

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

JUBILEE ACADEMIC CENTER, INC.

San Antonio, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

Year Ended August 31, 2017

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

TABLE OF CONTENTS

	<u>PAGE</u>
Certificate of Board	1
Independent Auditor's Report.....	2-3
Financial Statements	
Statements of Financial Position	4
Statements of Activities.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7-21
Required Supplementary Information	
Budgetary Comparison Schedule	22
Compliance and Internal Control	
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	25-26
Schedule of Findings and Questioned Costs	27-28
Summary Schedule of Prior Audit Findings.....	29
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31

JUBILEE ACADEMIC CENTER, INC.

BEXAR

015-822

Name of School District

County

Co. Dist. Number

We, the undersigned, certify that the attached annual financial and compliance report of Jubilee Academic Center, Inc. was reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2017, at a meeting of the governing body of said charter school on the 23 day of January 2018.


Signature of the Board Secretary


Signature of the Board President

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

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Jubilee Academic Center, Inc.
San Antonio, Texas

We have audited the accompanying financial statements of Jubilee Academic Center, Inc., (a nonprofit organization) (the Center), which comprise the statement of financial position as of August 31, 2017, 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 the Center as of August 31, 2017, 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, 2018 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "L. Gonzalez" with a stylized flourish underneath.

January 12, 2018

FINANCIAL STATEMENTS

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

STATEMENT OF FINANCIAL POSITION

August 31, 2017

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 5,051,920
Other Receivables	41,332
Due from Texas Education Agency	4,453,148
Deferred Expenses	199,987
Other Assets	<u>15,005</u>
Total Current Assets	<u>9,761,392</u>
Non-Current Assets	
Restricted Cash and Cash Equivalents	9,657,740
Inventory	188,944
Cost of Debt Issuance	2,777,161
Property and Equipment - Net	<u>101,574,813</u>
Total Non-Current Assets	<u>114,198,658</u>
TOTAL ASSETS	<u><u>\$ 123,960,050</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 695,373
Accrued Payroll and Payroll Liabilities	2,399,375
Due to State	159,034
Current Portion of Long-Term Debt	1,442,587
Accrued Interest Payable	804,433
Premium and Discount on Debt Issuances	3,747
Other Liabilities	<u>133,620</u>
Total Current Liabilities	<u>5,638,169</u>
Non-Current Liabilities	
Long-Term Debt, Net of Current Portion	111,849,341
Premium and Discounts on Issuance of Debt	<u>268,600</u>
Total Long-Term Liabilities	<u>112,117,941</u>
Total Liabilities	<u>117,756,110</u>
Net Assets	
Temporarily Restricted	99,658
Unrestricted	<u>6,104,282</u>
Total Net Assets	<u>6,203,940</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 123,960,050</u></u>

The accompanying notes are an integral part of these statements.

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

STATEMENT OF ACTIVITIES

Year Ended August 31, 2017

	Unrestricted Funds	Temporarily Restricted	Totals
REVENUES			
Local Support			
Revenue From Cocurricular, Enterprising Services	\$ 640,876	\$ -	\$ 640,876
Other Revenue From Local Sources	105,320	-	105,320
Total Local Support	746,196	-	746,196
State Program Revenues			
Foundation School Program	-	40,344,116	40,344,116
Other State Aid	-	296,767	296,767
Total State Program Revenues	-	40,640,883	40,640,883
Federal Program Revenues			
National School Lunch Program	-	1,421,898	1,421,898
School Breakfast Program	-	485,277	485,277
USDA, Donated Commodities	-	158,913	158,913
ESEA Title II, Part A	-	206,034	206,034
ESEA Title I, Part A	-	1,267,734	1,267,734
ESEA Title I (A)-Priority and Focus Grant	-	107,740	107,740
ESEA Title III, Part A	-	79,368	79,368
IDEA-B, FORMULA	-	565,374	565,374
ESEA Title I, Part C	-	3,546	3,546
Total Federal Program Revenues	-	4,295,884	4,295,884
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	48,077,384	(48,077,384)	-
TOTAL REVENUES	48,823,580	(3,140,618)	45,682,962
EXPENSES			
Program Services			
Instruction and Instructional Related Services	22,609,135	-	22,609,135
Instruction and Social Leadership	3,553,035	-	3,553,035
Support Services			
Student (Pupil)	4,780,468	-	4,780,468
Administrative	3,824,885	-	3,824,885
Non-Student Based	9,259,714	-	9,259,714
Community Service	189,642	-	189,642
Debt Service	3,860,506	-	3,860,506
Total Expenses	48,077,384	-	48,077,384
Changes in Net Assets	746,196	(3,140,618)	(2,394,422)
Net Assets - Beginning of Year	5,358,086	3,240,276	8,598,362
Net Assets - End of Year	\$ 6,104,282	\$ 99,658	\$ 6,203,940

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

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

STATEMENT OF CASH FLOWS

Year Ended August 31, 2017

	2017
CASH FLOWS FROM OPERATING ACTIVITIES	
Foundation School Program Payments	\$ 39,543,930
Grant Payments - Federal Programs	3,959,545
Local Sources	1,355,485
Interest Revenue	28,195
Interest Expense	(3,860,506)
Payments to Vendors for Goods and Services Rendered	(15,710,968)
Payments to Charter School Personnel for Services Rendered & for Benefits	(27,833,490)
Net Cash Used by Operating Activities	<u>(2,517,809)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principle Payments on Capital Lease	(124,126)
Principle Payments on Note Payable	(2,850,100)
Proceeds from Issuance of Long-Term Debt	113,494,017
Net Cash Provided by Financing Activities	<u>110,519,791</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Property and Equipment Purchased	(99,646,795)
Net Cash Used by Investing Activities	<u>(99,646,795)</u>
Net Increase in Cash and Cash Equivalents	<u>8,355,187</u>
Cash at Beginning of Year	<u>6,354,472</u>
Cash at Ending of Period	<u><u>\$ 14,709,660</u></u>
RECONCILIATION OF CHANGE IN NET ASSET TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	\$ (2,394,422)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Net Cash Provided by Operating Activities	
Depreciation Expense	\$ 1,865,780
Amortization of Debt Issuance Cost	(2,563,710)
(Increase) Decrease in Assets	
Due from State	(1,201,270)
Accounts Receivable	436,925
Inventory	(31,464)
Other Assets	(64,992)
Increase (Decrease) in Liabilities	
Accounts Payable	17,329
Accrued Wages Payable	505,550
Accrued interest	796,694
Other Liabilities	(9,898)
Due to State	125,670
Net Cash Provided by Operating Activities	<u><u>\$ (2,517,809)</u></u>

The accompanying notes to the financial statements
form an integral part of this statement.

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Jubilee Academic Center, Inc., a Texas non-profit organization operating Texas charter schools, (the Center) 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

In 2000, the State Board of Education of the State of Texas granted the Center 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, Jubilee Academic Center opened on September 13, 2000. The Center was organized to provide educational services to at-risk students and its programs, services, activities and functions are governed by no fewer than three (3) members of the Center's Board of Directors (the executive board). The Board of Directors is selected pursuant to the by-laws of the Center and has the authority to make decisions, appoint the chief executive officer of the Center, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Center.

The bylaws were amended on January 25, 2011 to provide for the creation of committees (school boards) by the president of the Board to perform the duties and functions assigned or delegated in furtherance of the Board objectives. Effective August 1, 2011 three such committees were created: the Jubilee Academic Center School Board, the Coastal Bend Charter District School Board, and the Rio Grande Valley Charter District School Board. The board president of the executive board is also the board president on each of the school boards.

The charter holder only operates ten (10) campuses charter schools and does not conduct any other charter or non-charter activities.

Income Taxes

The Center is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. No provision for income taxes has been made in the financial statements. Income tax filings are up to date. The Center is subject to routine audits by taxing jurisdictions; however, there are no audits in progress. The Center believes it is no longer subject to income tax examinations for years ending prior to 2014.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The accounting system is organized under the Special Supplement to Financial Accounting and Reporting – Non Profit Charter School Chart of Accounts, a module of the Texas Education Agency Financial Accountability Resource Guide.

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

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

Temporarily Restricted – net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Center and/or 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 – permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund annual operations. As of August 31, 2017, the Center did not hold any assets that were designated as permanently restricted.

Cash and Cash Equivalents

For financial statement purposes, the Center considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Restricted Cash and Cash Equivalents

Cash and cash equivalents that have been earmarked for specific purposes are classified as restricted cash on the statement of financial position because they are maintained in a separate bank account and not available for general operations.

Inventories

The School reports food items as inventory on the balance sheet that were not consumed as of August 31, 2017.

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-55, (formerly SFAS No. 117), Financial Statements of Not-For-Profit Organizations. Under ASC 958-205-55, the Agency 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. The Center did not receive any permanently restricted contributions in the current year.

Grant Funds

Grant funds are considered to be earned when eligibility requirements have been met and to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require a refund of all or part of the unused amount.

State Revenues

Revenues from the State's available school fund are based on instructional days, average daily attendance, and other factors. Funds received are recognized as revenue in the period earned. The academic year for the Center typically begins several days before the beginning of the fiscal year (September 1). During these days expenses are incurred that relate directly to revenues received in the following year. As such, revenue is recognized for days of instruction in August of each fiscal year. In addition, receivables/payables to the State are recognized based on the near final summary of finances report.

Property and Equipment

Property and Equipment, which include buildings and improvements, furniture and equipment, and other personal property, are reported in the financial statements. Property and equipment are defined by the Center as assets with an individual cost of more than \$5,000. Such assets are recorded as historical cost. 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 donation, which is then treated as cost. Property and equipment are being depreciated using the straight-line method over the following useful lives:

Asset Class	Useful Lives
Vehicles	5 Years
Furniture	5 Years
Buildings & Improvement	39 Years
Computers	5 Years

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Debt Issuance Cost

The bond issuance cost and discount are amortized over the life of the debt using the interest method.

2. CASH AND INVESTMENTS

As of August 31, 2017, cash and cash equivalents consisted of:

Unrestricted		
Cash in Bank	\$	2,774,216
Cash Equivalents		
TexPool Investment Pool		18,118
Certificate of Deposit		1,752,990
Money Market Funds		506,596
Total Unrestricted	\$	<u>5,051,920</u>
Restricted		
Cash – Jubilee Foundation	\$	41,519
Money Market Fund – Debt Service		8,457,686
Money Market Fund – Construction		1,158,535
Total Restricted	\$	<u>9,657,740</u>
Total	\$	<u>14,709,660</u>

Deposits

At August 31, 2017, the carrying amount of the Center's deposits was \$5,051,920 and the bank balance was \$5,663,142. All deposits are adequately insured with FDIC coverage and pledged collateral at August 31, 2017.

Restricted money market funds are held at BOK Financial trust department in the name of the Center. The funds held in trust in the Cavanal Hill U. S. Treasury Fund and the Invesco Treasury Portfolio. The Center is not exposed to custodial risk due to the investments are insured or registered in the Center's name, or the investments are held by the District's agent.

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

2. CASH AND INVESTMENTS (Continued)

Investments

State statutes govern the Center's investment policies. State authorized investments include obligations of the U.S. Treasury and U.S. Government agencies, commercial paper and repurchase agreements. Realized and unrealized gains and losses on investments are reported as investment income. Investments are valued at fair value.

Credit Risk – The Center's investment policy requires that obligations of other governments be rated by a nationally recognized rating firm no less than A rated, and that mutual funds be rated no less than AAA. The Center's money market funds are rated Aaa (Moody's) and AAAm (S&P).

Interest Rate Risk – As required by state law and the Center's investment policy, investments in obligations are limited to having maturities at the date of purchase of no more than 10 years.

Concentration of Credit Risk – The Center places no limit on the amount the Center may invest in any one issuer.

At year end the Center's total investments are held in governmental investment pools. The Center is in compliance with the Texas Public Funds Investment Act.

3. PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2017 are comprised as follows:

Land	\$ 500,000
Buildings and Improvements	103,521,867
Vehicles	165,514
Furniture and Equipment	789,644
Total Property and Equipment	<u>104,977,025</u>
Accumulated Depreciation	<u>(3,402,212)</u>
Property and Equipment Net of Accumulated Depreciation	<u><u>\$ 101,574,813</u></u>

Depreciation expense as of August 31, 2017 is \$1,865,780.

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

4. OWNERSHIP IN PROPERTY AND EQUIPMENT

Property and equipment acquired with public funds received by the Center for the operation of Jubilee Academic Center, Inc. constitute public property pursuant to Chapter 12 of the Texas Education Code.

	Ownership Interest	
	State	Federal
Land	\$ 500,000	\$ -
Buildings and Improvements	103,465,644	56,223
Vehicles	156,345	9,169
Furniture and Equipment	607,052	182,592
Total Property and Equipment	<u>\$ 104,729,041</u>	<u>\$ 247,984</u>

5. OPERATING LEASES

A. SCHOOL BUILDING LEASES

The Center had commitments under thirteen operating leases for various school buildings. Lease terms for all leases were from one to three years. Rent expense for the various leases was \$864,520 and utilities and other costs (garbage disposal, improvements, etc.) under the leases were \$313,043.

Future minimum lease payments at August 31, 2017 were as follows:

Year	Amount
2018	\$ 894,155
2019	894,155
2020	894,155
	<u>\$ 2,682,465</u>

B. TECHNOLOGY EQUIPMENT LEASES

On November 20, 2014 the Center entered into three operating lease agreements for various technology and network communication equipment. All three leases have a five year term consisting of 20 quarterly payments. Lease expenses for the equipment in 2017 was \$ 219,778

Future minimum lease payments as of August 31, 2017 are as follows:

Year	Amount
2018	\$ 219,778
2019	219,778
2020	54,944
	<u>\$ 494,500</u>

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

5. LEASES (Continued)

On November 1, 2016 the Center entered into an operating lease agreement for various technology and network communication equipment. The lease has a five-year term consisting of 20 quarterly payments. Lease expenses for the equipment in 2017 was \$53,306

Future minimum lease payments as of August 31, 2017 are as follows:

Year	Amount
2018	\$ 71,074
2019	71,074
2020	71,074
2021	71,074
2022	17,769
	<u>\$ 302,065</u>

On December 28, 2016 the Center entered into an operating lease agreement for various technology and network communication equipment. The lease has a one-year term consisting of 12 payments. Lease expenses for the equipment in 2017 was \$29,578

Future minimum lease payments as of August 31, 2017 are as follows:

Year	Amount
2018	\$ 9,834
	<u>\$ 9,834</u>

On November 1, 2016 the Center entered into an operating lease agreement for various technology and network communication equipment. The lease has a three-year term consisting of 36 payments. Lease expenses for the equipment in 2017 was \$62,624

Future minimum lease payments as of August 31, 2017 are as follows:

Year	Amount
2018	\$ 83,398
2019	83,398
2020	20,850
	<u>\$ 187,646</u>

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

6. SCHEDULE OF EXPENSES

The following schedule shows expenses of the Center for the years ended August 31, 2017.

6100 Payroll Costs	\$	28,356,008
6200 Professional and Contracted Services		9,016,676
6300 Supplies and Materials		3,626,105
6400 Other Operating Costs		3,218,089
6500 Debt		3,860,506
Total Expenses	\$	<u>48,077,384</u>

The following schedule shows expenses of the Center by function code for the years ended August 31, 2017.

Expenses		
11 Instructional	\$	20,388,357
12 Instructional and Media Services		86,586
13 Curriculum Development and Instructional Staff Development		2,134,192
21 Instructional Leadership		168,018
23 School Leadership		3,385,017
31 Guidance, Counseling and Evaluation Services		743,602
33 Health Services		353,388
34 Student Transportation		161,591
35 Food Services		2,770,445
36 Cocurricular/Extracurricular Activities		751,442
41 General Administration		3,232,750
51 Plant Maintenance and Operations		8,929,679
52 Security and Monitoring Services		330,035
53 Data Processing Services		592,134
61 Community Services		189,642
71 Debt Services		3,860,506
Total Expenses	\$	<u>48,077,384</u>

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

7. PENSION PLAN OBLIGATIONS

Plan Description

The Charter School 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 the Charter School, but are 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 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) 223-8778. Payments made by the State on behalf of the Charter School are not reflected in the accompanying financial statements. All employees of the Charter School were covered by the System for the year ended August 31, 2017.

Funding Policy

Under provisions in state law, plan members and the State are each required to contribute 7.7% and 6.8% of their annual covered salary, respectively; and, in certain instances, the School is required to make all or a portion of the member's contribution and on the portion of the employees' salaries that exceed the statutory minimum. The School contributed \$1,860,821 on behalf of its employees, to TRS for the year ended August 31, 2017, the required contributions for the year. The State also contributes to TRS on behalf of charter school employees; however, these contributions are not recognized in the School's financial statements under FASB accounting. The School's contributions to the Plan did not represent more than 5% of the total contributions to the Plan. There have been no changes that would affect the comparison of employer contributions from year to year.

	Contribution Rates	
	2016	2017
Member	7.20%	7.70%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Legal Name of Plan	Texas Retirement System of Texas
Plan's Employer Identification Number	N/A
Total Plan Assets	\$165,379,342,000
Accumulated Benefit Obligations	\$179,336,535,000
Percentage Plan was Funded	80.5 % funded
Expiration Date of Collective-Bargaining Agreement	N/A
Funding Improvement Plan or Rehabilitation Plan Implemented or Pending	N/A
Employer Contributions Made for the Non-OASDI Participating Surcharge	\$361,961

Information per 08/31/2017 TRS CAFR

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

8. LONG TERM DEBT

Description	Balance Outstanding 9/1/2016	Issued Current Year	Retired Current Year	Balance Outstanding 8/31/2017	Amounts Due Within One Year
Note Payable	\$ 2,850,100	\$ -	\$ 2,850,100	\$ -	\$ -
Capital Lease (Original Athlos)	194,385	-	56,503	137,882	59,382
Capital Lease (Premier)	-	115,934	15,608	100,326	21,737
Capital Lease (Apple)	-	185,736	52,015	133,721	61,469
Premiums and Discounts	-	272,347	-	272,347	3,747
Bond – October 27, 2016	-	73,650,000	-	73,650,000	1,300,000
Bond – May 31, 2017	-	39,270,000	-	39,270,000	-
Total	\$ 3,044,485	\$ 113,494,017	\$ 2,974,226	\$ 113,564,276	\$ 1,446,335

Series 2016 Bond: On October 27, 2016, Jubilee Academic Center (the “School”) issued \$73,650,000 of Education Revenue Bonds, Series 2016. Per the Limited Offering Memorandum, the proceeds from the sale of the Bonds will be loaned by the “Issuer” (a public nonprofit corporation created by the Town of New Hope, Texas) to the “Company” (a Texas nonprofit corporation and a 501(c)(3) organization with an open-enrollment charter granted pursuant to Chapter 12 of the Texas Education Code, Jubilee Academic Center, Inc.) for the purposes of (a) refinancing certain prior indebtedness of the Company, (b) exercising certain purchase options to purchase certain of the Company’s leased facilities, (c) funding a debt service reserve fund for the Bonds, and (d) paying certain of the costs of issuing the Bonds.

Covenants *Debt Service Coverage:* The Company covenants to maintain a Debt Service Coverage Ratio of at least 1.1:1.0 for the Fiscal Year ending August 31, 2017 and for each Fiscal Year thereafter until the Bonds are paid in full as evidence by the Company’s audited financial statements for each such Fiscal Year. The Center is in compliance with such requirements.

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

8. LONG TERM DEBT (Continued)

Liquidity. The Company covenants to maintain (i) 35 Days Cash on Hand for the Fiscal Year ending August 31, 2017 and (ii) 40 Days Cash on Hand for the Fiscal Year ending August 31, 2018, and for each Fiscal Year thereafter until the Bonds are paid in full as evidenced by the Company's audited financial statements for each such Fiscal Year. The Center is in compliance with such requirements.

August 31,	Principal on Series 2016A Tax Exempt Bonds	Principal on Series 2016B Taxable Bonds	Total Debt Service
2018	\$ 965,000	\$ 335,000	\$ 1,300,000
2019	1,350,000	-	1,350,000
2020	1,395,000	-	1,395,000
2021	1,445,000	-	1,445,000
2022	1,495,000	-	1,495,000
2023-2027	8,410,000	-	8,410,000
2028-2032	10,550,000	-	10,550,000
2033-2037	13,455,000	-	13,455,000
2038-2042	17,160,000	-	17,160,000
2043-2046	17,090,000	-	17,090,000
Total	\$ 73,315,000	\$ 335,000	\$ 73,650,000

Series 2017 Bond: On May 31, 2017, Jubilee Academic Center (the "School") issued \$39,270,000 of Education Revenue Bonds, Series 2017. Per the Limited Offering Memorandum, the proceeds from the sale of the Bonds will be loaned by the Issuer to the Company for the purposes of (a) financing or refinancing the costs of acquiring, constructing and equipping of a new campus to house Alamo Leadership Academy (the "ALA Campus"), (b) exercising a certain purchase option to purchase the Athlos Leadership Academy – Premier campus (the "Premier Campus") that is being leased to the Company, (c) funding a debt service reserve fund for the Bonds, and (d) paying certain of the costs of issuing the Bonds.

Convenants Debt Service Coverage. The Company covenants to maintain a Debt Service Coverage Ratio of at least 1.1:1.0 for the Fiscal Year ending August 31, 2017 and for each Fiscal Year thereafter until the Bonds are paid in full as evidenced by the Company's audited financial statements for each such Fiscal Year. The Center is in compliance with such requirements.

Liquidity. The Company covenants to maintain (i) 35 Days Cash on Hand for the Fiscal Year ending August 31, 2017 and (ii) 40 Days Cash on Hand for the Fiscal Year thereafter until the Bonds are paid in full as evidenced by the Company's audited financial statements for each such Fiscal Year. The Center is in compliance with such requirements.

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

8. LONG TERM DEBT (Continued)

August 31,	Principal on Series 2017A Tax Exempt Bonds	Principal on Series 2017B Taxable Bonds	Total Debt Service
2018	\$ -	\$ -	\$ -
2019	120,000	280,000	400,000
2020	710,000	-	710,000
2021	735,000	-	735,000
2022	765,000	-	765,000
2023-2027	4,305,000	-	4,305,000
2028-2032	5,390,000	-	5,390,000
2033-2037	6,870,000	-	6,870,000
2038-2042	8,795,000	-	8,795,000
2043-2046	11,300,000	-	11,300,000
Total	<u>\$ 38,990,000</u>	<u>\$ 280,000</u>	<u>\$ 39,270,000</u>

Capital Lease

On November 20, 2014, the Center entered into three master lease/purchase agreements in the original amount of \$286,756 with Presidio Technology Capital for the purchase of information technology infrastructure equipment. The leases are payable over five (5) years in twenty (20) quarterly payments of \$16,294. The lease agreements contain a bargain purchase option that allows the Center to purchase the equipment at the end of the lease term for \$1.

The technology infrastructure equipment is included in capital assets as property under capital lease in the amount of \$286,756 and the related amortization is included in accumulated depreciation/amortization in the amount of \$172,054.

Future minimum payments on the capital leases payable at August 31, 2017 are as follows:

Year Ending August 31,	Principal	Interest	Total
2018	\$ 59,382	\$ 5,792	\$ 65,174
2019	62,407	2,767	65,174
2020	16,092	202	16,294
Total	<u>\$ 137,881</u>	<u>\$ 8,761</u>	<u>\$ 146,642</u>

Interest paid relating to capital lease for the year ended August 31, 2017 totaled \$ 8,671.

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

8. LONG TERM DEBT (Continued)

On January 1, 2017, the Center entered into a master lease/purchase agreement in the original amount of \$115,934 with Presidio Technology Capital for the purchase of information technology infrastructure equipment. The leases are payable over five (5) years in twenty (20) quarterly payments of \$6,587. The lease agreements contain a bargain purchase option that allows the Center to purchase the equipment at the end of the lease term for \$1.

The technology infrastructure equipment is included in capital assets as property under capital lease in the amount of \$115,934 and the related amortization is included in accumulated depreciation/amortization in the amount of \$23,187.

Future minimum payments on the capital leases payable at August 31, 2017 are as follows:

Year Ending August 31,	Principal	Interest	Total
2018	\$ 21,737	\$ 4,613	\$ 26,350
2019	22,844	3,506	26,350
2020	24,008	2,342	26,350
2021	25,231	1,119	26,350
2022	6,506	81	6,587
Total	<u>\$ 100,326</u>	<u>\$ 11,661</u>	<u>\$ 111,987</u>

Interest paid relating to capital lease for the year ended August 31, 2017 totaled \$ 4,154.

On December 1, 2016, the Center entered into a master lease/purchase agreement in the original amount of \$79,617 with Apple Inc. for the purchase of personal computers and other information technology equipment. The leases are payable over three (3) years in twenty (36) monthly payments of \$2,412. The lease agreements contain a bargain purchase option that allows the Center to purchase the equipment at the end of the lease term for \$1.

The technology infrastructure equipment is included in capital assets as property under capital lease in the amount of \$79,617 and the related amortization is included in accumulated depreciation/amortization in the amount of \$26,539.

Future minimum payments on the capital leases payable at August 31, 2017 are as follows:

Year Ending August 31,	Principal	Interest	Total
2018	\$ 26,134	\$ 2,814	\$ 28,948
2019	27,671	1,277	28,948
2020	7,168	69	7,237
Total	<u>\$ 60,973</u>	<u>\$ 4,160</u>	<u>\$ 65,133</u>

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

8. LONG TERM DEBT (Continued)

Interest paid relating to capital lease for the year ended August 31, 2017 totaled \$3,068.

On September 1, 2016, the Center entered into a master lease/purchase agreement in the original amount of \$106,119 with Apple Inc. for the purchase of personal computers and other information technology equipment. The leases are payable over three (3) years in twenty (36) monthly payments of \$3,215. The lease agreements contain a bargain purchase option that allows the Center to purchase the equipment at the end of the lease term for \$1.

The technology infrastructure equipment is included in capital assets as property under capital lease in the amount of \$106,119 and the related amortization is included in accumulated depreciation/amortization in the amount of \$35,373.

Future minimum payments on the capital leases payable at August 31, 2017 are as follows:

Year Ending August 31,	Principal	Interest	Total
2018	\$ 35,335	\$ 3,249	\$ 38,584
2019	37,413	1,171	38,584
Total	<u>\$ 72,748</u>	<u>\$ 4,420</u>	<u>\$ 77,168</u>

Interest paid relating to capital lease for the year ended August 31, 2017 totaled \$5,211.

9. COMMITMENTS AND CONTINGENCIES

The Center receives funds through the 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 Center should have state or federal auditors discover areas on noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

10. HEALTHCARE COVERAGE

During the years ended August 31, 2017, employees of the Center were covered by a health insurance plan (the plan). The Center contributed \$266 per month, per employee, respectively to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

11. RELATED PARTY AND COMMON CONTROL

For the year ended August 31, 2017, Jubilee Academic Center, Inc. had one (1) board member who was paid a salary for services as Director of Administration in the amount of \$149,051.

The Jubilee Academic Foundation (the "Foundation"), a not-for-profit entity was organized to provide support to Jubilee School parent teacher organizations. The members of the Foundation Board are comprised of appointees by the Center's Board. The Foundations assets and liabilities are included in the Center's financial statements as cash and other liabilities.

12. LEGAL PROCEEDINGS

From time to time the Center is a defendant in legal proceedings relating to its operations as a Charter District. In the best judgment of the Center's management, there are presently no legal proceedings. Accordingly, no provisions for losses have been recorded in the accompanying financial statements for such contingencies.

13. SHARED SERVICES ARRANGEMENT

During the current year, Jubilee Academic Center, Inc. (the Center) was a member of the San Antonio Charter Schools Special Education Co-op and shared services arrangement (SSA). The Southwest Preparatory Charter School is the Fiscal Agent for the SSA. As a member of the SSA, the Center received special education (IDEA B Formula) services in the amount of \$565,374 as reported to the Center by the fiscal agent. In accordance with the guidance provided in the TEA Special Supplement to the Financial Accountability System Resource Guide, Charter Schools, the Center has accounted for the special education expenditures within their financial statements.

14. SUBSEQUENT EVENTS

The School has evaluated any potential subsequent events through January 12, 2018, the date of the audit report, and has determined that no additional subsequent events have occurred.

REQUIRED SUPPLEMENTARY INFORMATION

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

Budgetary Comparison Schedule

Year Ended August 31, 2017

		BUDGETED AMOUNTS		ACTUAL	VARIANCE
		ORIGINAL	FINAL	AMOUNTS	BUDGET /ACTUAL
REVENUES					
5811/5812	FSP-ADA Revenue	\$ 39,129,689	\$ 40,197,785	\$ 40,344,116	\$ 146,331
5751	Food Service Activity	100,000	160,000	186,363	26,363
5740/5750	Other Local Revenue	450,000	479,366	559,833	80,467
5829	School Lunch Matching-State	11,320	11,320	11,815	495
5921	Food, National Breakfast Program	679,461	483,189	485,277	2,088
5922	Food, National Lunch Program	1,624,219	1,462,262	1,421,898	(40,364)
5923	USDA Donate Commodities	95,000	152,736	158,913	6,177
5929	Summer Food Service	90,000	-	-	-
5929	Federal Grant	1,359,864	1,448,781	2,229,796	781,015
5829	State Grant	1,250,808	258,047	284,952	26,905
Total Revenues		44,790,361	44,653,486	45,682,963	1,029,477
EXPENSES					
11	Instructional	19,451,056	19,508,501	20,388,357	(879,856)
12	Instructional and media services	144,823	88,000	86,586	1,414
13	Curriculum Development and Inst. Staff Development	1,880,643	2,215,054	2,134,192	80,862
21	Instructional Leadership	155,799	164,940	168,018	(3,078)
23	School Leadership	3,308,278	3,224,566	3,385,017	(160,451)
31	Guidance, Counseling and Evaluation	700,693	705,000	743,602	(38,602)
32	Social Work	6,000	-	-	-
33	Health Services	350,000	357,439	353,388	4,051
34	Student Transportation	150,000	168,172	161,591	6,581
35	Food Service	2,575,000	2,629,272	2,770,445	(141,173)
36	Cocurricular/Extracurricular Activities	713,793	747,379	751,442	(4,063)
41	General Administration	3,117,326	3,173,529	3,232,750	(59,221)
51	Plant Maintenance and Monitoring Services	7,648,018	8,400,000	8,929,679	(529,679)
52	Security and Monitoring Services	300,000	418,167	330,035	88,132
53	Data Processing Services	400,000	629,155	592,134	37,021
61	Community Services	217,498	175,944	189,642	(13,698)
71	Debt Service	2,895,097	3,665,000	3,860,506	(195,506)
Total Expenses		44,014,024	46,270,118	48,077,384	(1,807,266)
Change In Net Assets		\$ 776,337	\$ (1,616,632)	\$ (2,394,421)	\$ (777,789)

UNAUDITED

Explanations of expenditure variances exceeding 10% for final budget to actual:

N/A

Explanations of expenditure variances exceeding 10% for original budget to final budget:

- 13 Due to evaluation of curriculum needs, it was recommended to hire additional supplemental professional staff to support direct instruction to the classroom.
- 32 Expenses planned for homeless services were not included in original budget.
- 34 Two additional bus drivers were hired throughout the year and unforeseen bus repairs were needed.
- 52 Original amount budgeted was for additional security infrastructure that was not purchased.
- 53 Additional technology network/infrastructure expenses were needed.
- 71 Debt Service expenses increased bond issue costs.

COMPLIANCE AND INTERNAL CONTROL

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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
Jubilee Academic Center, Inc.
San Antonio, 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 Jubilee Academic Center, Inc. (a non-profit organization) (the Center) which comprise the statement of financial position as of August 31, 2017, and the related statement 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, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Center'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 Center'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.

A handwritten signature in black ink, appearing to read "L. Gonzalez". The signature is written in a cursive style with a large, stylized "L" and "G".

January 12, 2018

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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 Directors of
Jubilee Academic Center, Inc.
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited Jubilee Academic Center, Inc. (the Center's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Center's major federal programs for the year ended August 31, 2017. The Center's 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's 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 the Center's 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 the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center 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 program for the year ended August 31, 2017.

Report on Internal Control Over Compliance

Management of the Center 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 the Center's 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 the Center's 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 black ink, appearing to read "George / Gonzalez" with a stylized flourish underneath.

January 12, 2018

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended August 31, 2017

SECTION I --- SUMMARY OF AUDITOR'S RESULTS

<i>Financial Statements</i>			
	Type of auditor's report issued: <u>Unmodified</u>		
	Internal control over financial reporting: • Material weakness (es) identified?	<u> </u> Yes	<u> X </u> No
	• Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
	Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

<i>Federal Awards</i>			
	Internal control over major programs: • Material weakness (es) identified?	<u> </u> Yes	<u> X </u> No
	• Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
	Type of auditor's report issued on compliance for major programs <u>Unmodified</u>		
	Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR, Section. 200.516(a)?	<u> </u> Yes	<u> X </u> No

<i>Identification of Major Programs</i>			
	CFDA Numbers(s)	Name of Federal Program or Cluster	
	84.010	Title I Grants to Local Education Agencies: Title I Part A – Improving Basic Programs Title I 1003(A) – Priority Focus Grant	
	Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
	Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No	

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended August 31, 2017

SECTION II --- FINANCIAL STATEMENT FINDINGS

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

SECTION III --- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended August 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

JUBILEE ACADEMIC CENTER
San Antonio, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2017

DATA CONTROL CODES	PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF EDUCATION			
211	Passed Through State Department of Education ESEA Title I Part A- Improving Basic Programs	84.010A	\$ 1,174,148
211	Passed Through State Department of Education ESEA Title I 1003(A)- Priority and Focus Grant	84.010A	107,740
211	Passed Through State Department of Education ESEA Title I Part A- Improving Basic Programs, FY 8	84.010A	93,586
212	ESEA Title I Part C- Education of Migratory Children	84.011A	3,546
224	IDEA Part B, Formula, FY 7	84.027	565,374
255	ESEA Title II Part A- Teacher & Principal Training & Recruiting	84.367A	206,034
263	Title III, Part A-Immigrant	84.365A	79,368
	Total Passed Through State Department of Education		2,229,796
	TOTAL U.S. DEPARTMENT OF EDUCATION		2,229,796
U.S. DEPARTMENT OF AGRICULTURE			
240	Passed Through State Department of Education School Breakfast Program*	10.553	485,277
240	National School Lunch Program *	10.555	1,421,898
240	USDA Donated Commodities	10.559	158,913
	TOTAL U.S. DEPARTMENT OF AGRICULTURE		2,066,088
	TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 4,295,884

*Indicates clustered program under OMB compliance Supplement

JUBILEE ACADEMIC CENTER, INC.
San Antonio, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended August 31, 2017

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Jubilee Academic Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

The expenditures for the nutrition cluster are reported to the extent of program reimbursements.