

ALIEF MONTESSORI COMMUNITY SCHOOL

ANNUAL FINANCIAL REPORT

For the years ended June 30, 2024 and 2023

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CERTIFICATE OF BOARD

Alief Montessori Community School
Name of Charter Holder

76-0555382
Federal Employer ID Number

Alief Montessori Community School
Name of Charter School

Harris
County

101-815
Co. Dist. Number

We, the undersigned, clarify that the attached annual financial and compliance reports of the above named Charter Holder were reviewed and (check one) approved disapproved for the year ended June 30, 2024, at a meeting of the Charter Holder on the 20 day of November, 2024.


Signature of Board Secretary


Signature of Board President

NOTE: If the governing body of the Charter Holder does not approve the independent auditor's report, it must forward a written statement discussing the reason(s) for not approving the report.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Alief Montessori Community School:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alief Montessori Community School (the "Charter Holder") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Charter Holder as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The financial statements of the Charter Holder for the year ended June 30, 2023, were audited by other auditors, who expressed an unmodified opinion on those statements on November 14, 2023.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter Holder's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter Holder's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter Holder's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2024 financial statements as a whole. The accompanying supplementary information required by the Texas Education Agency (TEA) noted in the table of contents 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, except for that portion marked "unaudited", 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 basic financial statements or to the 2024 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2024 information noted in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The 2023 supplementary information required by TEA is presented for purposes of additional analysis and is not a required part of the 2023 financial statements. The 2023 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2023 financial statements. The information has been subjected to the auditing procedures applied by other auditors in the audit of the 2023 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 and whose report dated November 14, 2023 expressed an opinion that such information was fairly stated in all material respects in relation to the 2023 financial statements as a whole.

(Continued)

Unaudited Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Certificate of Board on page 1 is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the basic financial statements. The Certificate of Board has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2024 on our consideration of the Charter Holder's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter Holder's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Holder's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Houston, Texas
November 18, 2024

FINANCIAL STATEMENTS

ALIEF MONTESSORI COMMUNITY SCHOOL
 STATEMENTS OF FINANCIAL POSITION - EXHIBIT A-1
 June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,348,534	\$ 4,083,948
Investments	-	500,000
Due from state	<u>800,388</u>	<u>761,506</u>
Total current assets	6,148,922	5,345,454
Noncurrent assets		
Property and equipment, net	<u>9,895,209</u>	<u>9,838,183</u>
Total noncurrent assets	<u>9,895,209</u>	<u>9,838,183</u>
Total assets	<u>\$ 16,044,131</u>	<u>\$ 15,183,637</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other liabilities	\$ 235,066	\$ 399,840
Deferred revenue	<u>22,728</u>	<u>35,864</u>
Total current liabilities	<u>257,794</u>	<u>435,704</u>
Net assets		
Without donor restrictions	11,332,472	10,938,584
With donor restrictions	<u>4,453,865</u>	<u>3,809,349</u>
Total net assets	<u>15,786,337</u>	<u>14,747,933</u>
Total liabilities and net assets	<u>\$ 16,044,131</u>	<u>\$ 15,183,637</u>

See Notes to Financial Statements.

ALIEF MONTESSORI COMMUNITY SCHOOL
STATEMENTS OF ACTIVITIES - EXHIBIT A-2
For the year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total <u>2024</u>
Revenues			
Local Support:			
5740 Other revenues from local sources	\$ 378,850	\$ -	\$ 378,850
5760 Revenues-intermediate sources	<u>20,650</u>	<u>-</u>	<u>20,650</u>
Total local support	<u>399,500</u>	<u>-</u>	<u>399,500</u>
State program revenues:			
5810 Foundation school program act revenues	-	3,689,651	3,689,651
5820 State program revenues distributed by Texas Education Agency	-	206,823	206,823
5830 State program revenues distributed by State of Texas government agency	<u>-</u>	<u>87,983</u>	<u>87,983</u>
Total state program revenues	<u>-</u>	<u>3,984,457</u>	<u>3,984,457</u>
Federal program revenues:			
5920 Federal revenues distributed by Texas Education Agency	-	545,690	545,690
5930 Federal revenues distributed by other agencies	<u>-</u>	<u>19,860</u>	<u>19,860</u>
Total federal program revenues	<u>-</u>	<u>565,550</u>	<u>565,550</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>3,905,491</u>	<u>(3,905,491)</u>	<u>-</u>
Total revenues	<u>4,304,991</u>	<u>644,516</u>	<u>4,949,507</u>
Expenses			
Program services			
Educational services	2,990,961	-	2,990,961
Support services:			
Administrative support services	<u>920,142</u>	<u>-</u>	<u>920,142</u>
Total expenses	<u>3,911,103</u>	<u>-</u>	<u>3,911,103</u>
Changes in net assets	393,888	644,516	1,038,404
Net assets at beginning of year	<u>10,938,584</u>	<u>3,809,349</u>	<u>14,747,933</u>
Net assets at end of year	<u>\$ 11,332,472</u>	<u>\$ 4,453,865</u>	<u>\$ 15,786,337</u>

See Notes to Financial Statements.

ALIEF MONTESSORI COMMUNITY SCHOOL
STATEMENTS OF ACTIVITIES - EXHIBIT A-2
For the year ended June 30, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u> <u>2023</u>
Revenues			
Local Support:			
5740 Other revenues from local sources	\$ 199,988	\$ -	\$ 199,988
5760 Revenues-intermediate sources	<u>39,250</u>	<u>-</u>	<u>39,250</u>
Total local support	<u>239,238</u>	<u>-</u>	<u>239,238</u>
State program revenues:			
5810 Foundation school program act revenues	-	3,394,060	3,394,060
5820 State program revenues distributed by Texas Education Agency	<u>-</u>	<u>29,480</u>	<u>29,480</u>
Total state program revenues	<u>-</u>	<u>3,423,540</u>	<u>3,423,540</u>
Federal program revenues:			
5920 Federal revenues distributed by Texas Education Agency	-	908,893	908,893
5930 Federal revenues distributed by other agencies	<u>-</u>	<u>15,370</u>	<u>15,370</u>
Total federal program revenues	<u>-</u>	<u>924,263</u>	<u>924,263</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>3,279,102</u>	<u>(3,279,102)</u>	<u>-</u>
Total revenues	<u>3,518,340</u>	<u>1,068,701</u>	<u>4,587,041</u>
Expenses			
Program services			
Educational services	2,647,494	-	2,647,494
Support services:			
Administrative support services	<u>832,612</u>	<u>-</u>	<u>832,612</u>
Total expenses	<u>3,480,106</u>	<u>-</u>	<u>3,480,106</u>
Changes in net assets	38,234	1,068,701	1,106,935
Net assets at beginning of year	<u>10,900,350</u>	<u>2,740,648</u>	<u>13,640,998</u>
Net assets at end of year	<u>\$ 10,938,584</u>	<u>\$ 3,809,349</u>	<u>\$ 14,747,933</u>

See Notes to Financial Statements.

ALIEF MONTESSORI COMMUNITY SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES - EXHIBIT A-3
For the year ended June 30, 2024

	<u>Program Activities</u>	<u>Supporting Activities</u>	<u>Total</u>
	<u>Educational Services</u>	<u>General and Administrative Services</u>	<u>2024</u>
Expenses			
Salaries and wages	\$ 1,878,378	\$ 107,692	\$ 1,986,070
Benefits and payroll taxes	<u>395,794</u>	<u>25,613</u>	<u>421,407</u>
Total payroll expenses	<u>2,274,172</u>	<u>133,305</u>	<u>2,407,477</u>
Contract labor	112,268	100	112,368
Maintenance and repairs	11,910	81,916	93,826
Utilities	-	68,430	68,430
Depreciation	-	382,769	382,769
Supplies	208,225	45,047	253,272
Food	121,162	3,038	124,200
Travel	13,060	117	13,177
Instructional materials	13,129	-	13,129
Insurance and bonding	-	69,711	69,711
Professional fees and dues	227,492	109,967	337,459
Other	<u>9,543</u>	<u>25,742</u>	<u>35,285</u>
Total nonpayroll expenses	<u>716,789</u>	<u>786,837</u>	<u>1,503,626</u>
 Total expenses	 <u>\$ 2,990,961</u>	 <u>\$ 920,142</u>	 <u>\$ 3,911,103</u>

See Notes to Financial Statements.

ALIEF MONTESSORI COMMUNITY SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES - EXHIBIT A-3
For the year ended June 30, 2023

	<u>Program Activities</u>	<u>Supporting Activities</u>	<u>Total</u>
	<u>Educational Services</u>	<u>General and Administrative Services</u>	<u>2023</u>
Expenses			
Salaries and wages	\$ 1,767,688	\$ 114,293	\$ 1,881,981
Benefits and payroll taxes	<u>309,819</u>	<u>19,702</u>	<u>329,521</u>
Total payroll expenses	<u>2,077,507</u>	<u>133,995</u>	<u>2,211,502</u>
Contract labor	17,127	1,575	18,702
Maintenance and repairs	3,000	29,254	32,254
Utilities	-	58,966	58,966
Depreciation	-	353,425	353,425
Supplies	180,037	58,906	238,943
Food	115,619	-	115,619
Travel	9,753	783	10,536
Instructional materials	10,170	-	10,170
Insurance and bonding	-	52,868	52,868
Professional fees and dues	229,522	118,919	348,441
Other	<u>4,759</u>	<u>23,921</u>	<u>28,680</u>
Total nonpayroll expenses	<u>569,987</u>	<u>698,617</u>	<u>1,268,604</u>
 Total expenses	 <u>\$ 2,647,494</u>	 <u>\$ 832,612</u>	 <u>\$ 3,480,106</u>

See Notes to Financial Statements.

ALIEF MONTESSORI COMMUNITY SCHOOL
STATEMENTS OF CASH FLOWS - EXHIBIT A-4
For the years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Foundation school program payments	\$ 3,565,030	\$ 3,357,036
Grant payments	946,095	924,263
Miscellaneous sources	399,500	239,238
Payments to vendors for goods and services rendered	(1,304,392)	(697,549)
Payments to charter school personnel for services rendered	(2,401,852)	(2,206,184)
Net cash provided by operating activities	<u>1,204,381</u>	<u>1,616,804</u>
Cash flows from investing activities		
Purchase of investments	-	(500,000)
Sale of investments	500,000	253,252
Purchase of capital assets	(439,795)	(227,726)
Net cash provided (used) by investing activities	<u>60,205</u>	<u>(474,474)</u>
Net change in cash and cash equivalents	1,264,586	1,142,330
Cash and cash equivalents, beginning of year	<u>4,083,948</u>	<u>2,941,618</u>
Cash and cash equivalents, end of year	<u>\$ 5,348,534</u>	<u>\$ 4,083,948</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,038,404	\$ 1,106,935
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	382,769	353,425
(Increase) decrease in:		
Due from state	(38,882)	(66,504)
Other receivables	-	347
Increase (decrease) in:		
Accounts payable and other liabilities	(164,774)	217,630
Deferred revenue	(13,136)	4,971
Net cash provided by operating activities	<u>\$ 1,204,381</u>	<u>\$ 1,616,804</u>

See Notes to Financial Statements.

ALIEF MONTESSORI COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of Alief Montessori Community School (the “Charter Holder”) (a nonprofit organization) were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity: The Charter Holder is a not-for-profit organization incorporated in the State of Texas (the “State”) in 1998 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter Holder is governed by a board of directors comprised of ten members. The Board of Directors (the “Board”) is selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions, appoint the chief executive officer of the Charter Holder, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of the Charter Holder.

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

Corporate Operations: In 1998, the State Board of Education of the State of Texas granted the Charter Holder an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Alief Montessori Community School was opened for the academic year beginning September 1998. The Charter Holder was organized to provide educational services to students in pre-kindergarten through eighth grade. The Charter Holder’s Board governs its programs, services, activities, and functions.

Basis of Accounting and Presentation: The accompanying general purpose financial statements have been prepared using the accrual basis of accounting in accordance with GAAP.

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

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

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

Contributions: The Charter Holder accounts for contributions as without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

(Continued)

ALIEF MONTESSORI COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: For financial statement purposes, the Charter Holder considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Capital Assets: Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the general purpose financial statements. Capital assets are defined by the Charter Holder as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from 5 to 30 years, using the straight-line method of depreciation. Expenditures for additions, major renewals, and improvements are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at acquisition value at the date of donation, which is then treated as cost.

Revenue Recognition: Revenues from contributions, donations and other sources are recognized as with or without donor restricted revenues when received or unconditionally promised by a third party. State and federal grant revenues are recognized when the Charter Holder has incurred expenses in compliance with specific contract or grant provisions. State Foundation School Program revenues are public funds held in trust by the Charter Holder for the benefit of the students and, as such, are reported as with donor restricted revenues. The amount of revenues received are based on reported attendance. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on passage of time.

Functional Expenses: Expenses are reported by their functional classification as either program activities - educational services or supporting activities - general and administrative services. The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program activities and supporting activities. Such allocations are determined by management on an equitable basis.

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

Income Taxes: The Charter Holder qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

Budget: The official budget is prepared for adoption for all funds. The annual budget is adopted on a basis consistent with GAAP and is formally adopted by the Board.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents held as of June 30, 2024 were as follows:

	2024	
	Cost Basis	Market Value
Cash on hand and in financial institutions	\$ 3,435,679	\$ 3,435,679
LOGIC	1,912,855	1,912,855
	\$ 5,348,534	\$ 5,348,534

(Continued)

ALIEF MONTESSORI COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents held as of June 30, 2023 were as follows:

	2023	
	<u>Cost Basis</u>	<u>Market Value</u>
Cash on hand and in financial institutions	\$ 2,273,014	\$ 2,273,014
LOGIC	1,810,934	1,810,934
	\$ 4,083,948	\$ 4,083,948

Cash is held in both interest bearing and non-interest bearing demand accounts at financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limited amount of \$250,000. As of June 30, 2024 and 2023, the Charter Holder had a pledge and security agreement to collateralize public funds in excess of FDIC coverage. The Charter Holder’s cash and cash equivalents held in LOGIC was not insured or collateralized as of June 30, 2024.

LOGIC - The Charter Holder invests in the Local Government Investment Cooperative (LOGIC), which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC’s governing body is a five-member board of directors comprised of employees, officers, or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. The co-administrators of the day-to-day administration of LOGIC are First Southwest Company and J.P. Morgan Investment Management, Inc. LOGIC is rated at ‘AAA’ or equivalent rating from at least one nationally recognized rating agency. LOGIC seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

NOTE 3 - INVESTMENTS

Investments are reported in the statement of financial position at fair value and realized and unrealized gains and losses are reported in the Statement of Activities.

Short-term investments are investments with an original maturity greater than 90 days that will mature within one year of the fiscal year end. Long-term investments are investments that will mature in greater than one year after the fiscal year end. The Charter Holder did not have investments to report as of June 30, 2024. Investments held as of June 30, 2023 are summarized as follows:

	2023		Weighted Average Maturity (Years)
	<u>Cost Basis</u>	<u>Market Value</u>	
Certificates of deposit	\$ 500,000	\$ 500,000	0.01
	\$ 500,000	\$ 500,000	

(Continued)

ALIEF MONTESSORI COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

NOTE 4 - CAPITAL ASSETS

Capital assets at June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,296,434	\$ 1,282,133
Construction in progress	-	215,053
Buildings and improvements	11,042,403	10,401,856
Furniture and equipment	<u>71,767</u>	<u>71,767</u>
	12,410,604	11,970,809
Less: accumulated depreciation	<u>(2,515,395)</u>	<u>(2,132,626)</u>
	<u>\$ 9,895,209</u>	<u>\$ 9,838,183</u>

Capital assets acquired with public funds received by the Charter Holder for the operation of the charter school constitute public property pursuant to Chapter 12 of the Texas Education Code.

Depreciation expense was \$382,769 and \$353,425 for the 2024 and 2023 fiscal years, respectively.

NOTE 5 - PENSION PLAN OBLIGATIONS

Plan Description: The Charter Holder contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, defined benefit pension plan with one exception: all risks and costs are not shared by the Charter Holder, but are the liability of the State of Texas (the "State"). Based on FASB Statement No. 87, a multiemployer plan is a pension plan to which two or more unrelated employers contribute, usually pursuant to one or more collective-bargaining agreements. Although TRS has no collective bargaining agreements, TRS is considered to be a multiemployer plan for the purposes of a not-for-profit charter holder due to various significant factors. These factors include: 1) charter holders are legally separate entities from the State and each other; 2) assets contributed by one participating entity may be used to provide benefits to employees of other participating employers since assets contributed by one entity are not segregated in a separate account or restricted to provide benefits only to employees of that entity; 3) upon withdrawal from TRS, the unfunded obligation or net pension liability of that entity will be passed along to the remaining other entities who contribute to TRS; and (4) there is not a withdrawal penalty for leaving TRS.

TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of the State. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas State Legislature has the authority to establish and amend benefit provisions of TRS 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; by calling the TRS Communications Department at 1-800-223-8778; or by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publication Heading.

(Continued)

ALIEF MONTESSORI COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

NOTE 5 - PENSION PLAN OBLIGATIONS (Continued)

Funding Policy and Funded Status: 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% of the member's annual compensation and a State contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of TRS; (2) 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.

As of August 31, 2023, TRS' total plan assets were \$187,170,535,558, accumulated benefit obligation (or total pension liability) was \$255,860,886,500, and TRS was 73.15% funded.

Contributions: State law provides for a member contribution rate of 8.25 percent for fiscal year 2024 and 8.00 percent for fiscal years 2023 and 2022, and a State contribution rate of 8.25 percent for fiscal year 2024, 8.00 percent for fiscal year 2023, and 7.75 percent for fiscal year 2022.

The Charter Holder employees' contributions to TRS for the years ending June 30, 2024, 2023, and 2022 were \$153,316, \$138,529, and \$126,979, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the Charter Holder for salaries above statutory minimum for the years ending June 30, 2024, 2023, and 2022 were \$21,162, \$28,462, and \$12,696, respectively, equal to the required contributions for each year.

The Charter Holder made contributions for the Non-Old Age Survivor and Disability Insurance (Non-OASDI) for certain employees. The total amounts contributed for Non-OASDI for fiscal years ending June 30, 2024, 2023, and 2022 were \$35,199, \$30,896, and \$26,826, respectively.

The Charter Holder also offers a 403(b) savings plan to all eligible employees. No matching employer contributions are required under this plan.

NOTE 6 - RETIREE HEALTH CARE PLAN

Plan Description: The Charter Holder contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for TRS-Care is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us; by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701; or by calling 1-800-223-8778.

(Continued)

ALIEF MONTESSORI COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

NOTE 6 - RETIREE HEALTH CARE PLAN (Continued)

Funding Policy: Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State and active public school employee contribution rates were 1.25 percent for fiscal years ended 2024, 2023, and 2022; and 0.65 percent of school payroll, with the Charter Holder contributing a percentage of payroll set at 0.75 percent for fiscal years ended 2024, 2023, and 2022. Per Texas Insurance Code, Chapter 1575, the school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2024, 2023, and 2022, the State's contributions to TRS-Care were \$3,084, \$4,316, and \$1,707, respectively; the active member contributions were \$12,143, \$11,259, and \$10,408, respectively; and the Charter Holder's contributions were \$14,079, \$12,991, and \$12,010, respectively; which equaled the required contributions each year.

NOTE 7 - HEALTH CARE COVERAGE

During the years ended June 30, 2024 and 2023, employees of the Charter Holder were covered by TRS Active-Care (the "Plan") for health insurance benefits. The Charter Holder contributed \$466 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 licensed insurers.

NOTE 8 - WORKERS' COMPENSATION AND LIABILITY INSURANCE

During the years ended June 30, 2023 and 2024, employees of the Charter Holder were covered by a workers' compensation plan and employers liability insurance (the "Plan"). The Plan was authorized by Section 21.922, Texas Education Code. The contract between the Charter Holder and Employers Preferred Insurance Company is renewable on September 23, 2024 and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with State statutes, the Charter Holder was protected against unanticipated catastrophic individual or aggregate loss by Employers Preferred Insurance Company, commercial insurers licensed or eligible to do business in the State in accordance with the Texas Insurance Code. The specific retention is \$1,000,000 and the aggregate limit is \$1,000,000.

There is no liability incurred for the current or prior fiscal years.

(Continued)

ALIEF MONTESSORI COMMUNITY SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 For the years ended June 30, 2024 and 2023

NOTE 9 - DUE FROM STATE

As of June 30, 2024 and 2023, the Charter Holder had earned the following revenues which were not received until after the fiscal year end:

	<u>2024</u>	<u>2023</u>
State Foundation Program	\$ 690,988	\$ 566,367
IDEA - Part B, Formula	19,444	35,789
Title I, Part A - Improving Basic Programs	81,560	10,166
Title II, Part A - Teacher and Principal Training	8,396	2,247
Title III, Part A - LEP	-	3,481
ESSER II	-	11,655
ESSER III	-	131,801
	<u>\$ 800,388</u>	<u>\$ 761,506</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Charter Holder 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 Holder have complex compliance requirements and, should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by the TEA or the grantor agency.

The last three years of informational tax returns, 2024, 2023, and 2022, filed with the IRS remain subject to examination.

NOTE 11 - STATE FOUNDATION PROGRAM REVENUE

Charter schools in the State participate in the State Foundation Program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period and, at the close of the year, actual attendance is calculated by the TEA. The attendance reports are subject to audit by the TEA and final State Foundation Program earnings may be adjusted as a result of any such audit. During the years ended June 30, 2024 and 2023, the Charter Holder was paid \$3,689,651 and \$3,394,060, respectively, of State Foundation Program funds of which all was earned (before any possible TEA enrollment and attendance audit).

(Continued)

ALIEF MONTESSORI COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2024 and 2023, the Charter Holder's net assets with donor restrictions consisted of the following:

	<u>2024</u>	<u>2023</u>
National School Lunch and Breakfast Program	\$ 11,970	\$ 11,800
Dyslexia Funding Support Grant	1,400	1,400
State Instructional Materials	18,722	18,722
Project Lead The Way Prepaid Grants	13,347	-
State Foundation Program	<u>4,408,426</u>	<u>3,777,427</u>
 Total	 <u>\$ 4,453,865</u>	 <u>\$ 3,809,349</u>

NOTE 13 - LIQUIDITY AND AVAILABILITY

The following represents the Charter Holder's financial assets available for general expenditure within one year of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Financial assets, at year end		
Cash and cash equivalents	\$ 5,348,534	\$ 4,083,948
Investments	-	500,000
Due from state	<u>800,388</u>	<u>761,506</u>
Total financial assets	<u>6,148,922</u>	<u>5,345,454</u>
 Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 6,148,922</u>	<u>\$ 5,345,454</u>

NOTE 14 - SHARED SERVICES ARRANGEMENTS

The Charter Holder participates as a member in the Houston Charter Schools Co-op, which is a shared services arrangement (SSA), that provides special education services and programs to eligible students. SER-Niños Inc., the entity holding the charter for SER-Niños Charter School, is the fiscal agent. The Charter Holder accounts for revenues and expenditures in this program and discloses them in these financial statements. The Charter Holder neither has joint ownership interest in fixed assets purchased by the fiscal agent or a net equity interest in the fiscal agent. The fiscal agent is not accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the Charter Holder. The Charter Holder received \$56,457 in fiscal year 2024 and \$51,764 in fiscal year 2023 in services by being a member of this SSA.

NOTE 15 - CHARTER HOLDER OPERATIONS

The Charter Holder operated one charter school, Alief Montessori Community School, and did not conduct any other charter or noncharter activities.

(Continued)

ALIEF MONTESSORI COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

NOTE 16 - BUDGET AMENDMENTS AND VARIANCES (UNAUDITED)

For the fiscal year ended June 30, 2024, the original budget was amended in excess of 10% for the reasons as follows:

Data Code/
Function

Revenues:

- 5740 The interest rates in 2023-2024 were higher than anticipated.
- 5760 In 2023-2024, the Charter Holder classified most of the local revenue to 5740, instead of 5760.
- 5810 When the Charter Holder's initial budget for 2023-2024 was adopted in May 2023, the due from amount was not finalized. The final amount released in July and August of 2024 was more than anticipated.
- 5820 The Charter Holder claimed most of the \$200,000 School Security Grant.
- 5920 NSLP funding increased due to more students participating in the lunch/breakfast program, leading to higher claim amount.
- 5930 More USDA SCA funding.

Expenses:

- 12 Reclass of the Charter Holder's financial system software and data servers from 51 to 12.
- 35 More students participated in the school breakfast/lunch program leading to increased food and material expenses.
- 36 The Charter Holder expanded afterschool enrichment programs.
- 51 The Charter Holder reclassified much of general administrative expenses due to them being related to building and property maintenance.
- 52 The Charter Holder decided to put in various security measures due to the availability of the new School Safety Grant.

For the fiscal year ended June 30, 2024, actual balances exceeded final budgeted balances in excess of 10% for the reasons as follows:

Data Code/
Function

Revenues:

- 5740 The interest rates in 2023-2024 were higher than anticipated (the interest rate fluctuates every month with LOGIC).
- 5830 New State requirements for charter schools to book TRS on-behalf.

Expenses:

- 51 The Charter Holder budgeted for capital asset additions within this function.

NOTE 17 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2024, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2024. Management has performed their analysis through November 18, 2024, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ALIEF MONTESSORI COMMUNITY SCHOOL
SUPPLEMENTAL STATEMENT OF ACTIVITIES - EXHIBIT B-1
For the year ended June 30, 2024 with comparative totals for 2023

	Without Donor Restrictions	With Donor Restrictions	Total	
			2024	2023
Revenues				
Local Support:				
5740 Other revenues from local sources	\$ 378,850	\$ -	\$ 378,850	\$ 199,988
5760 Revenues-intermediate sources	20,650	-	20,650	39,250
Total local support	<u>399,500</u>	<u>-</u>	<u>399,500</u>	<u>239,238</u>
State program revenues:				
5810 Foundation school program act revenues	-	3,689,651	3,689,651	3,394,060
5820 State program revenues distributed by Texas Education Agency	-	206,823	206,823	29,480
5830 State program revenues distributed by State of Texas government agency	-	87,983	87,983	-
Total state program revenues	<u>-</u>	<u>3,984,457</u>	<u>3,984,457</u>	<u>3,423,540</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	545,690	545,690	908,893
5930 Federal revenues distributed by other agencies	-	19,860	19,860	15,370
Total federal program revenues	<u>-</u>	<u>565,550</u>	<u>565,550</u>	<u>924,263</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	3,905,491	(3,905,491)	-	-
Total revenues	<u>4,304,991</u>	<u>644,516</u>	<u>4,949,507</u>	<u>4,587,041</u>
Expenses				
11 Instruction	2,416,454	-	2,416,454	2,252,029
12 Instructional resources and media services	64,368	-	64,368	47,255
13 Curriculum development and instructional staff development	48,027	-	48,027	68,447
23 School leadership	921	-	921	953
35 Food services	273,519	-	273,519	254,262
36 Co-curricular/extracurricular services	21,377	-	21,377	15,218
41 General administration	194,162	-	194,162	188,383
51 Plant maintenance and operations	725,980	-	725,980	636,658
52 Security and monitoring services	166,295	-	166,295	16,901
Total expenses	<u>3,911,103</u>	<u>-</u>	<u>3,911,103</u>	<u>3,480,106</u>
Changes in net assets	393,888	644,516	1,038,404	1,106,935
Net assets at beginning of year	<u>10,938,584</u>	<u>3,809,349</u>	<u>14,747,933</u>	<u>13,640,998</u>
Net assets at end of year	<u>\$ 11,332,472</u>	<u>\$ 4,453,865</u>	<u>\$ 15,786,337</u>	<u>\$ 14,747,933</u>

ALIEF MONTESSORI COMMUNITY SCHOOL
SCHEDULES OF EXPENSES - EXHIBIT C-1
For the years ended June 30, 2024 and 2023

<u>Expenses</u>		<u>2024</u>	<u>2023</u>
6100	Payroll costs	\$ 2,407,477	\$ 2,211,502
6200	Professional and contracted services	612,083	458,364
6300	Supplies and materials	390,601	359,732
6400	Other operating costs	<u>500,942</u>	<u>450,508</u>
	Total expenses	<u>\$ 3,911,103</u>	<u>\$ 3,480,106</u>

ALIEF MONTESSORI COMMUNITY SCHOOL
SCHEDULES OF ASSETS AND REAL PROPERTY
INTEREST OWNERSHIP - EXHIBIT D-1
For the year ended June 30, 2024

SCHEDULE OF ASSETS

		Ownership Interest		
		Local	State	Federal
1100	Cash and cash equivalents	\$ 614,226	\$ 4,799,164	\$ (64,856)
1510	Land purchase and investments	-	1,296,434	-
1520	Building and improvements	-	10,965,333	77,070
1539	Furniture and equipment	-	71,767	-
Total assets		\$ 614,226	\$ 17,132,698	\$ 12,214

SCHEDULE OF REAL PROPERTY INTEREST OWNERSHIP (UNAUDITED)

Description	Property Address	Total Assessed Value*	Ownership Interest State
RES A BLK 1, Alief Montessori Community School No. 3 Amend	4203 J St, Houston, TX 77072	\$ 4,619,957	\$ 4,619,957
RES A BLK 1, School II, Alief Montessori Community	12014 6th St, Houston, TX 77072	132,344	132,344
LT 2 & TR A BLK 65, Dairy Townsite	12010 6th St, Houston, TX 77072	296,040	296,040
LT 3 BLK 57, Dairy Townsite	12019 6th St, Houston, TX 77072	106,886	106,886
LT4 BLK 57, Dairy Townsite	12013 6th St, Houston, TX 77072	484,727	484,727
RES A BLK 1, School, Alief Montessori Community	4215 H St, Houston TX 77072	51,295	51,295
RES A1 BLK 1, School, Alief Montessori Community	4215 H St, Houston TX 77072	209,475	209,475
		\$ 5,900,724	\$ 5,900,724

*Based upon Harris Central Appraisal District 2024 exemption values.

ALIEF MONTESSORI COMMUNITY SCHOOL
 BUDGETARY COMPARISON SCHEDULE - EXHIBIT E-1
 For the year ended June 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)	
	Original	Final			
Revenues					
Local Support:					
5740	Other revenues from local sources	\$ 225,735	\$ 341,735	\$ 378,850	\$ 37,115
5760	Revenue from intermediate sources	31,108	20,688	20,650	(38)
	Total local support	<u>256,843</u>	<u>362,423</u>	<u>399,500</u>	<u>37,077</u>
State program revenues:					
5810	Foundation school program act revenues	2,714,871	3,730,778	3,689,651	(41,127)
5820	State program revenues distributed by Texas Education Agency	29,882	208,851	206,823	(2,028)
5830	State program revenues distributed by State of Texas government agency	-	-	87,983	87,983
	Total state program revenues	<u>2,744,753</u>	<u>3,939,629</u>	<u>3,984,457</u>	<u>44,828</u>
Federal program revenues:					
5920	Federal revenues distributed by Texas Education Agency	981,051	545,689	545,690	1
5930	Federal revenues distributed by other agencies	15,655	19,860	19,860	-
	Total federal program revenues	<u>996,706</u>	<u>565,549</u>	<u>565,550</u>	<u>1</u>
	Total revenues	<u>3,998,302</u>	<u>4,867,601</u>	<u>4,949,507</u>	<u>81,906</u>
Expenses					
11	Instruction	2,292,629	2,372,176	2,416,454	(44,278)
12	Instructional resources and media services	38,595	66,292	64,368	1,924
13	Curriculum development and instructional staff development	51,410	47,421	48,027	(606)
23	School leadership	1,010	910	921	(11)
35	Food services	255,621	281,611	273,519	8,092
36	Co-curricular/extracurricular activities	606	22,226	21,377	849
41	General administration	204,020	200,856	194,162	6,694
51	Plant maintenance and operations	594,170	1,290,518	725,980	564,538
52	Security and monitoring services	20,200	170,140	166,295	3,845
	Total expenses	<u>3,458,261</u>	<u>4,452,150</u>	<u>3,911,103</u>	<u>541,047</u>
	Changes in net assets	<u>\$ 540,041</u>	<u>\$ 415,451</u>	1,038,404	<u>\$ 622,953</u>
	Net assets at beginning of year			<u>14,747,933</u>	
	Net assets at end of year			<u>\$ 15,786,337</u>	

ALIEF MONTESSORI COMMUNITY SCHOOL
 USE OF FUNDS REPORT
 SELECT STATE ALLOTMENT PROGRAMS - EXHIBIT J-4
 For the year ended June 30, 2024

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did the Charter Holder expend any state compensatory education program state allotment funds during the Charter Holder's fiscal year?	Yes
AP2	Does the Charter Holder have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the Charter Holder's fiscal year.	\$457,303
AP4	List the actual direct program expenditures for state compensatory education programs during the Charter Holder's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$965,059
<u>Section B: Bilingual Education Programs</u>		
AP5	Did the Charter Holder expend any bilingual education program state allotment funds during the Charter Holder's fiscal year?	Yes
AP6	Does the Charter Holder have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the Charter Holder's fiscal year.	\$141,860
AP8	List the actual direct program expenditures for bilingual education programs during the Charter Holder's fiscal year. (PICs 25, 35)	\$240,549

COMPLIANCE

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

To the Board of Directors of
Alief Montessori Community School:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alief Montessori Community School (the "Charter Holder") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 November 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter Holder's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Holder's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Holder's internal control.

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

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

Report on Compliance and Other Matters

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

(Continued)

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Houston, Texas
November 18, 2024

ALIEF MONTESSORI COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - EXHIBIT F-1
For the year ended June 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

What were the results of the auditor's determination of whether the financial statements were prepared in accordance with generally accepted accounting principles?	Unmodified
Is a 'going concern' emphasis-of-matter paragraph included in the auditor's report?	No
Is a significant deficiency in internal control disclosed?	None Noted
Is a material weakness in internal control disclosed?	No
Is material noncompliance disclosed?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

None identified.

ALIEF MONTESSORI COMMUNITY SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - EXHIBIT G-1
For the year ended June 30, 2024

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

2023-001 PREVAILING WAGE REQUIREMENT

Significant Deficiency in Compliance and Internal Controls Over Compliance

Federal Agency: U.S. Department of Education

Federal Program: ESSER III (ARP)

Passed Through: State Department of Education

AL #: 84.425U

Condition: The Charter Holder did not include in the solicitations for proposals, or the construction contract the Wage Rate Requirement clauses. As a result, the general contractor did not submit to the Charter Holder the required certified payroll reports for each week in which work was performed under the contract.

Recommendation: The Charter Holder should contact the TEA to determine any remedial steps related to this finding. For future construction projects that are funded with federal funds, the Charter Holder should ensure compliance with all Wage Rate Requirements.

Current Status: Resolved.