

Foundation for Recovering Youth (Charter Holder)
Houston Heights High School (School)

Independent Auditor's Reports and
Financial Statements

August 31, 2021 and 2020

Foundation for Recovering Youth (Charter Holder)
Houston Heights High School (School)

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Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Houston Heights High School

We have audited the accompanying financial statements of Foundation for Recovering Youth (charter holder) and Houston Heights High School (the charter school), which comprise the statement of financial position as of August 31, 2021 and 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Recovering Youth as of August 31, 2021 and 2020, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The special-purpose statements on pages 12 through 14 are presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2022, on our consideration of Foundation for Recovering Youth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foundation for Recovering Youth's internal control over financial reporting and compliance.

Ralph and Ralph, P.C.

Houston, Texas
January 26, 2022

Houston Heights High School
 Statements of Financial Position
 August 31, 2021 and 2020

	2021	2020
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,457,899	\$ 903,292
Accounts receivable	40,201	450
Investments, certificates of deposit	420,084	872,123
Prepaid expense	40,412	44,709
Total current assets	1,958,596	1,820,574
Right of use asset, occupancy lease, net	1,531,123	-
Property and equipment, net of accumulated depreciation of \$725,948 and \$714,159, respectively	68,347	80,135
Total assets	\$ 3,558,066	\$ 1,900,709
Liabilities		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 55,380	\$ 31,594
Total current liabilities	55,380	31,594
Accrued lease expense, right of use	67,741	-
Lease obligation, right of use	1,463,383	-
Total liabilities	\$ 1,586,504	\$ 31,594
Net assets		
Without restriction	183,580	231,833
With restriction	1,787,982	1,637,282
Total net assets	1,971,562	1,869,115
 Total liabilities and net assets	 \$ 3,558,066	 \$ 1,900,709

The accompanying notes are an integral part of these statements.

Houston Heights High School
Statements of Activities
For the Years Ended August 31, 2021 and 2020

	Without Restriction	With Restriction	Totals	
			2021	2020
Revenues				
Local support				
5740 Other revenues from local sources	\$ 5,318	\$ -	\$ 5,318	\$ 14,807
Total local support	<u>5,318</u>	<u>-</u>	<u>5,318</u>	<u>14,807</u>
State program revenues				
5810 Foundation School Program Act	-	1,945,425	1,945,425	1,899,300
5820 State program revenues distributed	-	8,724	8,724	43,777
Total state program revenues	<u>-</u>	<u>1,954,149</u>	<u>1,954,149</u>	<u>1,943,077</u>
Federal program revenues				
5920 Federal revenues distributed by Texas Education Agency	-	309,684	309,684	218,328
Total federal program revenues	<u>-</u>	<u>309,684</u>	<u>309,684</u>	<u>218,328</u>
Net assets released from restrictions				
Restrictions satisfied by payments	2,113,133	(2,113,133)	-	-
Total revenues	<u>2,118,451</u>	<u>150,700</u>	<u>2,269,151</u>	<u>2,176,212</u>
Expenses				
11 Instruction	1,308,308	-	1,308,308	1,281,255
13 Curriculum development and instructional staff development	12,950	-	12,950	11,185
21 Instructional leadership	64,983	-	64,983	65,686
23 School leadership	55,170	-	55,170	55,496
31 Guidance, counseling, and evaluation service	26,597	-	26,597	58,654
33 Health services	-	-	-	-
35 Food services	9,920	-	9,920	10,575
36 Cocurricular/ extracurricular activities	10,883	-	10,883	34,347
41 General administration	147,757	-	147,757	148,789
51 Plant maintenance and operations	528,080	-	528,080	502,475
52 Security and monitoring services	2,056	-	2,056	1,866
Total expenses	<u>2,166,704</u>	<u>-</u>	<u>2,166,704</u>	<u>2,170,328</u>
Change in net assets	(48,253)	150,700	102,447	5,884
Net assets, beginning of year	231,833	1,637,282	1,869,115	1,863,231
Net assets, end of year	<u>\$ 183,580</u>	<u>\$ 1,787,982</u>	<u>\$ 1,971,562</u>	<u>\$ 1,869,115</u>

The accompanying notes are an integral part of these statements.

Houston Heights High School
Statements of Cash Flows
For the Years Ended August 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Foundation School Program payments	\$ 1,945,425	\$ 1,899,300
Grant payments	283,524	262,106
Miscellaneous sources	5,318	14,807
Payments to vendors for goods and services	(874,112)	(972,170)
Payments to charter school personnel for services	(1,257,587)	(1,194,969)
Net cash provided by operating activities	102,568	9,074
 Cash flows from investing activities		
Purchase/sale of investments, certificates of deposit	452,039	(12,855)
Net cash used by investing activities	452,039	(12,855)
 Net change in cash and cash equivalents	554,607	(3,781)
 Cash and cash equivalents, beginning of year	903,292	907,073
Cash and cash equivalents, end of year	\$ 1,457,899	\$ 903,292
 Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 102,447	\$ 5,884
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,788	10,426
(Increase) decrease in assets:		
Accounts receivable	(39,750)	(450)
Deposits and prepaid expenses	4,297	(641)
Increase (decrease) in net liabilities:		
Accounts payable and accrued expenses	23,786	(6,145)
Deferred revenue	-	-
Net cash provided by operating activities	\$ 102,568	\$ 9,074

The accompanying notes are an integral part of these statements.

Houston Heights High School
Notes to the Financial Statements
August 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies

The general-purpose financial statements of foundation for Recovering Youth, Inc., (Charter holder), dba Houston Heights High School (the School) 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.

Reporting Entity

The Charter holder/School is a not-for-profit organization incorporated in the State of Texas and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The school is governed by a Board of Directors comprised of three members. The Board of Directors is selected pursuant to the bylaws of the School and has the authority to make decisions, appoint the chief executive officer of the charter holder, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the charter holder.

Since the school 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, the school was opened in 1999. The charter school was organized to provide educational services for grades 8-12 and its programs, services and functions are governed by the corporation's board of directors. The Charter holder operates one charter school, in Houston, Texas and does not engage in any other non-charter activity.

Basis of Accounting and Presentation

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School 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 of Directors 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 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.

Houston Heights High School
Notes to the Financial Statements
August 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Support and Revenue

The School accounts for support as with restrictions or without restrictions, depending on the existence and/or nature of any donor or grantor restrictions. Support that is restricted by the donor or grantor is reported as an increase in net assets with restriction in the period in which the support is recognized. When a restriction expires, net assets with restriction are reclassified as net assets without restriction and reported in the statement of activities as net assets released from restrictions.

As of August 31, 2021, the School has not received any funds with donor-imposed restrictions that are perpetual in nature.

The Charter school's operations are primarily funded from the Texas Education Agency through the State's Foundation School Program. For the years ended August 31, 2021 and 2020, these funds represented 86% and 87%, respectively, of total revenues.

Cash and Cash Equivalents

For financial statement purposes, the School considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Fair Value Measurement of Financial Instruments

The requirements of Fair Value Measurements and Disclosures of the *FASB Accounting Standards Codification* (ASC) apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB also establishes a fair value hierarchy that categorizes the inputs used in valuation methodologies into three levels.

Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability. A three-tier hierarchy categorizes the inputs used to measure the fair value as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the School can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Houston Heights High School
Notes to the Financial Statements
August 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurement of Financial Instruments (Continued)

Assets measured at fair value at August 31, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 62,471	\$ -	\$ -	\$ 62,471
Total assets measured at fair value	\$ 62,471	\$ -	\$ -	\$ 62,471

Assets measured at fair value at August 31, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 62,037	\$ -	\$ -	\$ 62,037
Total assets measured at fair value	\$ 62,037	\$ -	\$ -	\$ 62,037

Certificates of deposit are presented at cost/ face value, plus earned interest. At August 31, 2021, investments in certificates of deposit totaled \$420,084, with maturities through May 2022. At August 31, 2020, the certificates of deposit balance was \$872,123, with maturities ranging from December 15, 2020 to May 2021. Due to the nature of the terms and the maturity dates, the recorded value of the investments approximates their fair value.

The School's other financial instruments are cash and cash equivalents, prepaid expenses, and accounts receivable payable. The recorded values of these items approximate their fair values based on their short-term nature.

Capital Assets

Capital assets, which include leasehold improvements and furniture and equipment, 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 five to 15 years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of the donation, which is then treated as cost.

Income Taxes

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The charter holder believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Houston Heights High School
Notes to the Financial Statements
August 31, 2021 and 2020

Note 2 – Capital Assets

Capital assets at August 31, 2021 and 2020 consist of the following:

	2021	2020
Improvements	\$ 590,979	\$ 590,979
Furniture and equipment	203,316	203,316
	794,295	794,295
Less: Accumulated depreciation	(725,948)	(714,160)
	\$ 68,347	\$ 80,135

Depreciation expense for the years ended August 31, 2021 and 2020 were \$11,788 and \$10,426, respectively. During the year ended August 31, 2020, the school removed from the accounting records capital assets, with a carrying value of \$33,955, that are no longer in use and have been disposed. These assets were fully depreciated; the disposal resulted in no gain or loss.

In addition to the capital assets above, the School has a right of use asset. This asset is the right of use of the administrative office achieved under an occupancy lease. The carrying value of the right of use asset is presented net of accumulated depreciation of \$326,023.

Capital assets acquired with public funds received by the School for operations constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

Note 3 – Multiemployer Pension Plan

The Charter school’s full-time employees participated in the Teacher Retirement System of Texas (TRS), a public employee retirement system. TRS is a cost-sharing, multiemployer, defined benefit pension plan. All risks and costs are not shared by the School, but are the liability of the State of Texas. For 2021, plan members contribute 7.7% of their annual covered salary. The School contributes 6.8% for new members the first 90 days of employment, and the State of Texas contributes 6.8%. Additionally, the School makes a 1.6% non-OASDI payment on all TRS eligible employees. The School’s contributions do not represent more than 5% of the pension plan’s total contributions. The School contributed \$78,538 and \$85,280 to the plan during fiscal years 2021 and 2020, respectively, equal to the required contribution for each year. Other contributions made from federal and private grants and from the charter school for salaries for the years ended August 31, 2021 and 2020 were \$46,405 and \$46,414, respectively, equal to the required contributions for each year.

The risks of participating in a multiemployer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is no withdrawal penalty for leaving TRS.

Total TRS plan assets as of August 31, 2021 and 2020 were \$223.2 billion and \$184.4 billion, respectively. Accumulated benefit obligations as of August 31, 2021 and 2020 were \$227.3 billion and \$218.9 billion, respectively. The plan was 88% funded at August 31, 2021 and 76% funded at August 31, 2020.

Houston Heights High School
Notes to the Financial Statements
August 31, 2021 and 2020

Note 4 – Healthcare Coverage

During the years ended August 31, 2021 and 2020, employees of the charter school were covered by a Health Insurance Plan (the Plan). The charter school contributed \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 5 – Net Assets with Donor Restrictions

Net assets with donor restrictions for the years ended August 31, 2021 and 2020 consisted of the following:

	2021	2020
FSP revenues (420)	1,783,707	1,633,871
Federal funds (289)	4,276	3,411
	\$ 1,807,090	\$ 1,637,282

Note 6 – Leases

The School’s facility lease under an operating lease, with an average monthly expense of \$27,154 plus facility property taxes. The lease has a termination date of December 1, 2025. Under the lease, the School incurred \$393,556 and \$374,349, respectively, in facilities lease expenses during the years ended August 31, 2021 and 2020. Future minimum payments under the lease agreement are as follows:

For the year ended August 31, 2022	\$	389,250
For the year ended August 31, 2023	\$	394,818
For the year ended August 31, 2024	\$	400,011
For the year ended August 31, 2025	\$	134,187

The lease is represented on the statement of financial position as a right to use asset, with a carrying value based on the net present value of the lease payments over the term of the lease. School liabilities include a lease obligation and accrued lease payment liabilities. The right of use asset is amortized on a straight-line basis over the term of the lease. The accrued lease payment liability reflects the difference between the average lease expense used to amortize the right of use asset and the cash basis payment made based on the rents outlined in the lease agreement.

Note 7 – Related Party Transactions

In the year ended August 31, 2021, the School paid a \$3,000 legal retainer to a board member.

Note 8 – Budget

The School’s budget is prepared annually and formally adopted by the Board of Directors.

Houston Heights High School
Notes to the Financial Statements
August 31, 2021 and 2020

Note 9 - Commitment and Contingencies

The Charter school 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 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 10 – COVID-19

The COVID-19 pandemic developed rapidly in 2020 and continued through the full fiscal year 2021, with a significant number of cases occurring nationwide. The School has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures (such as social distancing, remote working and temperature checks) for our staff and the students we serve. At this stage, the impact on our business has been a negative effect on attendance and the cancelation of our certain programs. The School will continue to follow the various government policies and advice and will do the utmost to continue operations in the best and safest way possible.

Note 11 – Subsequent Event

In preparing the financial statements, the School has evaluated the events and transactions for potential recognition or disclosure through January 26, 2022, the date that the financial statements were available to be issued.

Special Purpose Statements

Houston Heights High School
Schedule of Expenses
For the Years Ended August 31, 2021 and 2020

	Totals	
	2021	2020
Expenses		
6100 Payroll Costs	\$ 1,257,587	\$ 1,338,881
6200 Professional and Contracted Services	700,934	692,976
6300 Supplies and Materials	155,304	74,182
6400 Other Operating Costs	52,879	64,289
Total Expenses	<u>\$ 2,166,704</u>	<u>\$ 2,170,328</u>

Houston Heights High School
Schedule Capital Assets
August 31, 2021

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 903,292	\$ -
1910 Investments	-	872,123	-
1520 Improvements	52,804	538,175	-
1539 Furniture and Equipment	39,650	122,505	41,160
	\$ 92,454	\$ 2,436,095	\$ 41,160

Houston Heights High School
Budgetary Comparison Schedule
For the Year Ended August 31, 2021

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local support				
5740 Other Revenues from local sources	\$ 12,000	\$ 5,500	\$ 5,318	\$ (182)
5750 Revenue from enterprising sources	-	-	-	-
State program revenues				
5810 Foundation School Program Act	1,889,300	1,945,000	1,945,425	425
5820 State Program revenues distributed by Texas Education Agency	14,000	6,500	8,724	2,224
Total state program revenues	<u>1,903,300</u>	<u>1,951,500</u>	<u>1,954,149</u>	<u>2,649</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	119,000	309,500	309,684	184
Total federal revenues	<u>119,000</u>	<u>309,500</u>	<u>309,684</u>	<u>184</u>
Total revenues	<u>2,034,300</u>	<u>2,266,500</u>	<u>2,269,151</u>	<u>2,651</u>
Expenses				
11 Instruction	1,146,300	1,312,000	1,308,308	3,692
13 Curriculum Development and Instructional Staff Development	10,900	13,900	12,950	950
21 Instructional Leadership	77,500	67,500	64,983	2,517
23 School Leadership	53,000	59,000	55,170	3,830
31 Guidance, Counseling and Evaluation Services	50,000	30,000	26,597	3,403
33 Health Services	500	500	-	500
35 Food Service	11,000	11,000	9,920	1,080
36 Cocurricular/Extracurricular Activities	24,500	13,000	10,883	2,117
41 General Administration	171,500	166,500	147,757	18,743
51 Plant Maintenance and Operations	514,000	536,000	528,080	7,920
52 Security and Monitoring Services	2,500	2,500	2,056	444
Total expenses	<u>2,061,700</u>	<u>2,211,900</u>	<u>2,166,704</u>	<u>45,196</u>
Change in net assets	(27,400)	54,600	102,447	47,847
Net assets, beginning of year	<u>1,869,115</u>	<u>1,869,115</u>	<u>1,869,115</u>	<u>-</u>
Net assets, end of year	<u>\$ 1,841,715</u>	<u>\$ 1,923,715</u>	<u>\$ 1,971,562</u>	<u>\$ 47,847</u>

See auditors report

Supplemental Reporting



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
Houston Heights High 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 Houston Heights High School (the School) (a nonprofit organization), as of and for the year ended August 31, 2021 and 2020 and the related notes to the financial statements, and have issued our report thereon dated January 26, 2022.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the School'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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ralph and Ralph, P.C.

January 26, 2022

Houston Heights High School
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2021

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on the financial statements of the auditee

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

Yes none reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Auditee did not meet the requirements for a single audit.

II. Financial Statement Findings

None identified

III. Findings and questioned costs for state and federal awards

None identified

Houston Heights High School
Schedule of Prior Audit Findings
For the Year Ended August 31, 2021

None identified; no 2020 findings.