- (6) Function 11 Fund 211 SIG was not in original budget \$342,200. Function 11 Fund 190 was not in original budget \$478,980. Function 11 Fund 410 was not in original budget \$19,498. Function 11 Fund 276 was under budget by \$200,255. Function 11 Fund 420 was under budget by 130,000.
- (7) Function 13 Fund 420 original budget had \$2,000 more than final budget.
- (8) Function 21 Fund 224 original budget did not include \$1,913.96. Function 21 Fund 420 original budget was over \$27,137.
- (9) Function 23 Fund 276 Payroll original budget under by \$23,930. Function 23 Fund 420 original budget under by \$43,671.
- (10) Function 32 Fund 211 under budget \$103. Function 32 Fund 276 was under budget \$39,825.
- (11) Function 36 Fund 420 Miscellaneous operating cost original budget was over budget by \$8,675.
- (12) Function 41 Fund 420 legal fees not in original budget by \$40,629.02. Contract buyout not in original budget by \$10,000.
- (13) Function 52 Fund 420 under budget \$16,736.
- (14) Function 53 Fund 420 was over budget by \$7,303 for IT services for the district.

POR VIDA, INC.
NOTE TO BUDGETARY COMPARISON SCHEDULE –
BUDGET VARIANCE ORIGINAL TO FINAL (CONTINUED)
YEAR ENDED AUGUST 31, 2016

NOTE 1: VARIANCE BETWEEN ORIGINAL AND FINAL BUDGET (CONTINUED)

(15) Function 61 Fund 276 Payroll under budget \$11,872.

(16) Function 71 Fund 420 Debt Principal original budget over by \$75,931. Debt Interest original budget under by \$2,545. Interest expense not in original budget by \$5,705.

POR VIDA, INC.
BUDGETARY COMPARISON SCHEDULE -
VARIANCE WITH FINAL BUDGET
YEAR ENDED AUGUST 31, 2016

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUE</u>				
Local Support				
5720 Local Revenue from other School Districts	\$ 24,000	\$ 580,184	\$ 521,874	\$ (58,310) (1)
5740 Other Revenues from Local Sources	-	46,930	62,699	15,769 (2)
5750 Revenues from Cocurricular, Enterprising Services or Activities	4,142	27,531	31,312	3,781 (3)
5760 Revenue from Intermediate Sources	-	139,794	139,794	-
State Support				
5810 Foundation School Program Act Revenues	2,932,261	2,516,869	2,521,738	4,869
5820 State Program Revenues Distributed by Texas Education Agency	10,437	22,081	29,566	7,485 (4)
Federal Program Revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	<u>1,065,067</u>	<u>1,187,070</u>	<u>1,170,532</u>	<u>(16,538)</u>
Total Revenues	<u>4,035,907</u>	<u>4,520,459</u>	<u>4,477,515</u>	<u>(42,944)</u>
<u>EXPENSES</u>				
11 Instruction	1,573,170	2,082,002	2,069,265	12,737
13 Curriculum Development and Instructional Staff Development	-	3,295	1,184	111
21 Instructional Leadership	130,639	101,166	102,535	(1,369)
23 School Leadership	461,367	528,968	527,888	1,080
31 Guidance, Counseling and Evaluation Services	92,797	94,918	85,124	9,794 (5)
32 Social Work Services	105,305	65,346	64,958	388
33 Health Services	7,430	8,113	8,113	-
34 Student (Pupil) Transportation	44,146	40,633	41,028	(395)
35 Food Services	193,467	175,422	172,653	2,769
36 Cocurricular/Extracurricular Activities	24,299	15,624	13,285	2,339 (6)
41 General Administration	398,738	347,928	340,803	7,125
51 Plant Maintenance and Operations	756,467	791,948	906,655	(114,707) (7)
52 Security and Monitoring Services	79,431	62,695	62,695	-
53 Data Processing Services	47,567	40,264	40,264	-
61 Community Services	21,501	9,628	11,599	(1,971) (8)
71 Debt	96,288	28,389	28,585	(196)
Total Expenses	<u>4,035,907</u>	<u>4,394,339</u>	<u>4,476,634</u>	<u>82,295</u>
CHANGE IN NET ASSETS	-	126,120	881	(125,239)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>1,125,532</u>	<u>1,125,532</u>	<u>1,125,532</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 1,125,532</u>	<u>\$ 1,251,652</u>	<u>\$ 1,126,413</u>	<u>\$ (125,239)</u>

POR VIDA, INC.
NOTE TO BUDGETARY COMPARISON SCHEDULE –
VARIANCE WITH FINAL BUDGET
YEAR ENDED AUGUST 31, 2016

NOTE 1: VARIANCE BETWEEN ACTUAL AND FINAL BUDGET

- (1) Object code 5729 Fund 190 was over budgeted by \$16,613. Object code 5729 Fund 420 was under budgeted by \$74,923 because E-Rate receipts were budgeted there incorrectly.
- (2) Object code 5749 Fund 161 was not in final budget. Sale of laptops \$770, donations totaling \$1,804, student tuition \$300, student phone fees \$140. Object code 5749 Fund 821 gym rental was over budget by \$8,843 and payroll service fees over budget by \$5,000.
- (3) Object code 5755 Fund 821 concession was not included in final budget and over budget \$1,045. Object code 5759 Fund 821 GED testing and Activity Center was not included in final budget and over budget \$2,108.
- (4) Object code 5829 Fund 410 State Textbook was not included in final budget and under budgeted \$7,485.
- (5) Function 31 Fund 224 final budget did not include \$12,985. Function 31 Fund 276 was not in final budget \$3,463. Function 31 Fund 420 final budget was over \$271.
- (6) Function 36 Fund 420 final budget was over \$2,339.
- (7) Function 51 Fund 420 final budget did not include depreciation expense of \$117,436.
- (8) Function 61 Fund 276 final budget did not include the Community Liaison position in the amount of \$1,971.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND 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, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2017.

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 the 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 and therefore, material

weaknesses or significant deficiencies may exist that were not identified. 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.

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 2016-001.

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

Certified Public Accountants
San Antonio, Texas

January 19, 2017



INDEPENDENT AUDITOR'S 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 each of Por Vida's major federal program for the year ended August 31, 2016. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

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.

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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Certified Public Accountants
San Antonio, Texas

January 19, 2017

POR VIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016

<u>GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PROJECT NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed through State Department of Education ESEA Title I, Part A Improving Basic Programs	84.010A	14610101015801	\$ 120,098
Title I, Priority and Focus Grant	84.010A	15610112015801000	282,550
ESEA Title II, Part A TPTR	84.367A	14694501015801	20,955
Title 1, School Improvement Grants-PVA	84.377A	106107067110007	622,421
Passed through Southwest Preparatory School IDEA, Part B - Formula	84.027A	116600010158016000	<u>67,333</u>
Total U. S. Department of Education			<u>1,113,357</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed through State Department of Education National School Lunch	10.555	71301201	38,516
School Breakfast Program	10.553	71401201	<u>18,659</u>
Total U. S. Department of Agriculture			<u>57,175</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u>\$ 1,170,532</u>

POR VIDA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016

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.

POR VIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016

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? _____ Yes X No

2. Federal Awards

Internal Control Over Major Programs:

Material Weakness(es) Identified? _____ Yes X 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)	Name of Federal Program or Cluster
84.377A	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? _____ Yes X No

POR VIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED AUGUST 31, 2016

Section II: Financial Statement Findings

2016-001 Substitute Employees and Federal Withholdings
Type of Finding – Significant Deficiency

Condition: Substitutes used by the Por Vida, Inc. were classified as contracted labor and employer portion of the payroll charges were omitted and resulted in understatement of payroll expenses.

Criteria: Substitutes teachers are considered employees of Por Vida, Inc. and proper employer portions of payroll taxes and other charges should be accounted for and remitted to the proper agencies in a timely manner.

Cause: Unknown

Effect: Por Vida, Inc. has lower payroll expenses as a result of classifying substitute teachers as contract labor.

Recommendation: Por Vida, Inc. should identify substitute teachers and process their payment through the normal payroll processes and post to the correct payroll expense object code as required by TEA. In addition, payroll taxes for such employees should be accurately accounted for and reported to the Internal Revenue Service.

Planned Corrective Action: As of March 2016, Por Vida, Inc. began classifying substitute teachers and processing their payments to the correct expense account and including employer portion of payroll related charges to proper agencies.

Responsible Official: Joseph Rendon, Superintendent and Stephanie Ramirez, Human Resources Director

Section III: Federal Award Findings and Questioned Costs

None Noted

POR VIDA, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2016

Federal Award Findings and Questioned Costs

Department of Education

2015-001 Title I Priority Schools –
CFDA No. 84.377A; Federal Award No. S377A130044; Grant Period:
August 1, 2014 to July 31, 2017;

Condition: The same individual prepares the monthly TEA drawdowns, sends them to TEA, receives the payment notification and records the journal entry to post the revenue in the accounting software without any formal review by someone outside of the submission process.

Recommendation: Por Vida, Inc. should implement procedures to ensure there are separation of duties with regards to the monthly TEA drawdown procedures of federal funds.

Current Status: Por Vida, Inc. has implemented procedures to segregate the processes of requesting drawdowns from TEA and posting entries to the general ledger for such drawdowns. In addition, all journal entries require approvals prior to posting to the system.