

**TEXAS SOUTHERN UNIVERSITY
(EXTERNAL CHARTER)
DBA TEXAS SOUTHERN UNIVERSITY
CHARTER LAB
ANNUAL FINANCIAL
AND COMPLIANCE REPORT
FOR THE FISCAL YEAR
ENDING JULY 31, 2015**

**GEORGE EDWARD GRIGSBY, CPA
STAFFORD, TEXAS**

**TEXAS SOUTHERN UNIVERSITY (EXTERNAL CHARTER)
DBA TEXAS SOUTHERN UNIVERSITY CHARTER LAB**

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GEORGE EDWARD GRIGSBY, CPA

P. O. Box 1824
STAFFORD, TX
77497

Phone: (281) 879-4442 Fax: (281) 879-4443

INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Texas Southern University (External Charter Lab)
Houston Texas

I have audited the accompanying statement of revenues and expenses-cash method of Texas Southern University Charter School lab (TSUCSL), as of and for the year ended July 31, 2015 and the related notes to the statements which comprise the TSUCSL's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these revenue and expense 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

My responsibility is to express an opinion on this financial statement based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statement referred to above presents fairly, in all material respects, revenues and expenses of the TSUCSL as of July 31, 2015 on the basis of accounting described in Note 1, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

In accordance with Government Auditing Standards I have also issued my report dated January 11, 2016 on my consideration of TSUCSL's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. I do not express an opinion or provide any assurance on the internal control over financial reporting or on compliance because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Other Information

My audit was conducted for the purpose of forming an opinion on the statement of revenue and expenses. The accompanying Supplemental Schedules are presented for purposes of additional analysis as required by the Texas Education Agency and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

GEORGE EDWARD GRIGSBY, CPA
Stafford, Texas
January 11, 2016

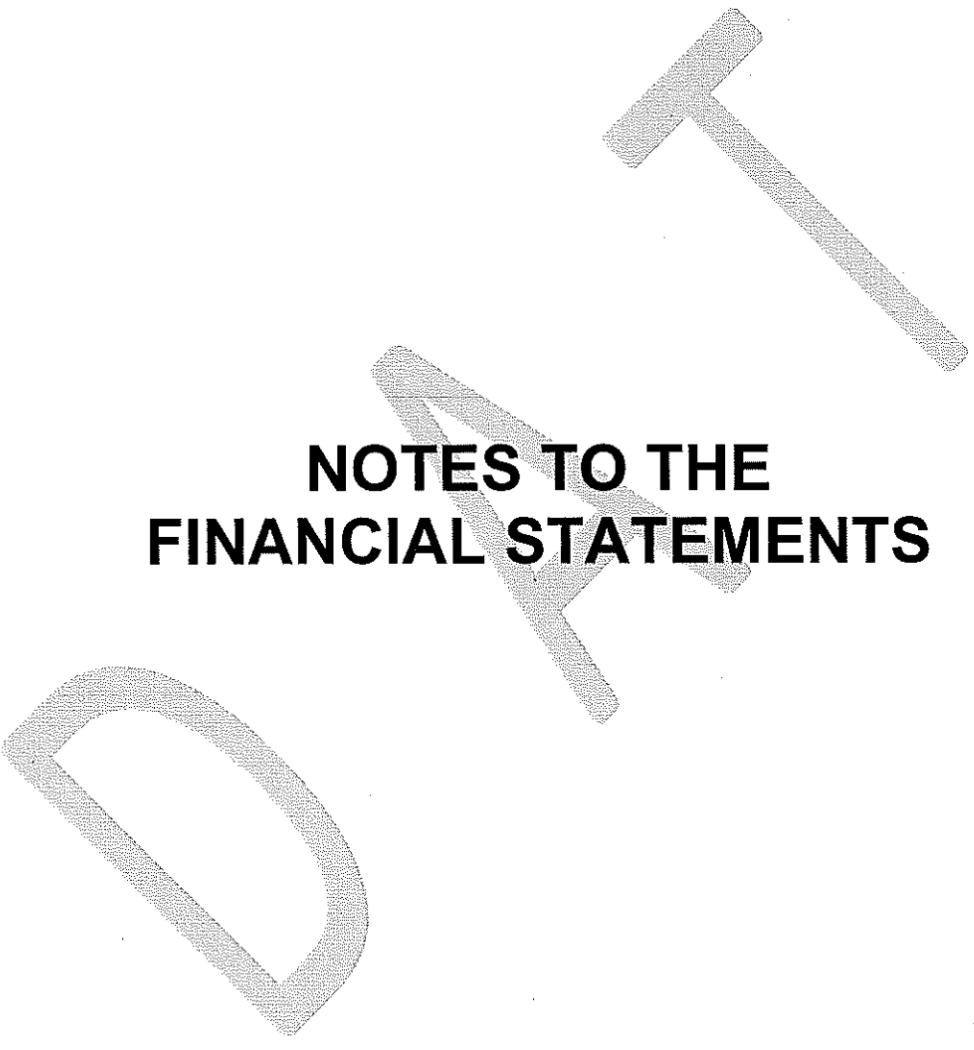
REVENUES AND EXPENSES FINANCIAL STATEMENTS

REF

Texas Southern University (External Charter)
 dba Texas Southern University Charter Lab
 Statement of Revenues and Expenses
 For the Year Ended July 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support:</u>			
State Program Revenues:			
- 5812 Foundation School Program	\$ -	\$ 495,607	\$ 495,607
Total State Program Revenues	<u>-</u>	<u>495,607</u>	<u>495,607</u>
Net Assets Released from Restrictions	<u>495,607</u>	<u>(495,607)</u>	<u>-</u>
<u>Expenses:</u>			
11 Instruction	382,053	-	382,053
23 School Leadership	136,016	-	136,016
41 General Administration	12,798	-	12,798
Total Expenses	<u>530,867</u>	<u>-</u>	<u>530,867</u>
Expenses Over Revenues	<u>\$ (35,260)</u>	<u>\$ -</u>	<u>\$ (35,260)</u>

See the accompanying notes to the financial statements.



**NOTES TO THE
FINANCIAL STATEMENTS**

**Texas Southern University (External Charter)
dba Texas Southern University Charter Lab
Notes to the Financial Statements
July 31, 2015**

(1) Summary of Significant Accounting Policies

The revenues and expenses financial statement of Texas Southern University (External Charter) dba Texas Southern University Charter Lab (TSUCSL) 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 non-for-profit accounting and financial reporting principles.

Organization

Texas Southern University (External Charter) dba Texas Southern University Charter Lab (TSUCSL) was formed as a collaboration with Texas Southern University (TSU), Housing Authority of the City of Houston (HACH), and Houston Independent School District (HISD) founded by TSU and several concerned citizens of Houston, Texas. TSUCSL (a division of TSU) was organized in 2002. The HISD school charter was issued in 2002. TSUCSL is recognized as an exempt organization for federal income taxes as a division of TSU. TSUCSL only operated a single Charter School and did not conduct any other Charter or non-Charter activities.

TSUCSL offers an Inclusion Educational Program for all its students with particular focus on students who have challenges whether emotional, educational, or physical. It serves students grades kindergarten through fifth. TSUCSL's district boundaries include enrollment of students from Houston Independent School District attendance boundaries. The contract with HISD was renewed in August 2015.

Reporting Entity

TSUCSL is a department at Texas Southern University (TSU) in the State of Texas. TSU is governed by a Board of Trustees comprised of nine members. The Board of Trustees is appointed pursuant to the laws of the State and has the authority to make decisions, appoint the President of TSU, and significantly influence operations. The Board of Trustees has the primary accountability for the fiscal affairs of TSUCSL.

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

Basis of Presentation

The accompanying financial statements have been prepared using the cash basis of accounting in accordance with accounting principles generally accepted in the United States of America as applied to non-profit organizations in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide. Revenues are recorded when received and expenses are recorded when paid.

Revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the corporation, the charter school and/or the passage of time. When a restriction expires, 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 – net assets required to be maintained in perpetuity with only the income to be used for the School's activities due to donor-imposed restrictions.

Revenues

Revenues from the HISD available school fund are earned based on reported attendance.

(2) Related Party Transactions

TSUCSL is a division of TSU. Property and equipment are provided by TSU for the TSUCSL.

(3) Commitments and Contingencies

TSUCSL receives funds through HISD 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 adjustments. Expenses charged to federal programs are subject to adjustment by the agency. The programs administered by TSUCSL have complex compliance requirements, and should state or federal auditors discover areas of noncompliance of the School funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

As of July 31, 2015 and through the date of this report, there were no tax liens and claims pending against TSUCSL.

(4) Health Care Coverage

During the year ended July 31, 2015, employees of TSUCSL were covered by a Teacher Retirement System of Texas Active Employee Health Insurance Plan (the Plan). TSUCSL contributed \$503.14 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

(5) Pension

Plan Description

TSUCSL contributes to the Teacher Retirement System of Texas (the System) a public employee retirement system. It is a cost-sharing, multiple employer defined benefit pension plan with one exception; all risks and costs are not shared by TSUCSL but is the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of Provisions contained primarily in the Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salaries and the State of Texas contributes an amount equal to 6.44% of the charter schools covered payroll. TSUCSL's employee contributions to the System for year ended July 31, 2015 was approximately \$27,211 equal to the required contributions for the year.

(6) Campus Location

TSUCSL has 1 campus location in Houston, Texas on the TSU campus.

(7) Subsequent Events

The contract with Houston Independent School District required the audit to be submitted by January 15, 2016. The report is delinquent.

The date through which subsequent events have been evaluated is January 11, 2016 which is the date the financial statements were available to be issued.

**SPECIFIC PURPOSE
FINANCIAL STATEMENTS**

Texas Southern University (External Charter)
dba Texas Southern University Charter Lab
Schedule of Expenses for Charter School
For the year ended July 31, 2015

<u>Object Code</u>	<u>Expenses</u>	
6100	Payroll Costs	\$ 518,069
6200	Professional and Contracted Services	7,500
6400	Other Operating Costs	<u>5,298</u>
	Total Expenses	<u>\$ 530,867</u>

DA

See the accompanying notes to the financial statements.

Texas Southern University (External Charter)
dba Texas Southern University Charter Lab
Budget Comparison
For the year ended July 31, 2015

		Budgeted Amounts		Actual	Variance
		Original	Final	Amounts	from Final Budget
Revenues and Other Support:					
State Program Revenues:					
5812	Foundation School Program	\$ 500,077	\$ 500,077	\$ 495,607	\$ (4,470)
	Total State Program Revenues	<u>500,077</u>	<u>500,077</u>	<u>495,607</u>	<u>(4,470)</u>
	Total Revenues & Other Support	<u>500,077</u>	<u>500,077</u>	<u>495,607</u>	<u>(4,470)</u>
Expenses:					
11	Instruction	494,582	494,582	382,053	(112,529)
23	School Leadership	-	-	136,016	136,016
41	General Administration	38,452	38,452	12,798	(25,654)
	Total Expenses	<u>533,034</u>	<u>533,034</u>	<u>530,867</u>	<u>(2,167)</u>
	Revenues Over Expenses	<u>\$ (32,957)</u>	<u>\$ (32,957)</u>	<u>\$ (35,260)</u>	<u>\$ (2,303)</u>

See the accompanying notes to the financial statements.

COMPLIANCE AND INTERNAL CONTROLS

GEORGE EDWARD GRIGSBY, CPA

P. O. Box 1824
STAFFORD, TX
77497

Phone: (281) 879-4442 Fax: (281) 879-4443

**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 Regents
Texas Southern University (External Charter)

I 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 statement of revenues and expenses of Texas Southern University Charter School Lab (TSUCSL) (a division of TSU) , as of and for the year ended July 31 2015 , and the related notes to the financial statements, which collectively comprise TSUCSL's basic financial statements, and have issued my report thereon dated January 11, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statement, I considered TSUCSL's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TSUCSL's internal control. Accordingly, I do not express an opinion on the effectiveness of TSUCSL'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 TSUCSL's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

George Edward Grigsby CPA
Stafford Texas
January 11, 2016

**Texas Southern University (External Charter)
dba Texas Southern University Charter Lab
Schedule of Findings and Questioned Costs
For the year ended July 31, 2015**

I. Summary of Auditor's Results

- Type of auditor's report issued on the statement of revenues and expenses: Unqualified.
- Significant deficiencies reported: None.
- Material weaknesses reported: None.
- Noncompliance material to the financial statement: None.
- Findings disclosed by the audit of the statement of revenues and expenses which the auditor is required to report: None.
- Federal Awards: Auditee did not meet requirements for a Single Audit.

II. Findings related to the Financial Statements

None noted.

III. Findings and Questioned Costs related to Federal Awards

None noted.