

CASA GRACIA, dba TRINITY CHARTER SCHOOLS
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2019

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CASA GRACIA, dba TRINITY CHARTER SCHOOLS

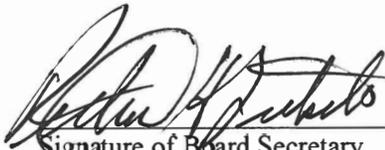
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(Federal Employer Identification Number: 74-2314606)

CERTIFICATE OF BOARD

August 31, 2019

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Casa Gracia, dba Trinity Charter Schools was reviewed and approved disapproved for the year ended August 31, 2019, at a meeting of the governing body of said charter school on the 23 day of January, 2020.



Signature of Board Secretary



Signature of Board President

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Casa Gracia, dba Trinity Charter Schools
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Casa Gracia dba Trinity Charter Schools (a nonprofit organization), which comprise the consolidated 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casa Gracia dba Trinity Charter Schools as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Casa Gracia dba Trinity Charter Schools' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020, on our consideration of Casa Gracia dba Trinity Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Casa Gracia dba Trinity Charter Schools' 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 Casa Gracia dba Trinity Charter Schools' internal control over financial reporting and compliance.



Houston, TX
January 21, 2020

CASA GRACIA, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019
(With Comparative Totals for August 31, 2018)

	2019	2018
ASSETS		
Current Assets		
Cash	\$ 3,066,480	\$ 3,441,121
Grants Receivable	520,861	440,545
Other Receivables	12,756	-
Total Current Assets	3,600,097	3,881,666
Property and Equipment		
Furniture and Equipment	58,046	58,046
Vehicles	90,497	90,497
Construction in Progress	-	191,269
Buildings and Improvements	801,230	407,592
	949,773	747,404
Less: Accumulated Depreciation	(174,118)	(124,596)
	775,655	622,808
Other Assets		
Prepaid Assets	6,592	4,386
TOTAL ASSETS	\$ 4,382,344	\$ 4,508,860
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 135,764	\$ 201,220
Payroll Liabilities	377,660	395,358
Current Portion of Capital Leases Payable	51,726	49,057
Total Current Liabilities	565,150	645,635
Long-Term Liabilities		
Capital Leases, net of Current Portion	68,634	120,361
Total Long-Term Liabilities	68,634	120,361
TOTAL LIABILITIES	633,784	765,996
Net Assets		
Without Donor Restrictions	711,705	-
With Donor Restrictions	3,036,855	3,742,864
TOTAL NET ASSETS	3,748,560	3,742,864
TOTAL LIABILITIES AND NET ASSETS	\$ 4,382,344	\$ 4,508,860

CASA GRACIA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019
(With Comparative Totals for the Year Ended August 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues				
Other revenues from Local Sources	\$ 1,017,035	\$ -	\$ 1,017,035	\$ 229,781
State Program Revenues	-	7,414,024	7,414,024	8,245,067
Federal Program Revenues	-	856,008	856,008	731,783
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	8,637,142	(8,637,142)	-	-
Total Revenues	<u>9,654,177</u>	<u>(367,110)</u>	<u>9,287,067</u>	<u>9,206,631</u>
Expenses				
Program Services				
Instruction and Instructional-Related Services	6,013,444	-	6,013,444	5,328,761
Instructional and School Leadership	1,149,385	-	1,149,385	1,120,061
Support Services- Student (Pupil)	692,723	-	692,723	651,509
Ancillary Services	50,058	-	50,058	23,894
Total Program Services	<u>7,905,610</u>	<u>-</u>	<u>7,905,610</u>	<u>7,124,225</u>
Support Services				
Administrative Support Services	636,929	-	636,929	684,446
Support Services- Non-Student Based	731,017	-	731,017	824,626
Debt Service	7,815	-	7,815	10,347
Total Support Services	<u>1,375,761</u>	<u>-</u>	<u>1,375,761</u>	<u>1,519,419</u>
Total Expenses	<u>9,281,371</u>	<u>-</u>	<u>9,281,371</u>	<u>8,643,644</u>
Change in Net Assets	<u>372,806</u>	<u>(367,110)</u>	<u>5,696</u>	<u>562,987</u>
Net Assets, Beginning of Year, as Restated	<u>338,899</u>	<u>3,403,965</u>	<u>3,742,864</u>	<u>3,179,877</u>
Net Assets, End of Year	<u>\$ 711,705</u>	<u>\$ 3,036,855</u>	<u>\$ 3,748,560</u>	<u>\$ 3,742,864</u>

CASA GRACIA, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019
(With Comparative Totals for the Year Ended August 31, 2018)

	Program Expense	General and Administrative	2019 Total	2018 Total
Expenses				
Salaries	\$ 5,620,639	\$ 423,397	\$ 6,044,036	\$ 5,626,171
Payroll Taxes	155,481	7,725	163,206	118,077
Employee Benefits	632,121	41,749	673,870	562,041
Rental Expense	8,763	288,238	297,001	452,849
Maintenance and Repairs	2,716	29,655	32,371	40,190
Utilities	-	58,415	58,415	53,633
Depreciation	-	49,522	49,522	33,501
Supplies	540,157	55,791	595,948	623,320
Travel	91,046	18,006	109,052	132,897
Equipment Lease	91,837	163	92,000	-
Insurance	31,338	506	31,844	38,975
Professional Fees	689,304	345,834	1,035,138	886,091
Interest	-	7,815	7,815	10,347
Other	42,208	48,945	91,153	65,552
Total Expenses	<u>\$ 7,905,610</u>	<u>\$ 1,375,761</u>	<u>\$ 9,281,371</u>	<u>\$ 8,643,644</u>

CASA GRACIA, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019
(With Comparative Totals for the Year Ended August 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,696	\$ 562,987
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	49,522	33,501
(Increase) Decrease in Grants Receivable	(80,316)	265,835
(Increase) Decrease in Other Receivable	(12,756)	-
(Increase) Decrease in Other assets	(2,207)	1,629
Increase (Decrease) in Accounts Payable	(65,457)	145,302
Increase (Decrease) in Payroll Liabilities	(17,698)	72,984
Total Adjustments	(128,912)	519,251
Net Cash Provided (Used) by Operating Activities	(123,216)	1,082,238
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of fixed assets	(202,368)	(222,579)
Net Cash Provided (Used) By Investing Activities	(202,368)	(222,579)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Capital Lease	(49,057)	(46,525)
Net Cash Provided (Used) By Financing Activities	(49,057)	(46,525)
 NET INCREASE (DECREASE) IN CASH	(374,641)	813,134
 CASH AT BEGINNING OF YEAR	3,441,121	2,627,987
 CASH AT END OF YEAR	\$ 3,066,480	\$ 3,441,121
 <u>SUPPLEMENTAL INFORMATION DISCLOSED</u>		
Cash Paid During the Year for:		
INTEREST	\$ 7,815	\$ 10,347

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

A. Organization:

Casa Gracia, dba Trinity Charter Schools (the “Organization”) is a not-for-profit organization incorporated in the state of Texas in 2003. In March 2004, the State Board of Education of the State of Texas granted the Organization an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code in order to provide educational services to students in grades K-12. Trinity Charter Schools was opened in the 2003-2004 academic year for the sole purpose of operating a public charter school.

The Organization operates as a single charter school and conducts other non-charter activities with and through Casa Gracia NC, LLC (“CGNC”), whose sole member is the Organization. CGNC is consolidated with the charter school activities of the Organization and presented in consolidated financial statements because the Organization has a direct controlling interest in CGNC. The Organization receives the majority of its funding for charter school activities from the Texas Education Agency (“TEA”) based on the school’s average daily attendance. CGNC’s activities are managed separately from the activities of Trinity Charter School and are supported entirely through private sources. Since the Organization receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

The Board of Trustees is comprised of five members who govern the Organization. The Board of Trustees is selected pursuant to the bylaws of the Organization and has the authority to make decisions, appoint the CEO, and significantly influence operations. The Board of Trustees has primary accountability for the fiscal affairs of the Organization and governs its programs, services, activities, and functions.

B. Summary of Significant Accounting Policies:

BASIS OF PRESENTATION

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The Organization presents its financial statements in accordance with Financial Accounting Standards Board *Accounting Standards Codification (ASC) 958 Not-for-Profit Entities- 205 Presentation of Financial Statements*. Under *FASB ASC 958-205*, an organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

B. Summary of Significant Accounting Policies: (Continued)

NEW ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective beginning with the Organization’s fiscal year ended August 31, 2019 and must be applied on a retrospective basis. The Organization adopted the ASU effective August 31, 2019. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

CLASSIFICATION OF NET ASSETS

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

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

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets are included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

On occasion, the governing board may designate a portion of net assets without donor restrictions for a specific purpose. Designated net assets are not governed by donor-imposed restrictions and may be reversed by the governing board at any time.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include all of the Organization’s accounts. All significant interagency balances and transactions have been eliminated.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

B. Summary of Significant Accounting Policies: (Continued)

CONTRIBUTIONS

Contributions are recorded at fair value when the Organization is in possession of or receives an unconditional promise to give. In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 605 Revenue Recognition*, contributions received are recorded as *with donor restrictions* or *without donor restrictions*, depending on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, net assets are reclassified to *without donor restrictions*. The Organization's policy is to report donor-restricted support that is satisfied in the year of receipt as donor-restricted and then fully released in the same year.

Contributed services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills, and which would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributed goods are recorded at their fair value in the period received.

GRANTS

The Organization considers all government grants as exchange transactions rather than contributions. The Organization recognizes revenue from grants as eligible expenditures are incurred. Advances from government agencies are recorded as refundable advances. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as receivables.

Any funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of any noncompliance with the terms of the grant.

SUPPORT AND REVENUE

Support and revenue are recorded based on the accrual method.

CASH DONATIONS AND DONATED SERVICES

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

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

B. Summary of Significant Accounting Policies: (Continued)

PROPERTY AND EQUIPMENT

Property and equipment purchased by the Organization are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All assets acquired with a value in excess of \$5,000 are recorded as fixed assets. Depreciation is provided on the straight-line method based upon the following estimated useful lives: furniture and office equipment – 3 to 10 years; buildings – 25 to 39 years. Gains or losses from retirement or sale of property and equipment are reflected in income for the period. The proceeds from such sales which are not legally required or expected to be reinvested in property and equipment are transferred to unrestricted net assets.

PLEDGES AND ACCOUNTS RECEIVABLE

Contributions which are in substance, unconditional, are recognized when received by the Organization. Contributions that are restricted by the donor are reported as increases in *net assets without donor restrictions* if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in *net assets with donor restrictions*. When a restriction expires, *net assets with donor restrictions* are reclassified to *net assets without donor restrictions*.

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

INCOME TAXES

The Organization qualifies as a tax-exempt organization under section 501 (c) (3) of the Internal Revenue Code and is exempt from federal income taxes except to the extent it has unrelated business activities. CGNC is considered a disregarded entity of its sole member Casa Gracia. As such, no provision for federal income taxes has been made in the accompanying financial statements.

The Organization's policy is to record interest and penalty expense related to income taxes as interest and other expense, respectively. At August 31, 2019, no interest or penalties have been or are required to be accrued. The Organization, generally, is no longer subject to income tax examinations by federal authorities for years prior to August 31, 2016.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

B. Summary of Significant Accounting Policies: (Continued)

CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in non-interest-bearing demand accounts at domestic financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, bank depository accounts exceeded federally insured limits. The Organization has not experienced any losses on uninsured amounts.

COMPENSATED ABSENCES

The Organization's permanent employees accumulate, and vest vacation leave at varying rates depending on longevity. It is the Organization's policy to accrue accumulated vacation at year-end.

ESTIMATES

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

CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to off-balance-sheet credit risk include cash on deposit with financial institutions which were insured for up to \$250,000 by the U.S. Federal Deposit Insurance Corporation. At various times throughout the period ended August 31, 2019, the Organization's balance in its accounts has exceeded these federally insured limits. Investments in debt securities have been pledged by a banking institution to mitigate the risk of loss for balances exceeding FDIC insurance thresholds.

C. Pension Plan:

Plan Description

The charter school contributes to the Teacher Retirement System of Texas ("TRS"), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public-school systems of Texas.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

C. Pension Plan: (Continued)

The plan operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805 respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2019 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2019	ABO 2019	Percent Funded
TRS	\$ 181,800,159,000	\$ 209,961,325,000	76.40%

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. State law provides for a member contribution rate of 7.7% for the 2019 fiscal period. The state’s contribution rate as a non-employer contributing entity was 6.8% in 2019. The charter school’s employees’ contributions to the system for the year ended August 31, 2019 were \$418,270, equal to the required contributions for the year.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

C. Pension Plan: (Continued)

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 \$42,041 for the year ended August 31, 2019. The charter school's contributions into this plan do not represent more than 5% of the total contributions to the plan. The charter school was assessed a surcharge totaling \$22,072.

D. Budget:

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

E. Commitments and Contingencies:

The Organization receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency (TEA) 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 TEA or the grantor agency.

F. Health Care Coverage:

During the period ended August 31, 2019, employees of the Organization were covered by a health insurance plan. The school contributed \$370 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The plan was authorized by Article 3.51-2, Texas Insurance Code, and was documented by contractual agreement.

G. Operating Lease Commitment:

The Organization's minimum annual lease commitment is as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2020	\$ 372,806
2021	196,540
2022	<u>40,275</u>
Total	<u>\$ 609,621</u>

Operating lease expense for the Organization amounted to \$389,001 for the period ended August 31, 2019.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

H. Capital Lease Obligation:

The Organization's obligations under capital lease obligations consist of the following:

Noncancelable, net capital lease obligation to a bank for acquisition of a modular classroom building. The lease is dated December 16, 2016; has a fixed interest rate of 5.5%; an initial balance of \$249,253; a bargain purchase option of \$1; and is payable in 60 monthly installments of \$4,739. The date of maturity is December 15, 2021.	\$ 120,360
Less Current Portion	<u>(51,726)</u>
Capital Lease Payable	<u>\$ 68,634</u>

Future maturities of capital lease payable are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 51,726	\$ 5,145	\$ 56,871
2021	54,541	2,330	56,871
2022	14,093	125	14,218
2023	-	-	-
2024	-	-	-
Thereafter	-	-	-
Total	<u>\$ 120,360</u>	<u>\$ 7,600</u>	<u>\$ 127,960</u>

I. Liquidity and Availability of Financial Assets:

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

Financial assets at year-end:	
Cash and cash equivalents	\$ 3,066,480
Grants receivable	520,861
Other Receivables	12,756
Total financial assets	<u>3,600,097</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions as to time or use	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,600,097</u>

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

I. Liquidity and Availability of Financial Assets: (Continued)

The Organization manages its liquid assets conservatively within standard depository bank accounts at national banks. Cash is managed to provide sufficient funds for meeting program expenditures of the Organization. Excess cash may be invested in short-term investments such as certificates of deposit that have maturity dates of less than three months.

J. Prior Period Adjustment:

During the year ended August 31, 2019, the Organization restated prior year net assets as follows:

Net Assets Without Donor Restrictions at August 31, 2018	\$ -
Reclassification of Net Assets Provided by Private Sources for Prior Year Summer School Programs	<u>338,899</u>
Net Assets Without Donor Restrictions at August 31, 2018, as Restated	<u>\$ 338,899</u>

The Organization confirmed that amounts paid by partner residential treatment centers have no donor-imposed restrictions. Residual amounts left over from the efficient operation of summer school programs belong to the Organization without future restrictions.

K. Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2019 are restricted as follows:

Subject to expenditure for specified purposes:

State-financed general charter school activities	\$ 3,036,855
Total restricted funds	<u>\$ 3,036,855</u>

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

State Funds	\$ 7,781,134
Federal Funds	<u>856,008</u>
Total Restrictions Released	<u>\$ 8,637,142</u>

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2019

L. Subsidiary Relationships:

The Organization operates as a subsidiary of Lutheran Social Services of the South, Inc. dba Upbring (“Upbring”), a 501 (c)(3) tax-exempt organization. Upbring effectively controls the Organization in a relationship that is permitted under Title 19 of the Texas Administrative Code Section 100.1011 (14)(B) and has been expressly recognized and approved by the Texas Education Commissioner and the State Board of Education. Two of the nine charter schools served by the Organization provide on-site, specialized education for residents of treatment centers operated by Upbring. At these sites, as well as seven other residential treatment centers not operated by Upbring, the Organization leases physical space from the respective treatment center in providing on-site education services. Transactions between the organizations have been negotiated in a manner that substantially reflects arms-length negotiations.

In October 2018, Casa Gracia expanded its operations under Casa Gracia NC, LLC (“CGNC”) – a Texas single-member limited liability company that is considered a disregarded entity of its sole member Casa Gracia – in order to promote charitable, scientific, literary and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986. At present, CGNC’s principal activity consists of providing education services to refugee children under the care of Upbring. CGNC’s activities are managed separately from the activities of Trinity Charter School and are not supported through state or federal funding. There are a total of three non-charter schools operating under CGNC.

During the year, Upbring paid the Organization \$786,415 for education services provided by CGNC over the course of the standard school year. Upbring also paid the Organization \$197,865 for education services and administration of summer school programs operated by Trinity Charter School.

At August 31, 2019, the Organization’s charter school operations recognized a receivable from CGNC in the amount of \$119,293 for assistance provided in the first months of CGNC’s operations. The charter school operations also recognized \$344,030 in interagency revenue for the year ended August 31, 2019.

M. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through January 21, 2020, the date which the financial statements were available to be issued.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of
Casa Gracia, dba Trinity Charter Schools
Austin, Texas

We have audited the financial statements of Casa Gracia, dba Trinity Charter Schools as of and for the year ended August 31, 2019, and our report thereon dated January 21, 2020, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules for Individual Charter School and Consolidating Financial Statements dated August 31, 2019, and appearing on pages 18 to 28 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Houston, TX
January 21, 2020

CASA GRACIA dba TRINITY CHARTER SCHOOLS
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019
(With Comparative Totals for August 31, 2018)

	2019	2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,951,728	\$ 3,441,121
Grants Receivable	520,861	440,545
Other Receivables	12,756	-
Intercompany Receivable	119,293	-
Total Current Assets	3,604,638	3,881,666
Property and Equipment		
Furniture and Equipment	58,046	58,046
Vehicles	90,497	90,497
Construction in Progress	-	191,269
Buildings and Improvements	801,230	407,592
	949,773	747,404
Less: Accumulated Depreciation	(174,118)	(124,596)
Total Property and Equipment	775,655	622,808
Other Assets		
Prepaid Assets	4,496	4,386
TOTAL ASSETS	\$ 4,384,789	\$ 4,508,860
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 134,197	\$ 201,220
Payroll Liabilities	346,921	395,358
Current Portion of Capital Leases Payable	51,726	49,057
Total Current Liabilities	532,844	645,635
Long-term Liabilities		
Capital Leases, net of Current Portion	68,634	120,361
Total Long-Term Liabilities	68,634	120,361
TOTAL LIABILITIES	601,478	765,996
Net Assets		
Without Donor Restrictions	746,456	338,899
With Donor Restrictions	3,036,855	3,403,965
TOTAL NET ASSETS	3,783,311	3,742,864
TOTAL LIABILITIES AND NET ASSETS	\$ 4,384,789	\$ 4,508,860

CASA GRACIA dba TRINITY CHARTER SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019
(With Comparative Totals for the Year Ended August 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 571,559	\$ -	\$ 571,559	\$ 229,781
5750 Revenue from Cocurricular Activities	3,091	-	3,091	-
Total Local Support	<u>574,650</u>	<u>-</u>	<u>574,650</u>	<u>229,781</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	7,323,250	7,323,250	8,116,781
5820 State Program Revenues Distributed by				
Texas Education Agency	-	90,774	90,774	128,286
Total State Program Revenues	<u>-</u>	<u>7,414,024</u>	<u>7,414,024</u>	<u>8,245,067</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by				
Texas Education Agency	-	856,008	856,008	731,783
Total Federal Program Revenues	<u>-</u>	<u>856,008</u>	<u>856,008</u>	<u>731,783</u>
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	8,637,142	(8,637,142)	-	-
Total Revenues	<u>9,211,792</u>	<u>(367,110)</u>	<u>8,844,682</u>	<u>9,206,631</u>
Expenses				
11 Instruction	5,602,107	-	5,602,107	5,237,247
13 Curriculum Development and Instructional				
Staff Development	109,020	-	109,020	91,514
21 Instructional Leadership	126,975	-	126,975	110,484
23 School Leadership	885,538	-	885,538	1,009,577
31 Guidance, Counseling and Evaluating Services	681,977	-	681,977	610,089
33 Health Services	712	-	712	980
35 Food Services	10,033	-	10,033	40,180
36 Cocurricular/Extracurricular Activities	-	-	-	260
41 General Administration	623,284	-	623,284	684,446
51 Plant Maintenance and Operations	530,184	-	530,184	599,520
52 Security and Monitoring Services	1,025	-	1,025	17,767
53 Data Processing Services	175,507	-	175,507	207,339
61 Community Services	50,058	-	50,058	23,894
71 Debt Service	7,815	-	7,815	10,347
Total Expenses	<u>8,804,235</u>	<u>-</u>	<u>8,804,235</u>	<u>8,643,644</u>
Change in Net Assets	<u>407,557</u>	<u>(367,110)</u>	<u>40,447</u>	<u>562,987</u>
Net Assets, beginning of year, as restated	<u>338,899</u>	<u>3,403,965</u>	<u>3,742,864</u>	<u>3,179,877</u>
Net Assets, end of year	<u>\$ 746,456</u>	<u>\$ 3,036,855</u>	<u>\$ 3,783,311</u>	<u>\$ 3,742,864</u>

CASA GRACIA dba TRINITY CHARTER SCHOOLS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019
(With Comparative Totals for the Year Ended August 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 40,447	\$ 562,987
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	49,522	33,501
(Increase) Decrease in Grants Receivable	(80,316)	265,835
(Increase) Decrease in Other Receivable	(12,756)	-
(Increase) Decrease in Intercompany Receivable	(119,293)	-
(Increase) Decrease in Other Assets	(111)	1,629
Increase (Decrease) in Accounts Payable	(67,024)	145,302
Increase (Decrease) in Payroll Liabilities	(48,437)	72,984
Total Adjustments	(278,415)	519,251
Net Cash Provided (Used) by Operating Activities	(237,968)	1,082,238
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of fixed assets	(202,368)	(222,579)
Net Cash Provided (Used) By Investing Activities	(202,368)	(222,579)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Capital Lease	(49,057)	(46,525)
Net Cash Provided (Used) By Financing Activities	(49,057)	(46,525)
NET INCREASE (DECREASE) IN CASH	(489,393)	813,134
CASH AT BEGINNING OF YEAR	3,441,121	2,627,987
CASH AT END OF YEAR	\$ 2,951,728	\$ 3,441,121
<u>SUPPLEMENTAL INFORMATION DISCLOSED</u>		
Cash Paid During the Year for:		
INTEREST	\$ 7,815	\$ 10,347

CASA GRACIA dba TRINITY CHARTER SCHOOLS
 SCHEDULE OF EXPENSES
 FOR THE YEAR ENDED AUGUST 31, 2019
 (With Comparative Totals for the Year Ended August 31, 2018)

EXPENSES	2019	2018
6100 Payroll Costs	\$ 6,509,464	\$ 6,306,289
6200 Professional and Contracted Services	1,464,433	1,432,763
6300 Supplies and Materials	555,041	625,168
6400 Other Operating Costs	267,482	269,077
6500 Debt	7,815	10,347
Total Expenses	\$ 8,804,235	\$ 8,643,644

CASA GRACIA dba TRINITY CHARTER SCHOOLS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2019

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 254,671	\$ 2,697,057	\$ -
1520 Building and Improvements	-	386,838	-
1531 Vehicles	-	90,497	-
1539 Furniture and Equipment	-	-	58,046
1551 Buildings	-	414,392	-
Total Capital Assets	\$ 254,671	\$ 3,588,784	\$ 58,046

CASA GRACIA dba TRINITY CHARTER SCHOOLS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Budgeted Amounts</u>		Actual Amounts	Variance from Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ -	\$ 550,400	\$ 571,559	\$ 21,159
5750 Revenue from Cocurricular Activities	-	3,091	3,091	-
Total Local Support	<u>-</u>	<u>553,491</u>	<u>574,650</u>	<u>21,159</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	8,911,850	7,207,477	7,323,250	115,773
5820 State Program Revenues Distributed by Texas Education Agency	-	134,200	90,774	(43,426)
Total State Program Revenues	<u>8,911,850</u>	<u>7,341,677</u>	<u>7,414,024</u>	<u>72,347</u>
Federal Program Revenues:				
5920 Federal Revenue Distributed by TEA	683,081	923,765	856,008	(67,757)
Total Federal Program Revenues	<u>683,081</u>	<u>923,765</u>	<u>856,008</u>	<u>(67,757)</u>
Total Revenues	<u>9,594,931</u>	<u>8,818,933</u>	<u>8,844,682</u>	<u>25,749</u>
EXPENSES				
11 Instruction	5,461,990	5,793,777	5,602,107	191,670
13 Curriculum Development and Instructional Staff Development	111,001	107,976	109,020	(1,044)
21 Instructional Leadership	141,999	126,356	126,975	(619)
23 School Leadership	1,092,500	887,780	885,538	2,242
31 Guidance, Counseling and Evaluating Services	655,317	697,187	681,977	15,210
33 Health Services	1,350	1,230	712	518
35 Food Services	100,000	30,456	10,033	20,423
36 Cocurricular/Extracurricular Activities	1,000	-	-	-
41 General Administration	863,800	713,100	623,284	89,816
51 Plant Maintenance and Operations	803,000	646,310	530,184	116,126
52 Security and Monitoring Services	28,000	1,530	1,025	505
53 Data Processing Services	327,000	197,515	175,507	22,008
61 Community Services	7,974	50,505	50,058	447
71 Debt Service	-	10,660	7,815	2,845
Total Expenses	<u>9,594,931</u>	<u>9,264,382</u>	<u>8,804,235</u>	<u>460,147</u>
Change in Net Assets	<u>-</u>	<u>(445,449)</u>	<u>40,447</u>	<u>485,896</u>
Net Assets, beginning of year	<u>3,742,864</u>	<u>3,742,864</u>	<u>3,742,864</u>	<u>-</u>
Net Assets, end of year	<u>\$ 3,742,864</u>	<u>\$ 3,297,415</u>	<u>\$ 3,783,311</u>	<u>\$ 3,783,311</u>

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

BUDGETARY VARIANCE EXPLANATION

AUGUST 31, 2019

MATERIAL BUDGET VARIANCE REVENUE

(1) The following is an explanation of the 10% variances from **original budget to final budget** reported on the Budgetary Comparison Schedule for the year ending August 31, 2019.

Object 5740 – These private donations vary from year to year based on need and summer enrichment programs. Final amended budget was based on the information available at the end of the fiscal year.

Object 5750 – The food service program was initially recorded in a set of codes, but then adjusted at year end. The single campus that participated in the program closed.

Object 5810 – With the closing of three campuses, the original budget decreased and is reflected in the new estimated revenue.

Object 5820 – Revenue from other state sources was not anticipated at the beginning of the school year. As information became available this budget was amended as necessary.

Object 5920 – The negotiation of federal funds was not finalized at the time the original budget was adopted.

(2) The following is an explanation of the 10% variances from **final budget to actual revenue** reported on the Budgetary Comparison Schedule for the year ending August 31, 2019.

Object 5820 – The cost of the software package was re-negotiated at a better price, so all of the estimated state revenue was not spent.

MATERIAL BUDGET VARIANCE EXPENDITURES

(1) The following is an explanation of the 10% variances **from original budget to final budget** reported on the Budgetary Comparison Schedule for the year ending August 31, 2019.

Function 21 – The budget for staff and resources decreased as we did not replace an open position. This was due to lower enrollment and school closures.

Function 23 – The budget for staff and resources decreased due to lower enrollment and school closures.

Function 35 – As student enrollment decreased during the year, these expenses also decreased.

Function 36 – As the student enrollment decreased and schools closed, the need for these expenses were eliminated.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

BUDGETARY VARIANCE EXPLANATION

AUGUST 31, 2019

MATERIAL BUDGET VARIANCE EXPENDITURES: (continued)

Function 41 – The budget for administrative costs was decreased by consolidating responsibilities.

Function 51 – The facilities budget decreased during the year due to lower enrollment and school closures.

Function 52 – With the lower enrollment and the schools closing, we decreased the budget.

Function 53 – The technology budget decreased as the existing infrastructure was redistributed and there were lower costs because of school closures.

Function 61 – The budget was strategically increased during the school year to recruit and retain surrogate parents for the campuses and by adding parent and family activities throughout the district.

Function 71 – The budget for debt service was not included in the original budget due to negotiations of the payoff of modular facilities.

(2) The following is an explanation of the 10% variances **from final budget to actual expenses** reported on the Budgetary Comparison Schedule for the year ending August 31, 2019.

Function 33 – Negotiated expenses for health services and supplies were finalized lower than originally anticipated.

Function 35 – A cost savings was negotiated with the food services program due to lower enrollment and the program was eliminated when the school closed in the middle of the year.

Function 41 – Expenses were decreased to account for lower enrollment.

Function 51 – There was a cost savings as a result of lower enrollment.

Function 52 – During the year, the security fees were re-negotiated due to lower enrollment.

Function 53 – The existing infrastructure was redistributed to lower the expenses for the year.

Function 71 – The debt service was less than originally anticipated, since the principal loan balance decreased.

CASA GRACIA, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019

	Trinity Charter School	Casa Gracia NC, LLC	Eliminations	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,951,728	\$ 114,752	\$ -	\$ 3,066,480
Grants Receivable	520,861	-	-	520,861
Other Receivable	12,756	-	-	12,756
Intercompany Receivables	119,293	-	(119,293)	-
Total Current Assets	<u>3,604,638</u>	<u>114,752</u>	<u>(119,293)</u>	<u>3,600,097</u>
Property, Plant & Equipment:				
Furniture and Equipment	58,046	-	-	58,046
Vehicles	90,497	-	-	90,497
Building improvements	801,230	-	-	801,230
	949,773	-	-	949,773
Accumulated depreciation	(174,118)	-	-	(174,118)
Total Property, Plant & Equipment	<u>775,655</u>	<u>-</u>	<u>-</u>	<u>775,655</u>
Other Assets:				
Prepaid assets	4,496	2,096	-	6,592
TOTAL ASSETS	<u>\$ 4,384,789</u>	<u>\$ 116,848</u>	<u>\$ (119,293)</u>	<u>\$ 4,382,344</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$ 134,197	\$ 1,567	\$ -	\$ 135,764
Payroll Liabilities	346,921	30,739	-	377,660
Intercompany Payable	-	119,293	(119,293)	-
Current Portion of Capital Lease	51,726	-	-	51,726
TOTAL CURRENT LIABILITIES	<u>532,844</u>	<u>151,599</u>	<u>(119,293)</u>	<u>565,150</u>
LONG-TERM LIABILITIES				
Long-term Capital Lease, net of Current Portion	68,634	-	-	68,634
TOTAL LONG-TERM LIABILITIES	<u>68,634</u>	<u>-</u>	<u>-</u>	<u>68,634</u>
TOTAL LIABILITIES	<u>601,478</u>	<u>151,599</u>	<u>(119,293)</u>	<u>633,784</u>
NET ASSETS				
Without Donor Restrictions	746,456	(34,751)	-	711,705
With Donor Restrictions	3,036,855	-	-	3,036,855
TOTAL NET ASSETS	<u>3,783,311</u>	<u>(34,751)</u>	<u>-</u>	<u>3,748,560</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,384,789</u>	<u>\$ 116,848</u>	<u>\$ (119,293)</u>	<u>\$ 4,382,344</u>

CASA GRACIA, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

	Trinity Charter Schools	Casa Garcia NC, LLC	Eliminations	Total
Revenues				
Local Support:				
Other revenues from Local Sources	\$ 574,650	\$ 786,415	\$ 344,030	\$ 1,017,035
State Program Revenues	7,414,024	-	-	7,414,024
Federal Program Revenues	856,008	-	-	856,008
Total Revenues	<u>8,844,682</u>	<u>786,415</u>	<u>344,030</u>	<u>9,287,067</u>
Expenses				
Program Services				
Instruction and Instructional-Related Services	5,711,127	646,347	344,030	6,013,444
Instructional and School Leadership	1,012,512	136,873	-	1,149,385
Support Services- Student (Pupil)	692,723	-	-	692,723
Ancillary Services	50,058	-	-	50,058
Total Program Services	<u>7,466,420</u>	<u>783,220</u>	<u>344,030</u>	<u>7,905,610</u>
Support Services				
Administrative Support Services	623,284	13,645	-	636,929
Support Services- Non-Student Based	706,716	24,301	-	731,017
Debt Service	7,815	-	-	7,815
Total Supporting Services	<u>1,337,815</u>	<u>37,946</u>	<u>-</u>	<u>1,375,761</u>
Total Expenses	<u>8,804,235</u>	<u>821,166</u>	<u>344,030</u>	<u>9,281,371</u>
Change in Net Assets	<u>40,447</u>	<u>(34,751)</u>	<u>-</u>	<u>5,696</u>
Net Assets, Beginning of Year	<u>3,742,864</u>	<u>-</u>	<u>-</u>	<u>3,742,864</u>
Net Assets, End of Year	<u>\$ 3,783,311</u>	<u>\$ (34,751)</u>	<u>\$ -</u>	<u>\$ 3,748,560</u>

CASA GRACIA, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019

	Trinity Charter Schools	Casa Gracia NC, LLC	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 40,447	\$ (34,751)	\$ 5,696
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation expense	49,522	-	49,522
(Increase) Decrease in Grants Receivable	(80,316)	-	(80,316)
(Increase) Decrease in Other Receivable	(12,756)	-	(12,756)
(Increase) Decrease in Other assets	(111)	(2,096)	(2,207)
(Increase) Decrease in Intercompany Receivable	(119,293)	-	(119,293)
Increase (Decrease) in Accounts Payable	(67,024)	1,567	(65,457)
Increase (Decrease) in Payroll Liabilities	(48,437)	30,739	(17,698)
Increase (Decrease) in Intercompany Payable		119,293	119,293
Total Adjustments	<u>(278,415)</u>	<u>149,503</u>	<u>(128,912)</u>
Net Cash Provided (Used) by Operating Activities	<u>(237,968)</u>	<u>114,752</u>	<u>(123,216)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchases of fixed assets	(202,368)	-	(202,368)
Net Cash Provided (Used) By Investing Activities	<u>(202,368)</u>	<u>-</u>	<u>(202,368)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Capital Lease	(49,057)	-	(49,057)
Net Cash Provided (Used) By Financing Activities	<u>(49,057)</u>	<u>-</u>	<u>(49,057)</u>
NET INCREASE (DECREASE) IN CASH	(489,393)	114,752	(374,641)
CASH AT BEGINNING OF YEAR	<u>3,441,121</u>	<u>-</u>	<u>3,441,121</u>
CASH AT END OF YEAR	<u>\$ 2,951,728</u>	<u>\$ 114,752</u>	<u>\$ 3,066,480</u>
 <u>SUPPLEMENTAL INFORMATION DISCLOSED</u>			
Cash Paid During the Year for:			
INTEREST	<u>\$ 7,815</u>	<u>\$ -</u>	<u>\$ 7,815</u>

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

To the Board of Trustees of
Casa Gracia, dba Trinity Charter Schools
Austin, 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 Casa Gracia, dba Trinity Charter Schools (a nonprofit organization), 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 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Casa Gracia, dba Trinity Charter Schools' 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 Casa Gracia, dba Trinity Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Casa Gracia, dba Trinity Charter Schools' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Casa Gracia, dba Trinity Charter Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Houston, TX
January 21, 2020

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Casa Gracia, dba Trinity Charter Schools
Austin, Texas

Report on Compliance for Each Major Federal Program

We have audited Casa Gracia, dba Trinity Charter Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Casa Gracia, dba Trinity Charter Schools' major federal programs for the year ended August 31, 2019. Casa Gracia, dba Trinity Charter Schools' major federal programs are 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Casa Gracia, dba Trinity Charter Schools' major federal programs 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 Casa Gracia, dba Trinity Charter Schools' 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 each major federal program. However, our audit does not provide a legal determination of Casa Gracia, dba Trinity Charter Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Casa Gracia, dba Trinity Charter Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

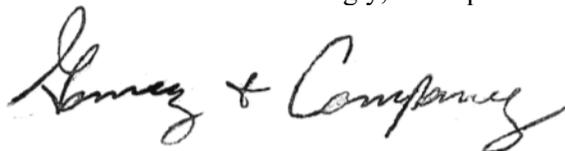
Report on Internal Control Over Compliance

Management of Casa Gracia, dba Trinity Charter Schools 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 Casa Gracia, dba Trinity Charter Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Casa Gracia, dba Trinity Charter Schools' 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.

A handwritten signature in cursive script, likely reading "Laney & Company", is written in black ink.

Houston, TX
January 21, 2020

CASA GRACIA, dba TRINITY CHARTER SCHOOLS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2019

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses on internal control over financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses on internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any audit findings which are required to be reported in accordance with 2 CFR section 200.516(a).
7. Major programs:

U.S. Department of Agriculture	
Passed – Through Texas Education Agency	
Title I, Part A	84.010

8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Casa Gracia dba Trinity Charter Schools does not qualify as a low-risk auditee.

<u>Current Year Findings</u>	<u>Questioned Costs</u>
No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516 (a).	\$ -0-

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2019

Summary Schedule of Prior Year Findings

No audit findings were noted as per governmental auditing standards for the year ended August 31, 2018.

CASA GRACIA dba TRINITY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed - Through Texas Education Agency:			
Title I, Part A, School Improvement	84.010A	19610101046802	\$ 423,567
Title I, Part D, Subpart 2	84.010A	19610103046802	146,051
Idea - B Formula	84.027A	186600010468026000	73,019
Idea - B Formula	84.027A	196600010468026000	171,717
Title II, Part A, Teacher/Principal Training & Recruiting	84.367A	19694501046802	12,438
Title IV, Part A, Subpart 1	84.424A	19680101046802	18,128
Total U.S. Department of Education			<u>844,920</u>
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
School Breakfast	10.553	71401801	957
School Breakfast	10.553	71401901	3,350
National School Lunch	10.555	71301801	1,458
National School Lunch	10.555	71301901	5,323
Total U.S. Department of Agriculture			<u>11,088</u>
Total Expenditures of Federal Awards			<u>\$ 856,008</u>

CASA GRACIA, dba TRINITY CHARTER SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of federal awards (the Schedule) includes the federal grant activity of Casa Gracia dba Trinity Charter Schools under programs of the federal government for the year ended August 31, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operation of Casa Gracia dba Trinity Charter Schools, it is not intended to and does not present the financial position, changes in net assets or cash flows of Casa Gracia dba Trinity Charter Schools, Inc.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

Casa Gracia dba Trinity Charter Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Subrecipients

The Organization did not provide federal awards to subrecipients.