

**CASA GRACIA, dba TRINITY CHARTER SCHOOLS**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED AUGUST 31, 2016**

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**CASA GRACIA, dba TRINITY CHARTER SCHOOLS**

046-802

(Federal Employer Identification Number: 74-2314606)

**CERTIFICATE OF BOARD**

August 31, 2016

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Casa Gracia, dba Trinity Charter Schools was reviewed and  approved  disapproved for the year ended August 31, 2016, at a meeting of the governing body of said charter school on the 20 day of January, 2017.

  
Signature of Board Secretary

  
Signature of Board President

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Casa Gracia, dba Trinity Charter Schools (a nonprofit organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casa Gracia, dba Trinity Charter Schools as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

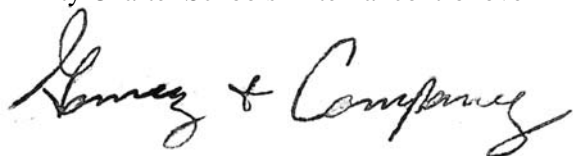
## ***Other Matters***

### *Other Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2017, on our consideration of Casa Gracia, dba Trinity Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Casa Gracia, dba Trinity Charter Schools' internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Loney & Company".

Houston, TX  
January 12, 2017

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2016

ASSETS	
Current Assets:	
Cash	\$ 2,393,089
Grants Receivable	<u>526,577</u>
Total Current Assets	<u>2,919,666</u>
Property, Plant & Equipment:	
Furniture and Equipment	58,046
Vehicles	59,187
Building and Improvements	<u>65,031</u>
	182,264
Accumulated Depreciation	<u>(65,671)</u>
Total Property, Plant & Equipment	<u>116,593</u>
Other Assets:	
Prepaid Assets	<u>15,662</u>
Total Assets	<u>\$ 3,051,921</u>
Current Liabilities:	
Accounts Payable	\$ 208,173
Payroll Liabilities	<u>251,168</u>
Total Current Liabilities	<u>459,341</u>
Net Assets:	
Temporarily Restricted	<u>2,592,580</u>
Total Net Assets	<u>2,592,580</u>
Total Liabilities and Net Assets	<u>\$ 3,051,921</u>

See accompanying notes to financial statements.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Local Support:			
5740 Other Revenues from Local Sources	\$ 212,386	\$	212,386
5750 Revenue from Curricular	<u>151</u>	<u>                    </u>	<u>\$ 151</u>
Total Local Support	<u>212,537</u>	<u>                    </u>	<u>212,537</u>
State Program Revenues			
5810 Foundation School Program Act Revenues		7,967,674	7,967,674
5820 State Program Revenues Distributed by Texas Education Agency		<u>3,300</u>	<u>3,300</u>
Total State Program Revenues		<u>7,970,974</u>	<u>7,970,974</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency		858,520	858,520
5930 Federal Revenues Distributed by Other State of Texas Government Agencies		<u>1,170</u>	<u>1,170</u>
Total Federal Program Revenues		<u>859,690</u>	<u>859,690</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>7,829,570</u>	<u>(7,829,570)</u>	
Total Revenues	<u>8,042,107</u>	<u>1,001,094</u>	<u>9,043,201</u>
<b>EXPENSES</b>			
11 Instruction	4,988,629		4,988,629
13 Curriculum Development and Instructional Staff Development	50,884		50,884
21 Instructional Leadership	241,236		241,236
23 School Leadership	889,421		889,421
31 Guidance, Counseling, and Evaluation Services	431,985		431,985
33 Health Services	2,871		2,871
35 Food Service	109,435		109,435
36 Cocurricular/Extracurricular Activities	609		609
41 General Administration	577,350		577,350
51 Plant Maintenance and Operations	577,409		577,409
52 Security and Monitoring Services	33,306		33,306
53 Data Processing Services	132,273		132,273
61 Community Services	<u>6,699</u>		<u>6,699</u>
Total Expenses	<u>8,042,107</u>		<u>8,042,107</u>
Change in Net Assets		<u>1,001,094</u>	<u>1,001,094</u>
Net Assets, Beginning of Year		<u>1,591,486</u>	<u>1,591,486</u>
Net Assets, End of Year	<u>\$</u>	<u>\$2,592,580</u>	<u>\$2,592,580</u>

See accompanying notes to financial statements.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2016

Cash Flows From Operating Activities	
Change in net assets	\$ 1,001,094
Adjustments to reconcile change in net assets to net	
Cash provided (used) by operating activities:	
Depreciation	7,625
(Increase) decrease in Grants Receivable	(200,717)
(Increase) decrease in Other Assets	(9,648)
Increase (decrease) in Accounts Payable	119,704
Increase (decrease) in Payroll Liabilities	<u>(12,884)</u>
Total Adjustments	<u>(95,920)</u>
Net Cash Provided (Used) by Operating Activities	<u>905,174</u>
Cash Flows From Investing Activities	
Purchase of Fixed Assets	<u>(124,218)</u>
Net Cash Provided (Used) by Investing Activities	<u>(124,218)</u>
NET INCREASE ( DECREASE ) IN CASH	<u>780,956</u>
CASH AT BEGINNING OF YEAR	<u>1,612,133</u>
CASH AT END OF YEAR	<u>\$ 2,393,089</u>

See accompanying notes to financial statements.



CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

A. Organization:

Casa Gracia, dba Trinity Charter Schools (the “Organization”) is a not-for-profit organization incorporated in the state of Texas in 2003. The Board of Trustees is comprised of six members who govern the Organization. The Board of Trustees is selected pursuant to the bylaws of the Organization and has the authority to make decisions, appoint the president, and significantly influence operations. The Board of Trustees has the primary accountability for the fiscal affairs of the Organization.

In March 2004, the State Board of Education of the State of Texas granted Casa Gracia, dba Trinity Charter Schools 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, Trinity Charter Schools was opened for the remaining 2003-2004 academic year. The Organization was organized to provide educational services to students in grades K-12. The Organization’s Board of Trustees governs its programs, services, activities, and functions.

The Organization receives the majority of its funding from the Texas Education Agency (“TEA”) based on the school’s average daily attendance. Since the Organization receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

The charter holder, Casa Gracia dba Trinity Charter Schools, only operates charter schools under its state charter and does not conduct any other charter or non-charter activities.

B. Summary of Significant Accounting Policies:

**BASIS OF PRESENTATION**

The Organization presents its financial statements in accordance with Financial Accounting Standards Board *Accounting Standards Codification (ASC) 958 Not-for-Profit Entities- 205 Presentation of Financial Statements*. Under *FASB ASC 958-205*, an organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

B. Summary of Significant Accounting Policies: (continued)

BASIS OF PRESENTATION (continued)

Temporarily restricted net assets

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.”

Permanently restricted net assets

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

CONTRIBUTIONS

Contributions are recorded at fair value when the Organization is in possession of or receives an unconditional promise to give. In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 605 Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, net assets are reclassified to unrestricted net assets. The Organization’s policy is to report restricted support that is satisfied in the year of receipt as restricted and then fully released in the same year.

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

GRANTS

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

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

SUPPORT AND REVENUE

Support and revenue are recorded based on the accrual method.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

B. Summary of Significant Accounting Policies: (continued)

CASH DONATIONS AND DONATED SERVICES

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

PROPERTY AND EQUIPMENT

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

PLEDGES AND ACCOUNTS RECEIVABLE

Contributions which are in substance, unconditional, are recognized when received by the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

INCOME TAXES

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

The Organization's policy is to record interest and penalty expense related to income taxes as interest and other expense, respectively. At August 31, 2016, no interest or penalties have been or are required to be accrued. The Organization, generally, is no longer subject to income tax examinations by federal authorities for years prior to August 31, 2013.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

B. Summary of Significant Accounting Policies: (continued)

CASH AND CASH EQUIVALENTS

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

COMPENSATED ABSENCES

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

ESTIMATES

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

CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to off-balance-sheet credit risk include cash on deposit with financial institutions which were insured for up to \$250,000 by the U.S. Federal Deposit Insurance Corporation. At various times throughout the period ended August 31, 2016, the Organization's balance in its accounts has exceeded these federally insured limits. Investments in debt securities have been pledged by a banking institution to mitigate the risk of loss for balances exceeding FDIC insurance thresholds.

C. Pension Plan

*Plan Description*

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

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

C. Pension Plan: (continued)

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

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2016 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2016	ABO 2016	Percent Funded
TRS	\$ 152,925,647,000	\$ 171,797,150,000	78.00%

*Funding Policy*

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. State law provides for a member contribution rate of 7.2% for the 2016 fiscal period. The state’s contribution rate as a non-employer contributing entity was 6.8% in 2016. The Charter School’s employees’ contributions to the system for the year ended August 31, 2016 were \$353,540, equal to the required contributions for the year.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

C. Pension Plan: (continued)

Other contributions made from federal and private grants and from the Charter School for salaries above the statutory minimum were contributed at a rate of 6.8% totaling \$40,839 for the year ended August 31, 2016. The Charter School's contributions into this plan do not represent more than 5% of the total contributions to the plan. The charter school was assessed a surcharge totaling \$12,990.

D. Budget:

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

E. Commitments and Contingencies:

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

F. Health Care Coverage:

During the period ended August 31, 2016, employees of the Organization were covered by a health insurance plan. The school contributed \$273 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The plan was authorized by Article 3.51-2, Texas Insurance Code, and was documented by contractual agreement.

G. Operating Lease Commitment:

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

<u>Year Ending August 31,</u>	<u>Amount</u>
2017	\$ 277,134
2018	72,464
Total	<u>\$ 349,598</u>

Operating lease expense for the Organization amounted to \$487,831 for the period ended August 31, 2016.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

H. Temporarily Restricted Net Assets:

Temporarily restricted net assets at August 31, 2016, are available for the following periods:

Periods after August 31, 2016	\$ 2,592,580
Total temporarily restricted	<u>\$ 2,592,580</u>

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

Texas Education Agency-Federal	\$ 858,520
Texas Education Agency-State	<u>6,971,050</u>
Total restrictions released	<u>\$ 7,829,570</u>

I. Subsidiary Relationship:

The Organization operates as a subsidiary of Upbring, the new Lutheran Social Services of the South, Inc. ("Upbring"), and a 501 (c) (3) tax-exempt organization formerly operating only under the name Lutheran Social Services of the South ("LSSS"). Upbring effectively controls the Organization in a relationship that is permitted under Title 19 of the Texas Administrative Code Section 100.1011 (14)(B) and has been expressly recognized and approved by the Texas Education Commissioner and the State Board of Education. Three of the seven schools currently operated by the Organization provide on-site, specialized education for residents of treatment centers operated by Upbring. At these sites, as well as three other residential treatment centers not operated by Upbring, the Organization leases physical space from the respective treatment center in providing on-site education services. Transactions between the organizations have been negotiated in a manner that substantially reflects arms-length negotiations. During the year, Upbring also donated \$199,847 toward administration of summer school programs operated by Trinity Charter School.

J. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through January 12, 2017, the date which the financial statements were available to be issued.

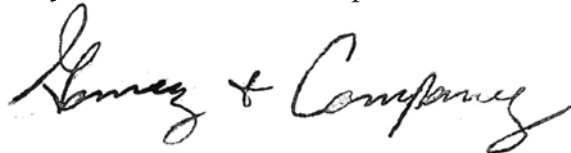
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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Casa Gracia, dba Trinity Charter Schools as of and for the year ended August 31, 2016, and our report thereon dated January 12, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules for Individual Charter School are presented on pages 14 to 18 for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Houston, TX  
January 12, 2017



CASA GRACIA, dba TRINITY CHARTER SCHOOLS

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2016

**Expenses**

6100 Payroll Costs	\$ 5,628,104
6200 Professional and Contracted Services	1,586,798
6300 Supplies and Materials	602,064
6400 Other Operating Costs	225,141
Total Expenses	<u>\$ 8,042,107</u>

See accompanying notes to financial statements.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

SCHEDULE OF CAPITAL ASSETS

FOR THE YEAR ENDED AUGUST 31, 2016

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$	\$ 2,391,919	\$ 1,170
1531 Vehicles		59,187	
1539 Furniture and Equipment			58,046
1551 Building and Improvements		65,031	
Total Property and Equipment	<u>\$</u>	<u>\$ 2,516,137</u>	<u>\$ 59,216</u>

See accompanying notes to financial statements.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$	\$ 224,847	\$ 212,386	\$ (12,461)
5750 Food Service Sales			<u>151</u>	<u>151</u>
Total Local Support		<u>224,847</u>	<u>212,537</u>	<u>(12,310)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues				
Texas Education Agency	6,610,893	7,730,305	7,967,674	237,369
5820 State Program Revenues Distributed by				
Texas Education Agency			<u>3,300</u>	<u>3,300</u>
Total State Program Revenues	<u>6,610,893</u>	<u>7,730,305</u>	<u>7,970,974</u>	<u>240,669</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by				
Texas Education Agency		989,385	858,520	(130,865)
5930 Federal Revenues Distributed by				
Other State of Texas Government Agencies			<u>1,170</u>	<u>1,170</u>
Total Federal Program Revenues		<u>989,385</u>	<u>859,690</u>	<u>(129,695)</u>
Total Revenues	<u>6,610,893</u>	<u>8,944,537</u>	<u>9,043,201</u>	<u>98,664</u>
<b>EXPENSES</b>				
11 Instruction	3,921,254	5,084,604	4,988,629	95,975
13 Curriculum Development and Instructional				
Staff Development	143,071	59,265	50,884	8,381
21 Instructional Leadership	92,667	269,531	241,236	28,295
23 School Leadership	693,662	978,347	889,421	88,926
31 Guidance, Counseling, and Evaluation				
Services	300,440	475,221	431,985	43,236
33 Health Services		3,470	2,871	599
35 Food Service		114,110	109,435	4,675
36 Cocurricular/Extracurricular Activities		689	609	80
41 General Administration	578,843	625,770	577,350	48,420
51 Plant Maintenance and Operations	546,806	556,066	577,409	(21,343)
52 Security and Monitoring Services	3,770	36,150	33,306	2,844
53 Data Processing Services	328,230	140,190	132,273	7,917
61 Community Services	2,150	7,345	6,699	646
Total Expenses	<u>6,610,893</u>	<u>8,350,758</u>	<u>8,042,107</u>	<u>308,651</u>
Change in Net Assets		593,779	1,001,094	407,315
Net Assets, Beginning of Year	<u>1,591,486</u>	<u>1,591,486</u>	<u>1,591,486</u>	
Net Assets, End of Year	<u>\$ 1,591,486</u>	<u>\$ 2,185,265</u>	<u>\$ 2,592,580</u>	<u>\$ 407,315</u>

See accompanying notes to financial statements.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

MATERIAL BUDGET VARIANCE REVENUE

(1) The following is an explanation of the 10% variances from original budget to final budget reported on the Budgetary Comparison Schedule for the year ending August 31, 2016.

Object 5740 – This revenue is recognized as our summer school donation. We receive the donation once the program is over. It is planned later in the year, based on need and therefore not included in the original budget.

Object 5810 – We start out the year with a conservative budget based on the highly mobile population that we serve. The revenue increased due to the enrollment increase at the campuses.

Object 5920 – The negotiation of the federal funds was still in process at the time of the board meeting prior to the start of the school year.

(2) The following is an explanation of the 10% variances from final budget to actual revenue reported on the Budgetary Comparison Schedule for the year ending August 31, 2016.

Object 5750 – This is a new object code for TCS this year. The food service application was not approved until October 2015. This revenue is realized from food service activities, such as payments we received from adults.

Object 5820 – This revenue is other state program revenues that we allocated into a different code to account for it separately. It was rolled over and not spent from previous years.

Object 5920 – The allowable costs submitted for reimbursement were lower than initially expected; therefore the federal revenue fund was not fully spent.

Object 5930 – As stated above our food service application was not granted until October 2015. Once we received approval we began researching various food services grants. This revenue code depicts the food service training grant that we applied for at the end of the year. Since we did not receive approval until after the start of the year, we did not budget for any additional revenue.

MATERIAL BUDGET VARIANCE EXPENDITURES

(1) The following is an explanation of the 10% variances from original budget to final budget reported on the Budgetary Comparison Schedule for the year ending August 31, 2016.

Function 11 – There was an increase in the budget due to additional staffing needed such as paraprofessionals and teachers. We also implemented a new master/mentor teacher program. It was developed and approved after the original budget approval.

Function 13 – The original budget included plans for teacher training. Through the planning process, we identified a higher need in instructional leadership and completed training for teachers using internal experts.

CASA GRACIA, dba TRINITY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

MATERIAL BUDGET VARIANCE EXPENDITURES: (continued)

Function 21 – We added additional staff and resources to help facilitate instructional leadership at the campuses.

Function 23 – There as an increase in additional support and resources to continue to onboard the three new campuses.

Function 31 – We added contracted services and employed additional staff to help mentor and train our special education staff.

Function 33 – The health supplies and services were needed to replace outdated equipment.

Function 35 – We did not receive approval on our food services application until October 2015. Once we were approved we submitted a budget amendment to the board for approval.

Function 36 – The three new campuses required additional budget for extracurricular membership fees that were not originally requested.

Function 52 – We implemented a new security program at one of the new campuses to provide safety and security for staff and students.

Function 53 – We budgeted for additional technology expenses that were covered by other grant awards, so we were able to reallocate this budget to other resources.

Function 61 – We increased the budget to help recruit and retain surrogate parents for the campuses.

(2) The following is an explanation of the 10% variances from final budget to actual expenses reported on the Budgetary Comparison Schedule for the year ending August 31, 2016.

Function 13 – The actual expenditures for teacher training were estimated at a high level. We identified instructional experts within the organization to help facilitate the master/mentor program and contained costs.

Function 21 – We utilized our internal experts to help train staff and mitigated travel expenses by utilizing skype and other video conferencing systems. Therefore we had a positive budget variance.

Function 33 – We negotiated our health expenditures at a lower cost and therefore were able to save money. This caused a positive budget variance.

Function 36 – The membership fees were budgeted to anticipate more expenses than were actually incurred which resulted in a positive budget variance.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Casa Gracia, dba Trinity Charter Schools (a nonprofit organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Casa Gracia, dba Trinity Charter Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Casa Gracia, dba Trinity Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Casa Gracia, dba Trinity Charter Schools' internal control.

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

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

Houston, TX  
January 12, 2017

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Casa Gracia, dba Trinity Charter Schools' (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Casa Gracia, dba Trinity Charter Schools' major federal programs for the year ended August 31, 2016. Casa Gracia, dba Trinity Charter Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Casa Gracia, dba Trinity Charter Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Casa Gracia, dba Trinity Charter Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Casa Gracia, dba Trinity Charter Schools' compliance.

***Opinion on Each Major Federal Program***

In our opinion, Casa Gracia, dba Trinity Charter Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

**Report on Internal Control over Compliance**

Management of Casa Gracia, dba Trinity Charter Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Casa Gracia, dba Trinity Charter Schools' internal control over compliance with the types of requirements that could have a direct and

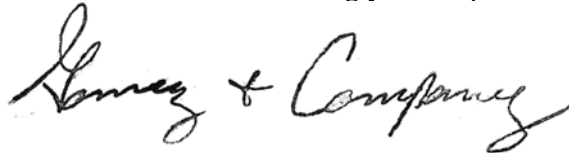


material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Casa Gracia, dba Trinity Charter Schools' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gomez & Company". The signature is written in dark ink and is positioned above the typed name and date.

Houston, TX  
January 12, 2017

CASA GRACIA, dba TRINITY CHARTER SCHOOLS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2016

Summary of Audit Results

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

U.S. Department of Education  
 Passed – Through Texas Education Agency  
 Title I, Part A CFDA Number 84.010A
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Casa Gracia dba Trinity Charter Schools does not qualify as a low-risk auditee.

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

CASA GRACIA, dba TRINITY CHARTER SCHOOLS  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2016

Summary Schedule of Prior Year Findings

No audit findings were noted as per governmental auditing standards for the year ended August 31, 2015.

CASA GRACIA dba TRINITY CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2016

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed - Through Texas Education Agency:			
Title I, Part A	84.010A	16610101046802	\$ 376,796
Title I, Part D	84.010A	16610103046802	200,203
IDEA-B, Formula	84.027A	166600010468026000	184,223
Title II, Part A Teacher and Principal	84.367A	16694501046802	54,004
Total U.S. Department of Education			815,226
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
Breakfast	10.553	71401501	2,017
Breakfast	10.553	71401601	10,584
Lunch	10.555	71301501	3,988
Lunch	10.555	71301601	23,581
			40,170
Passed - Through Texas Department of Agriculture			
USDA Commodity Food Distribution	10.555		3,124
Total U.S. Department of Agriculture			43,294
Total Expenditures of Federal Awards			\$ 858,520

CASA GRACIA, dba TRINITY CHARTER SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2016

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying schedule of expenditures of federal awards (“the Schedule”) includes federal award activity of Casa Gracia, dba Trinity Charter Schools under programs of the federal government for the year ended August 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of Casa Gracia, dba Trinity Charter Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Casa Gracia, dba Trinity Charter Schools.

***Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

***Indirect Cost Rate***

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

***Reconciliation of Federal Revenues and (SEFA):***

Total expenditure of federal awards per the SEFA	\$ 858,520
USDA Food Service Training Grant – unspent amounts	<u>1,170</u>
Total federal revenues per the Statement of Activities	<u>\$ 859,690</u>