FOUNDATION FOR RECOVERING YOUTH

DBA HOUSTON HEIGHTS HIGH SCHOOL

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2024

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HOUSTON HEIGHTS HIGH SCHOOL
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 76-0584154
COUNTY DISTRICT NUMBER 101821

CERTIFICATE OF THE BOARD

We, the undersigned, certify that the attached Financial and Compliance Report of Houston Heights High School was reviewed and (check one) __X__ approved _______ disapproved for the year ended August 31, 2024, at a meeting of the governing body of the charter holder on the __19TH__ day of __DECEMBER__ __2024__.

Signature of Board Secretary

Signature of Board President

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Houston Heights High School
Houston, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Houston Heights High School, which comprise the statement of financial position as of August 31, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years 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 Houston Heights High School as of August 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in conformity 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 Houston Heights High School 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.

Auditor's Responsibility

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 Houston Heights High School's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 Houston Heights High School'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 Houston Heights High School'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 financial statements as a whole. The Supplementary Information (consisting of the statements and schedules as listed in the table of contents) is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2024 on our consideration of Houston Heights High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Houston Heights High School's internal control over financial reporting and compliance.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

December 3, 2024

GENERAL-PURPOSE
FINANCIAL STATEMENTS

HOUSTON HEIGHTS HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2024 AND 2023

	2024	2023
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,473,733	$ 1,418,426
Certificates of Deposit	453,533	432,253
Accounts Receivable:		
Grants	29,920	98,422
Prepaid Expenses	87,493	95,583
Total Current Assets	2,044,679	2,044,684
Other Assets:		
Right of Use Operating Lease Asset	396,764	701,213
Property and Equipment, net	39,535	49,139
Total Other Assets	436,299	750,352
TOTAL ASSETS	$ 2,480,978	$ 2,795,036
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 32,127	$ 43,000
Wages Payable	97,052	96,071
Payroll Deductions and Withholdings	17,455	16,517
Operating Lease Liability - Current Portion	336,868	320,276
Total Current Liabilities	483,502	475,864
Long-term Liabilities:		
Operating Lease Liability (net of current portion)	86,399	423,267
Total Liabilities	569,901	899,131
Net Assets:		
Without Donor Restrictions	216,904	195,618
With Donor Restrictions	1,694,173	1,700,287
Total Net Assets	1,911,077	1,895,905
TOTAL LIABILITIES AND NET ASSETS	$ 2,480,978	$ 2,795,036

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

HOUSTON HEIGHTS HIGH SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE			
Local Revenue			
5740 Other Local Revenues	$ 21,286	$ -	$ 21,286
State Program Revenue			
5810 Foundation School Program	-	2,062,126	2,062,126
5820 Through Texas Education Agency	-	147,102	147,102
Federal Program Revenue			
5920 Through Texas Education Agency	-	324,143	324,143
	21,286	2,533,371	2,554,657
Net Assets Released from Restrictions	2,539,485	(2,539,485)	-
TOTAL REVENUE	2,560,771	(6,114)	2,554,657
EXPENSES			
Program Activities			
11 Instruction	1,484,011	-	1,484,011
13 Curriculum Development and Instructional Student Development	7,351	-	7,351
21 Instructional Leadership	68,436	-	68,436
23 School Leadership	61,056	-	61,056
31 Guidance and Counseling	31,084	-	31,084
35 Food Services	31,195	-	31,195
36 Co and Extracurricular Activities	36,993	-	36,993
51 Plant Maintenance	512,727	-	512,727
52 Security Monitoring	132,231	-	132,231
Supporting Services			
41 General Administration	174,401	-	174,401
TOTAL EXPENSES	2,539,485	-	2,539,485
CHANGE IN NET ASSETS	21,286	(6,114)	15,172
NET ASSETS - BEGINNING OF YEAR	195,618	1,700,287	1,895,905
NET ASSETS - END OF YEAR	$ 216,904	$ 1,694,173	$ 1,911,077

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

HOUSTON HEIGHTS HIGH SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE			
Local Revenue			
5740 Other Local Revenues	$ 10,025	$ -	$ 10,025
State Program Revenue			
5810 Foundation School Program	-	1,939,882	1,939,882
5820 Through Texas Education Agency	-	131,284	131,284
Federal Program Revenue			
5920 Through Texas Education Agency	-	603,858	603,858
	10,025	2,675,024	2,685,049
Net Assets Released from Restrictions	2,642,799	(2,642,799)	-
TOTAL REVENUE	2,652,824	32,225	2,685,049
EXPENSES			
Program Activities			
11 Instruction	1,572,410	-	1,572,410
13 Curriculum Development and Instructional Student Development	17,477	-	17,477
21 Instructional Leadership	67,781	-	67,781
23 School Leadership	60,955	-	60,955
31 Guidance and Counseling	89,312	-	89,312
35 Food Services	25,090	-	25,090
36 Co and Extracurricular Activities	31,805	-	31,805
51 Plant Maintenance	487,262	-	487,262
52 Security Monitoring	115,109	-	115,109
Supporting Services			
41 General Administration	175,598	-	175,598
TOTAL EXPENSES	2,642,799	-	2,642,799
CHANGE IN NET ASSETS	10,025	32,225	42,250
NET ASSETS - BEGINNING OF YEAR	185,593	1,668,062	1,853,655
NET ASSETS - END OF YEAR	$ 195,618	$ 1,700,287	$ 1,895,905

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

HOUSTON HEIGHTS HIGH SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2024

	Payroll and Benefits	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Totals
Program Activities					
11 Instruction	$ 1,251,584	$ 139,399	$ 78,200	$ 14,828	$ 1,484,011
13 Curriculum Development and Instructional Student Development	-	5,351	500	1,500	7,351
21 Instructional Leadership	66,936	-	1,500	-	68,436
23 School Leadership	58,556	-	2,500	-	61,056
31 Guidance and Counseling	31,084	-	-	-	31,084
35 Food Services	-	30,816	379	-	31,195
36 Co and Extracurricular Activities	3,001	10,555	5,973	17,464	36,993
51 Plant Maintenance	-	461,810	16,442	34,475	512,727
52 Security Monitoring	11,291	73,348	47,592	-	132,231
Total Program Services	1,422,452	721,279	153,086	68,267	2,365,084
Supporting Services					
41 General Administration	95,780	57,588	7,254	13,779	174,401
TOTAL	$ 1,518,232	$ 778,867	$ 160,340	$ 82,046	$ 2,539,485

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

HOUSTON HEIGHTS HIGH SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023

	Payroll and Benefits	Professional and Contracted Services	Supplies and Materials	Other Operating Costs	Totals
Program Activities					
11 Instruction	$ 1,243,454	$ 204,078	$ 109,562	$ 15,316	$ 1,572,410
13 Curriculum Development and Instructional Student Development	-	16,977	500	-	17,477
21 Instructional Leadership	66,281	-	1,500	-	67,781
23 School Leadership	58,455	-	2,500	-	60,955
31 Guidance and Counseling	89,312	-	-	-	89,312
35 Food Services	-	25,090	-	-	25,090
36 Co and Extracurricular Activities	2,649	9,495	1,587	18,074	31,805
51 Plant Maintenance	-	437,664	17,958	31,640	487,262
52 Security Monitoring	-	33,435	81,674	-	115,109
Total Program Services	1,460,151	726,739	215,281	65,030	2,467,201
Supporting Services					
41 General Administration	102,614	56,996	3,776	12,212	175,598
TOTAL	$ 1,562,765	$ 783,735	$ 219,057	$ 77,242	$ 2,642,799

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

HOUSTON HEIGHTS HIGH SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

	2024	2023
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash Received from State and Federal Grantors	$ 2,601,873	$ 2,640,970
Cash Received from Others	21,286	10,025
Payments to Employees for Services	(1,516,313)	(1,581,605)
Payments to Vendors for Goods and Services	(1,030,259)	(1,088,353)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	76,587	(18,963)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest Reinvested in Certificate of Deposit	(21,280)	(10,025)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(21,280)	(10,025)
NET INCREASE (DECREASE) IN CASH	55,307	(28,988)
BEGINNING CASH AND CASH EQUIVALENTS	1,418,426	1,447,414
ENDING CASH AND CASH EQUIVALENTS	$ 1,473,733	$ 1,418,426
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	$ 15,172	$ 42,250
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,604	9,604
(Increase) Decrease in Assets:		
Accounts Receivable:		
Grants	68,502	(34,054)
Prepaid Expenses	8,090	(13,221)
Right of Use Operating Lease Asset Amortization	304,449	481,570
Increase (Decrease) in Liabilities:		
Accounts Payable	(10,873)	6,621
Payroll Deductions and Withholdings	938	(131)
Wages Payable	981	(18,709)
Operating Lease Liability	(320,276)	(492,893)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 76,587	$ (18,963)

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

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Foundation for Recovering Youth (doing business as Houston Heights High School) is a Texas nonprofit corporation that operates an open-enrollment charter school, serving ninth through twelfth grade on one campus in Houston, Texas. The State Board of Education of the State of Texas approved the open-enrollment charter, pursuant to Chapter 12 of the Texas Education Code ("TEC"). Foundation for Recovering Youth is governed by a three member Board of Directors, which has the authority to make decisions, appoint the chief executive officer, and has the primary accountability for the fiscal affairs of the school.

Foundation for Recovering Youth receives the majority of its funding from the Texas Education Agency based on average daily attendance in the school it operates. Since this includes funding from local, state, and federal government sources, Foundation for Recovering Youth must comply with the requirements of the entities providing those funds.

Basis of Accounting and Presentation

The general-purpose financial statements of Foundation for Recovering Youth were prepared in conformity with accounting principles generally accepted in the United States. The *Financial Accounting Standards Board* is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when they are incurred.

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:

> *Without Donor Restrictions* – net assets that are not subject to grantor or donor-imposed stipulations.
>
> *With Donor Restrictions* – net assets subject to grantor or donor-imposed stipulations that may be met either by actions of Foundation for Recovering Youth and/or passage of time or may be required to remain in perpetuity.

Cash and Cash Equivalents

For financial statement purposes, Foundation for Recovering Youth considers all highly liquid investment instruments with an original maturity of three months or less to be cash.

Investments

Foundation for Recovering Youth invests in certificates of deposit that are reported at amortized cost.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Contributions

Foundation for Recovering Youth accounts for contributions as with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. Contributions that are restricted by the donor are 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 restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Promises to give are recognized when communication of the promise is made if the gift is unconditional. Conditional promises to give are not recognized until the conditions are met.

Capital Assets

Capital assets are defined by Foundation for Recovering Youth as assets with a useful life greater than one year and an individual cost of more than $5,000. Such assets are recorded at historical cost (or fair value if donated) and are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation. Leasehold improvements are amortized over the lesser of the life of the lease or the expected useful life.

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.

Functional Expenses

Foundation for Recovering Youth records expenses in accordance with the Texas Education Agency's chart of accounts outlined in the Financial Accountability System Resource Guide. Indirect expenses are generally recorded as administrative expenses. Administrative expenses include the office of the superintendent, legal and accounting fees.

Income Taxes

Foundation for Recovering Youth is a not-for-profit organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, except to the extent that it has unrelated business income. No provision for income taxes has been made in the financial statements.

Subsequent Events

Subsequent events were considered through December 3, 2024, which is the date the financial statements were available to be issued.

NOTE 2 -- CASH

Bank deposits as of August 31, 2024 were collateralized by a combination of FDIC coverage and securities pledged by the depository.

NOTE 3 -- ACCOUNTS RECEIVABLE

Accounts Receivable at August 31, 2024 consisted of funding from the following programs:

	2024	2023
Texas Education Agency		
Foundation School Program	$ 25,397	$ 12,664
Other Programs	4,523	52,131
Other Entities		
IDEA-B Special Education	-	33,627
Total Accounts Receivable	$ 29,920	$ 98,422

NOTE 4 -- CAPITAL ASSETS

Capital assets at August 31 were as follows:

	2024	2023
Leasehold Improvements	$ 587,779	587,779
Less: Accumulated Depreciation	(548,244)	(538,640)
Property and Equipment - Net	$ 39,535	$ 49,139

Capital assets acquired with public funds received by Foundation for Recovering Youth for the operation of the open-enrollment charter school constitute public property pursuant to Charter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets. Should the charter school be closed, these assets may revert to the Texas Education Agency. Depreciation expense was $9,604 and $9,604 for the years ending August 31, 2024 and 2023, respectively.

NOTE 5 -- NET ASSETS WITH DONOR RESTRICTIONS

As of August 31, 2024 and 2023, Foundation for Recovering Youth net assets with donor restrictions consisted solely of unspent Foundation School Program revenues. These revenues are restricted for the operation of the open-enrollment charter school, Foundation for Recovering Youth's primary function.

NOTE 5 -- NET ASSETS WITH DONOR RESTRICTIONS (CONT.)

Releases of net assets with donor restrictions during the year ending August 31 were from the following purpose restrictions:

Satisfaction of Purpose Restrictions	2024	2023
Foundation School Program	$ 2,068,240	$ 1,907,657
ESSER	181,185	419,850
Every Student Succeeds Act	88,468	131,600
Special Education	36,272	33,627
Other Federal and Local Programs	165,320	150,065
Total Released from Restriction	$ 2,539,485	$ 2,642,799

NOTE 6 -- PENSION PLAN OBLIGATION

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. Charters are legally separate entities from the State and there is no 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 Texas. 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 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 website, www.trs.state.tx.us, under the TRS Publications Heading.

The plan financial statements for the year ending August 31, 2023 reported a plan net position of $187 billion with a total pension liability of $256 billion. Net position of the plan represented 73.1% of the total pension liability.

Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% 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.

NOTE 6 -- PENSION PLAN OBLIGATION (CONT.)

The following table presents contribution rates and amounts:

	Member	State	Employer
2024 Contribution Rates	8.25%	8.25%	8.25%
2024 Contributions	$109,387	$ 79,776	$ 56,827
2023 Contribution Rates	8.00%	8.00%	8.00%
2023 Contributions	$108,667	$108,667	$ 47,336

Certain employer contributions are made by the state for salaries funded through state programs. Contributions for the year were less than 5% of all TRS contributions.

NOTE 7 -- RETIREE HEALTH PLAN – OTHER POST EMPLOYMENT BENEFIT

TRS also offers retiree health insurance, called TRS-Care, a cost-sharing multiple-employer defined benefit postemployment heath care plan. Qualified retirees (and their dependents) receive health insurance paid for by the plan. The statutory authority for the program is Texas Insurance Code, Chapter 1575. The State, employees and employers contribute a portion of covered payroll.

The plan financial statements for the year ending August 31, 2023 reported a plan net position of $3.9 billion with a total OPEB liability of $26 billion. Net position of the plan represented 14.9% of the total OPEB liability.

Contribution requirements are not actuarially determined but are established each biennium by the Texas State Legislature. The Contribution rates and amounts were as follows:

	Member	State	Employer
2024 Contribution Rates	0.65%	1.25%	0.75%
2024 Contributions	$ 8,618	$ 14,212	$ 12,306
2023 Contribution Rates	0.65%	1.25%	0.75%
2023 Contributions	$ 8,829	$ 16,979	$ 10,187

Foundation for Recovering Youth is required to contribute 0.75% of all covered salaries. Additional contributions are required for salaries funded through certain private and federal grants.

NOTE 8 -- LEASE

In December 2015, the Organization signed a lease for ten years for its campus location. The lease requires monthly payments and includes no renewal or purchase options. In previous years, the lease required the lessee to also be responsible for property taxes. However, the property is now tax exempt. Lease costs for the year ending August 31 are as follows:

	2024	2023
Lease Costs		
Operating Lease Cost	$ 325,384	$ 325,384
Other Information for Operating Leases		
Cash Paid	$ 341,211	$ 336,168
Remaining Lease Term	15 months	27 months
Discount Rate	3.50%	3.50%

Future payments on the lease liability are as follows:

Year Ending	Future Lease Payments		
August 31,	Principal	Interest	Total
2025	336,868	9,461	346,329
2026	86,399	504	86,903
	$ 423,267	$ 9,965	$ 433,232

NOTE 9 -- LIQUIDITY AND AVAILABILITY

Foundation for Recovering Youth is substantially supported by the State of Texas Foundation School Program (FSP) which is based on student enrollment. While restricted by law, Foundation for Recovering Youth considers the FSP as available for operations since the charter school is the primary program of Foundation for Recovering Youth. The following schedule summarizes resources available to fund Foundation for Recovering Youth operations as of August 31, 2024:

Current Assets:	
Cash and Cash Equivalents	$ 1,473,733
Certificates of Deposit	453,533
Accounts Receivable	29,920
Current Liabilities:	(483,502)
Less Net Assets with Donor Imposed Restrictions	
Restrictions Other than Foundation School Program	-
Available to Fund Operations	$ 1,473,684

In addition, an initial FSP allotment of $2.0 million will be available to fund the 2025 fiscal year.

NOTE 10 -- COMMITMENTS AND CONTINGENCIES

Foundation for Recovering Youth receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

NOTE 11 -- LITIGATION

Management is unaware of any pending or threatened litigation that would result in any significant financial impact.

SUPPLEMENTARY INFORMATION

HOUSTON HEIGHTS HIGH SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2024

EXPENSES	
6100 Payroll	$ 1,518,232
6200 Professional and Contracted Services	778,867
6300 Supplies and Materials	160,340
6400 Other Operating Costs	82,046
Total Expenses	$ 2,539,485

See Independent Auditor's Report.

HOUSTON HEIGHTS HIGH SCHOOL
SCHEDULE OF ASSETS
AUGUST 31, 2024

	Local	State	Federal
1110 Cash	$ -	$ 1,473,733	$ -
1120 Certificates of Deposit	-	453,533	-
1510 Land and Improvements	-	-	-
1520 Buildings	-	587,779	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	-	-
1554 Right of Use Asset Operating Lease for Buildings	-	396,764	-
Total Property and Equipment	$ -	$ 2,911,809	$ -

See Independent Auditor’s Report.

HOUSTON HEIGHTS HIGH SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2024

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
REVENUE				
Local Revenue				
5740 Other Local Revenues	$ 10,000	$ 21,000	$ 21,286	$ 286
State Program Revenues				
5810 Foundation School Program	1,860,000	2,027,000	2,062,126	35,126
5820 Through Texas Education Agency	180,323	142,488	147,102	4,614
Federal Program Revenues				
5920 Through Texas Education Agency	317,168	324,243	324,143	(100)
TOTAL REVENUE	2,367,491	2,514,731	2,554,657	39,926
EXPENSES				
11 Instruction	1,460,554	1,463,825	1,484,011	(20,186)
13 Curriculum Development and Instructional Student Development	7,500	9,000	7,351	1,649
21 Instructional Leadership	72,535	72,535	68,436	4,099
23 School Leadership	62,500	62,500	61,056	1,444
31 Guidance and Counseling	26,800	26,800	31,084	(4,284)
35 Food Services	26,000	31,400	31,195	205
36 Co and Extracurricular Activities	29,900	33,200	36,993	(3,793)
41 General Administration	153,963	170,400	174,401	(4,001)
51 Plant Maintenance	523,354	533,354	512,727	20,627
52 Security and Monitoring	154,594	138,025	132,231	5,794
TOTAL EXPENSES	2,517,700	2,541,039	2,539,485	1,554
CHANGE IN NET ASSETS	(150,209)	(26,308)	15,172	41,480
BEGINNING NET ASSETS	1,895,905	1,895,905	1,895,905	-
ENDING NET ASSETS	$ 1,745,696	$ 1,869,597	$ 1,911,077	$ 41,480

See Independent Auditor's Report.

HOUSTON HEIGHTS HIGH SCHOOL
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2024

BUDGETARY APPROACH

Foundation for Recovering Youth begins the year with known revenue streams in the budget. As federal and other grants are awarded, the budget is amended to include the new revenue and related expenses. This will cause the final budget to be substantially higher than the original budget. For the year ending August 31, 2024, this resulted in increases of 10% or more to the following functional budgets:

13 Curriculum Development and Instructional Student Development
35 Food Service
36 Co and Extracurricular Activities
41 General Administration

BUDGETARY VARIANCES

Expenses in the following functions exceeded the final budget by 10%:

31 Guidance and Counseling – Guidance payroll exceeded expectations
36 Co and Extracurricular Activities – Professional services for the prom as well as travel for sports exceeded expectations

HOUSTON HEIGHTS HIGH SCHOOL
SPECIAL PROGRAM COMPLIANCE SCHEDULE
AUGUST 31, 2024

Data Control Codes		Responses
	Section A: Compensatory Education Programs	
AP1	Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the LEA 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 District's fiscal year.	$ 252,885
AP4	List the actual direct program expenditures for state compensatory education during the LEA's fiscal year (PICs 24, 26, 28, 29, 30)	$ 151,175
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	No
AP6	Does the LEA 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 LEA's fiscal year.	$ -
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25)	$ -

See Independent Auditor’s Report.

HOUSTON HEIGHTS HIGH SCHOOL
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
AUGUST 31, 2024

Not Applicable

See Independent Auditor's Report.

HOUSTON HEIGHTS HIGH SCHOOL
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
AUGUST 31, 2024

Not Applicable

See Independent Auditor's Report.

HOUSTON HEIGHTS HIGH SCHOOL
SCHEDULE OF RELATED PARTY TRANSACTIONS
AUGUST 31, 2024

Related Party Name	Name of Relation of the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid During Fiscal Year
Constance Singleton	N/A	Board Member	Retainer	Monthly	State	Annual	$ 3,000

See Independent Auditor's Report.

COMPLIANCE AND INTERNAL CONTROL

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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Houston Heights High School (Foundation for Recovering Youth)
Houston, Texas

We have audited 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, the combined financial statements of Foundation for Recovering Youth, which comprise the statement of financial position as of August 31, 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 December 3, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Foundation for Recovering Youth's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foundation for Recovering Youth's internal control. Accordingly, we do not express an opinion on the effectiveness of Foundation for Recovering Youth'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 may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

December 3, 2024