

George Gervin Youth Center, Inc.

**Consolidated Financial Statements and
Supplementary Data**

August 31, 2015

(with Independent Auditor's Report Thereon)

George Gervin Youth Center, Inc.

**Consolidated Financial Statements and
Supplementary Data**

August 31, 2015

(with Independent Auditor's Report Thereon)

**George Gervin Youth Center, Inc.
Table of Contents
August 31, 2015**

Consolidated Financial Statements

Independent Auditor's Report.....	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-19

Supplementary Schedules

Consolidating Schedule of Financial Position	20
Consolidating Schedule of Activities	21-22
Consolidated Schedule of Functional Expenses	23

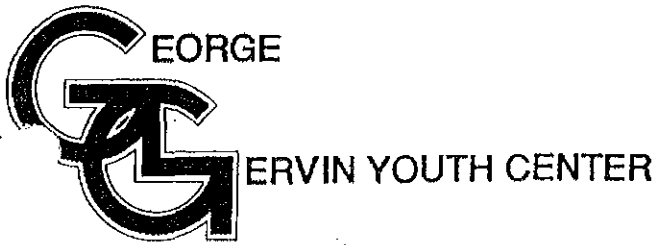
George Gervin Academy Supplementary Information

Statement of Financial Position.....	24
Statement of Activities	25
Statement of Cash Flows.....	26
Schedule of Expenses.....	27
Schedule of Capital Assets.....	28
Budgetary Comparison Schedule.....	29

Single Audit Reports

Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32-33
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133	34-35
Schedule of Findings and Questioned Costs	36-37
Schedule of Status of Prior Findings	38

**CONSOLIDATED
FINANCIAL STATEMENTS**



GEORGE GERVIN YOUTH CENTER, INC.
Federal Identification Number 74-2587818
Certification of Board

We the undersigned certify that the attached Financial Audit and Compliance Report of the George Gervin Youth Center, Inc. was reviewed and approved disapproved for the year ending August 31, 2015, at a meeting of the governing body of the charter holder on the 9th day of December, 2015.



[Handwritten Signature]
Signature of Board Secretary

[Handwritten Signature]
Signature of Board President

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
George Gervin Youth Center, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of George Gervin Youth Center, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of August 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of Newell Retirement Apartments, Inc., a local affiliate, which statements reflect total assets of \$3,257,847, as of December 31, 2014, and the total support and revenues of \$190,487, for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Newell Retirement Apartments, Inc., is based solely on the report of the other auditors. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of George Gervin Youth Center, Inc. as of August 31, 2015 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 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and accompanying single audit reports on pages 30-38, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the additional supplementary schedules on consolidation on pages 20-23, the statements and schedules on George Gervin Academy on pages 24-29 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 22, 2016, on our consideration of George Gervin Youth Center, Inc. internal control over consolidated 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 George Gervin Youth Center, Inc. internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the George Gervin Youth Center, Inc. 2014 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated January 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clayton & Co., P.C.

January 22, 2016

GEORGE GERVIN YOUTH CENTER, INC.
Consolidated Statements of Financial Position
As of August 31, 2015

Assets	<u>2015</u>	<u>Memo Totals 2014</u>
Cash and cash equivalents	\$ 937,059	\$ 1,501,524
Restricted cash	1,305,723	987,714
Investments	868,280	1,127,260
Receivables:		
Grantors	935,533	397,556
Other	152,930	23,277
Deposits	179,379	166,688
Prepaid expenses	44,619	22,794
Construction in progress	90,806	4,402,512
Land Purchases & Improvements	9,649,903	2,661,358
Fixed Assets, net of accumulated depreciation \$8,818,342 and \$7,546,925	<u>16,668,406</u>	<u>17,757,414</u>
Total assets	<u>\$ 30,832,638</u>	<u>\$ 29,048,097</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 235,940	\$ 246,973
Accrued liabilities	878,503	353,698
Other payable	468,244	60,441
Notes payable	14,964,935	15,563,970
Obligation under capital lease	<u>178,278</u>	<u>251,311</u>
 Total Liabilities	 <u>16,725,900</u>	 <u>16,476,393</u>
 Net Assets:		
Unrestricted	2,885,055	8,035,908
Temporarily restricted	<u>11,221,683</u>	<u>4,535,796</u>
 Total net assets	 <u>14,106,738</u>	 <u>12,571,704</u>
 Total liabilities and net assets	 <u>\$ 30,832,638</u>	 <u>\$ 29,048,097</u>

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

GEORGE GERVIN YOUTH CENTER, INC.
Consolidated Statement of Activities
As of August 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015	Memo Totals 2014
Revenues					
Local support:					
Contributions	\$ 165,352	-	-	\$ 165,352	\$ 839,368
Local government	27,151	-	-	27,151	306,329
Rent Income	188,166	-	-	188,166	314,538
Interest and other income	158,650	-	-	158,650	239,582
Total local support	<u>539,319</u>	<u>-</u>	<u>-</u>	<u>539,319</u>	<u>1,699,817</u>
State program revenues:					
Foundation School Program	-	7,598,919	-	7,598,919	7,950,571
Other state aid	-	1,094,851	-	1,094,851	1,274,588
Total program revenues	<u>-</u>	<u>8,693,770</u>	<u>-</u>	<u>8,693,770</u>	<u>9,225,159</u>
Federal program revenues:					
Federal Revenue Distributed by State	-	1,322,502	-	1,322,502	1,088,222
Other Federal revenues	-	4,612,710	-	4,612,710	4,247,121
Total Federal program revenues	<u>-</u>	<u>5,935,212</u>	<u>-</u>	<u>5,935,212</u>	<u>5,335,343</u>
Net assets released from restrictions:					
Restrictions satisfied by payments	11,387,413	(11,387,413)	-	-	-
Total Revenues	<u>11,926,732</u>	<u>3,241,569</u>	<u>-</u>	<u>15,168,301</u>	<u>16,260,319</u>
Expenses					
Program services:					
UTHSCSA-Teen Reach	-	-	-	-	4,246
DOL -Youthbuild Program	481,198	-	-	481,198	195,235
USDHHS Basic Shelter	1,106,343	-	-	1,106,343	805,192
DOL -Re-Entry Program	493,076	-	-	493,076	32,847
United Way - EPN	89,170	-	-	89,170	-
USDHHS Drug Free Communities	107,188	-	-	107,188	-
Newell Retirement Inc.	292,235	-	-	292,235	265,725
George Gervin Preparatory Academy	1,376,600	-	-	1,376,600	1,388,963
George Gervin Academy					
Instructional Related Services	2,489,831	-	-	2,489,831	2,439,248
Instructional and School Leadership	1,012,257	-	-	1,012,257	1,023,852
Total program services	<u>7,447,898</u>	<u>-</u>	<u>-</u>	<u>7,447,898</u>	<u>6,155,308</u>
GGYC Youth Center					
Management and general	2,509,120	-	-	2,509,120	3,530,660
George Gervin Academy					
Administrative Support Services	188,286	-	-	188,286	213,198
Ancillary Services	-	-	-	-	-
Support Services-Non Student Based	2,129,766	-	-	2,129,766	2,351,113
Support Services-Student (Pupil)	858,197	-	-	858,197	956,435
Total support services	<u>5,685,369</u>	<u>-</u>	<u>-</u>	<u>5,685,369</u>	<u>7,051,406</u>
Total expenses	<u>13,133,267</u>	<u>-</u>	<u>-</u>	<u>13,133,267</u>	<u>13,206,714</u>
Change in net assets	(1,206,535)	3,241,569	-	2,035,034	3,053,605
Prior Period Adjustment	(500,000)	-	-	(500,000)	-
Net assets at beginning of year	<u>4,591,590</u>	<u>7,980,114</u>	<u>-</u>	<u>12,571,704</u>	<u>9,518,099</u>
Net assets at end of year	<u>\$ 2,885,055</u>	<u>11,221,683</u>	<u>-</u>	<u>\$ 14,106,738</u>	<u>\$ 12,571,704</u>

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

GEORGE GERVIN YOUTH CENTER, INC.
Consolidated Statement of Cash Flows
As of August 31, 2015

	2015	Memo Totals 2014
Cash flows from operating activities:		
Change in net assets	\$ 2,035,034	\$ 3,053,605
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,279,099	1,375,268
(Increase) decrease in:		
Receivables from grantors	(537,977)	(64,014)
Other receivables	(129,653)	(12,965)
Deposits	(12,691)	(9,599)
Prepaid expenses	(21,825)	369,104
Discount on Note payable	-	104,559
Increase (decrease) in:		
Accounts payable	(11,033)	19,433
Accrued liabilities	524,805	78,184
Other payable	(15,530)	14,728
Net cash provided by operating activities	3,110,229	4,928,303
Cash flows from investing activities:		
Sale/Purchase in investments	105,750	(603,247)
Purchase of fixed assets	(189,422)	(1,477,481)
Increase to construction in process	(3,030,312)	(3,159,065)
Net cash (used) by investing activities	(3,113,984)	(5,239,793)
Cash flows from financing activities:		
Loan proceeds	500,000	8,056,347
Loan repayments	(669,668)	(8,307,365)
Capital lease obligation	(73,033)	(69,479)
Net cash used by financing activities	(242,701)	(320,497)
Net Decrease in cash and cash equivalents	(246,456)	(631,987)
Cash and cash equivalents, beginning of year	2,489,238	3,121,225
Cash and cash equivalents, end of year	\$ 2,242,782	\$ 2,489,238
Interest paid	\$ 648,650	\$ 973,309
Taxes paid	\$ 51,180	\$ 203,196

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

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

(1) **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization's Activities

George Gervin Youth Center, Inc. (the Center) is a nonprofit organization established on June 4, 1991, to provide an innovatively designed comprehensive program to target the needs of at-risk youths.

In May 1996, the George Gervin Youth Center was granted a charter from the Texas Education Agency to operate a charter school authorized to grant high school diplomas. The Center filed an assumed name certificate with the Secretary of State for the Building Alternative Charter School in August 1996 and operations commenced in September 1996. The charter school was renamed the George Gervin Academy in March 2001.

The George Gervin Youth Center, Inc. receives the majority of its program funding from federal financial assistance. These programs include youth training, remedial education, mentoring, tutoring, job placement, and supportive services.

The George Gervin Academy receives the majority of its funding from the Texas Education Agency based on its ADA Foundation Formula (Average Daily Attendance) in addition to the National School Lunch Program, School Breakfast, and Federal Titles.

In 2011, the George Gervin Youth Center was granted a charter from the State of Arizona Board of Education to operate a charter school in Phoenix, Arizona. In August 2012, the George Gervin Prep Academy (GGPA) opened its doors to serve middle school students grades 6th thru 8th. GGPA provides students a focus on college-readiness, rigor courses, responsible thinking and community service learning projects for middle school students.

GGPA receives the majority of its funding from the State of Arizona based on ADA Formula in addition to grants and the National School Lunch Program and School Breakfast Program and Federal Titles.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Support and revenue are reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (e.g. the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-55. Under ASC 958-205-55, the corporation is required to report information regarding its

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

C. Basis of Presentation, (continued)

financial position and its activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The consolidated general-purpose financial statements include the accounts of five separate entities, George Gervin Youth Center, Inc., New Retirement Apartments, Inc., Edwards Association, Inc., George Gervin Retirement Apartments, Inc., and Wings of Hope, Inc. These entities are required to be consolidated under the provisions of the AICPA Statements of Position 94-3, *Reporting of Related Entities by Non Profit Organizations*.

D. Total Columns

Total columns for 2014, are presented to facilitate financial analysis only. Data in these columns are not intended to present financial position, results of operations and changes in net assets in conformity with generally accepted accounting principles.

E. Restricted and Unrestricted Revenue and Support

Under these provisions, net assets and revenue, expenses, gains, and losses are classified as unrestricted, temporarily restricted, and permanently restricted based upon the following criteria.

Unrestricted Net Assets – Unrestricted net assets consist of net assets that are not subject to donor-imposed restrictions. Unrestricted net assets result from operating revenues, unrestricted contributions, and unrestricted dividend and interest income. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors (the “Board”).

Temporarily Restricted Net Assets – Temporarily restricted net assets consist of assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specified event. When the donor restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and net assets as net assets released from restrictions. The Center had \$11,221,683 in temporarily restricted net assets at August 31, 2015.

Permanently Restricted Net Assets – Permanently restricted net assets consist of net assets that are subject to donor-imposed stipulations that are to be maintained permanently. Generally, donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Center had no permanently restricted net assets at August 31, 2015.

F. Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Amounts excluded are cash and investments that are restricted. These cash and investments are classified as restricted cash.

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (CONTINUED)

G. Investments

Investments are stated at fair value based upon quoted market prices, when available, or estimates of fair value in the statements of financial position. Unrealized gains and losses are included in the statements of activities and net assets.

The Organization has an investment policy that sets guidelines and constraints to ensure the portfolio is appropriately diversified.

H. Trade Accounts Receivable

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

I. Property and Equipment

All fixed assets valued at \$5,000 are recorded at cost or estimated historical cost if actual historical cost is not available. Donated fixed assets valued at \$5,000 are recorded at their estimated fair market value on the date donated. Expenses for repairs that materially extend the useful life of an asset are capitalized at cost.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from 5 to 20 years.

J. Federal Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Center has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. In addition, the Organization's information return, Form 990, is open to examination by the Internal Revenue Services for years 2012, 2013 and 2014.

K. Public Support and Revenue

Contributions are recorded at fair value when the Organization is in possession of or receives an unconditional promise to give. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support based 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.

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

K. Public Support and Revenue, (continued)

Unconditional promises to give, or pledges, are recorded in the financial statements when there is sufficient evidence in the form of verifiable documentation that a promise is made and received. Pledges receivable are discounted to an estimated present value.

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.

L. Grants and Contracts

The Organization considers all government grants and contracts as exchange transactions rather than contributions. The Organization recognizes revenue from fee-for-service transactions as services are rendered and, for 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 of the 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 or contract.

M. Functional Expenses

The Center, Inc. allocates its expense on a functional basis among its operating services. Expenses that can be identified specifically as operating versus administrative services are allocated directly to their natural expenditure classifications. The cost incurred reveal amounts through state and federal funding.

N. Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the organization considers all cash in demand deposit accounts to be cash and all highly liquid debt instruments purchased with maturities of ninety days or less to be cash equivalents. As of August 31, 2015, the Center had \$306,442 in demand deposit accounts that were in excess of the maximum amount insured by the F.D.I.C.

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

(3) **RESTRICTED CASH**

The Center's restricted cash as of August 31, 2015, was \$1,305,723, which \$1,093,464 is restricted for debt service requirements and \$212,259 is restricted for program operations.

(4) **FAIR VALUE MEASUREMENTS AND DISCLOSURES**

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

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

At August 31, 2015 all investments were money market funds and were classified as Level 1.

The fair value of the Center's cash and cash equivalents, receivables and payables, prepaid expenses, and note receivable approximates the carrying amounts of such instruments due to their short maturity. The fair value of the debt approximates the carrying amount because the rate and terms currently available to the Organization approximate the rate and terms on the existing debt.

(5) **INVESTMENTS**

As of August 31, 2015, investments consist of a money market accounts held by Comerica Securities, Inc. The carrying values of the investments are recorded at market value. The investment returns for August 31, 2015, were interest/dividends of \$-0-, with no realized or unrealized gain or loss and no capital gains distributions. As of August 31, 2015, the Center had \$868,280 funds invested.

(6) **ACCOUNTS RECEIVABLES**

Accounts receivables due from grantor is revenue earned by reimbursable expenses incurred and are deemed fully collectible. Allowance for bad debt at August 31, 2015 was \$-0-.

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

(7) **FIXED ASSETS**

The fixed assets of the Center for the years ended August 31, 2015 and 2014 are as follows:

	<u>2015</u>	Memo Totals <u>2014</u>
Land	\$ 1,795,252	\$ 2,713,857
Buildings and improvements	31,712,360	23,630,459
Furniture and fixtures	632,864	647,745
Equipment	317,701	299,936
Vehicles	678,474	673,070
	<u>35,136,651</u>	<u>27,965,067</u>
Less: Accumulated depreciaiton	(8,818,342)	(7,546,295)
Subtotal	26,318,309	20,418,772
Construction in progress	90,806	4,402,512
Total	<u>\$ 26,409,115</u>	<u>\$ 24,821,284</u>

Depreciation expense recorded on the books for the August 31, 2015, was \$1,279,099.

The Center had one construction-in-process project in the amount of \$90,806 as of August 31, 2015.

(8) **OPERATING LEASES**

Operating leases – the Center leases a two mail machine under operating leases expiring February 2016 and April 2018. In addition, the Center lease printers and other equipment under an operating lease expiring December 2016. Lease expense charged to operations for the year ended August 31, 2015, was \$100,378.

Future minimum lease payments under non-cancelable operating leases that have remaining terms in excess of one year as of August 31, 2015:

<u>Year ending August 31,</u>	<u>Amount</u>
2016	100,164
2017	950
2018	316
Thereafter,	-
Total	<u>\$ 101,430</u>

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

(9) **CAPITAL LEASES**

The Center leases office equipment under a capital lease expiring December 2017.

The following is an analysis of the leased property under capital lease:

<u>Classes of property</u>	<u>Asset Balance at August 31, 2015</u>
Office Equipment	\$ 386,886
Less: Accumulated amortization	<u>(232,132)</u>
	<u>\$ 154,754</u>

The Following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of August 31, 2015:

Year ending August 31:	
2016	83,940
2017	83,940
2018	20,985
Thereafter	<u>-</u>
Total minimum lease payments	188,865
Less: amount representing interest	<u>(10,587)</u>
Present value of net minimum lease payments	<u>\$ 178,278</u>
Present value of net minimum lease payments	\$ 178,278
Less: Current Portion	<u>(76,770)</u>
Long term	<u>\$ 101,508</u>

The current fiscal year payments were allocated between interest expense and principal payment of the obligation:

Interest expense	\$ 10,907
Principal payment	<u>73,033</u>
	<u>\$ 83,940</u>

(10) **NOTES PAYABLE**

The Center's obligation under notes payable consists of the following:

	<u>2015</u>	<u>Memo Totals 2014</u>
3.0%, \$87,000 note payable to the San Antonio Housing Trust Foundation with maturity at May 30, 2034. Monthly payments are \$ 367 including principal and interest. The note is secured by 511 Yucca real estate.	\$60,705	\$63,243

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

(10) <u>NOTES PAYABLE (continued)</u>	<u>2015</u>	Memo Totals <u>2014</u>
No interest, \$200,000, 30 year note payable to the Texas Department of Housing and Community Affairs with maturity at February 1, 2033. Monthly payments are \$556. The note is secured by 511 Yucca Building 2 real estate.	117,110	123,777
1.5%, \$189,183, 30 year note payable to the Texas Department of Housing and Community Affairs with maturity at June 30, 2031. Monthly payments are \$653 including principal and interest. The note is secured by 511 Yucca Building 1 real estate.	111,627	117,623
No interest, \$250,000, 30 year note payable to the Texas Department of Housing and Community Affairs with maturity at December 1, 2033. Monthly payments are \$694 on principal. The note is secured by 511 Yucca Building 3 real estate.	152,640	160,973
3.75% note of \$100,000 payable to Broadway Bank and is secured by East Commerce land. The term is 120 months with monthly payments of \$952 including interest through April 1, 2017.	18,428	28,637
No interest, \$400,000, 30 year note payable the City of San Antonio. Principal will be due and payable in 120 monthly payments of \$3,333 beginning March 1, 2024. The note is secured by the Newell Retirement Apartments	400,000	400,000
6.50% note of \$311,600 payable to Broadway Bank and is secured by the 3511 Sunbelt real estate. The term is 15 year term, with monthly payments of approximately \$2,432, of principal and interest that are sufficient to amortize the loan over 180 months. Interest rate will adjust every five years.	200,297	220,891
7.50% note of \$549,000 payable to Broadway Bank and is secured by the 231 W. Cypress real estate. The term is 15 year term, with monthly payments approximately \$4,973 including interest and principal.	405,499	435,444
5.86% note of \$1,700,000 payable to Wells Fargo Bank and is secured by the George Gervin Preparatory Academy real estate. The term is 15 year term, with quarterly payments of approximately \$24,905. The note matures on September 2027, with interest payments due quarterly.	1,700,000	1,700,000
4.00% note of \$4,316,000 payable to Great Western Bank and is secured by the George Gervin Preparatory Academy real estate. The term is 25 year, with monthly payments of \$23,453. The note matures on July 2038, with interest payments.	4,157,888	4,265,901
5.00% note of \$238,000 payable to Broadway Bank. The note matures on October 2017, with interest payments of \$4,490 due monthly.	110,056	157,175

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

		<u>2015</u>	Memo Totals <u>2014</u>
(10)	<u>NOTES PAYABLE (continued)</u>		
	5.75% note of \$112,000 payable to Comerica Bank and is secured by the 1104 Denver real estate. This note has been paid-in-full as of August 31, 2015.	-0-	85,576
	3.95% note of \$8,050,299 payable to Comerica Bank and is secured by the 6903 and 6944 S. Sunbelt Dr. real estate. The term is 10 year term, with monthly payments approximately \$48,608 including interest and principal.	<u>7,530,685</u>	<u>7,804,730</u>
	Total notes payable	<u>\$14,964,935</u>	<u>\$15,563,970</u>

Aggregate maturities of the notes at August 31, 2015:

Years ending August 31,

2016	1,145,756
2017	1,143,631
2018	1,080,452
2019	1,080,452
2020	1,080,452
Thereafter	<u>9,434,192</u>
Total	<u>\$ 14,964,935</u>

(11) **LINE OF CREDIT**

The Center obtained a \$500,000 line of credit, with a 3.25% interest rate, in July 2014 from Comerica Bank. The line of credit is available thru September 2016. As of the August 31, 2015, Center had utilized \$429,333, of the available balance. The balance is included in other payables for financial statement presentation.

(12) **RETIREMENT PLAN**

Teacher Retirement System of Texas (the System)

Plan Description – The Center, through the George Gervin Academy (Academy), 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 Center, but are a liability of the State of Texas. Charters are legally separate entities from the state and each other. Assets contributed by one charter or ISD may be used for the benefit of an employee of another ISD or charter. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The unfunded obligations get passed along to the other charters and ISDs. The System is 83.25% funded. The System operates under the authority of provisions contained primarily in the Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, and Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. There is no withdrawal penalty for leaving the System. 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.

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

(12) **RETIREMENT PLAN, (continued)**

The Centers, through the George Gervin Academy (Academy), contribution to the Teacher Retirement System of Texas (the System) 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.

Fund Policy – Under provisions in State Law, plan members are required to contribute 7.35% of their annual covered salary and the State of Texas contributes an amount equal to 6.4% of the Academy's covered payroll after the employee has been vested. The Center's employees' contributions to the System for the year ended August 31, 2015, were \$324,837. Other contributions made from federal and private grants and from the Center for salaries above the statutory minimum for the year ended August 31, 2015, were \$-0-.

Name of Plan	Identification Number or Plan Number	Total Plan Assets	Accumulated Benefit Obligations	Collective Bargaining Expiration	Contributions
Teacher Retirement System of Texas	N/A	\$157,261,707,241	\$159,496,075,886	None	\$76,223

Contribution Rates	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity	6.8%	6.8%
Employers	6.8%	6.8%

Arizona State Retirement System (ASRS)

George Gervin Prep Academy contributes to the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the charter holder. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

Benefits are established by state statute and the plan generally provides retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2000 or (800) 621-3778. The report is also available on the ASRS' website at www.azasrs.gov.

**George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015**

(12) **RETIREMENT PLAN, (continued)**

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the charter holder's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and the charter holder was required by statute to contribute at the actuarially determined rate of 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The charter holder's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows.

		Health Benefit	Long-Term	Total School
FY	Name of Plan	Supplement Fund	Disability Fund	Contributions
2015	Teacher Retirement System	3,984	1,594	76,623

(13) **CONCENTRATIONS OF CREDIT RISK**

The Center receives the majority of its funding from the State of Texas for the George Gervin Academy Charter School. The state provided 82% of the total funding received as of August 31, 2015.

(14) **CONTINGENCIES**

The Center receives various grants to cover costs of specified programs. Final determination of eligibility of costs will be made by the grantor. Should any costs be found ineligible, the Center will be responsible for reimbursing the Grantor for these amounts.

In 2005, the Center received a grant in the amount of \$3,319,690 from the U.S. Department of Housing and Urban Development. This is a capital advance grant, which is not repayable as long as the Newell Retirement Apartment project remains available for very low-income individuals or families for no less than 40 years.

Also in 2005, the Center obtained a \$350,000 grant from the Federal Home Loan Bank of Dallas. This grant is not repayable as long as the Newell Retirement Apartment project remains available for low-income and very low income individuals or families for no less than 15 years.

In 2012, the Center obtained a grant award in the amount of \$839,975 from the U.S. Department of Housing and Urban Development. This grant is not repayable as long as the Edwards Association Senior Housing project remains available for low-income and very low income individuals or families for no less than 20 years.

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

(14) **CONTINGENCIES (continued)**

In 2010, the Center obtained a grant award in the amount of \$4,299,918 from the U.S. Department of Housing and Urban Development. This grant is not repayable as long as the George Gervin Retirement Housing project remains available for low-income and very low income individuals or residents over the age of 65.

Also in 2014, the Center obtained a \$350,000 grant from the Federal Home Loan Bank of Dallas. This grant is not repayable as long as the George Gervin Retirement Housing project remains available for low-income and very low income individuals or families for no less than 15 years.

In 2010, the Center obtained a grant award in the amount of \$1,912,100 from the U.S. Department of Housing and Urban Development. This grant is not repayable as long as the Wings of Hope Housing project remains available for low-income and very low income individuals or disabled residents.

Also in 2014, the Center obtained a \$150,000 grant from the Federal Home Loan Bank of Dallas. This grant is not repayable as long as the Wings of Hope Housing project remains available for low-income and very low income individuals or families for no less than 20 years.

(15) **NET ASSETS RESTRICTIONS**

Temporarily Restricted

Temporarily restricted net assets consists of assets purchased with federal funds that have a restriction ending in a future period. They are as follows:

Newell Capital Advance	\$ 3,669,690
Edwards Association	839,975
George Gervin Retirement Apartments	4,649,918
Wings of Hope	<u>2,062,100</u>
	\$ <u>11,221,683</u>

(16) **FUND RECLASSIFICATION**

The Center maintains the consolidating accounting records for the consolidated organization, which includes the general fund, two charter schools, George Gervin Retirement Apartments, and the Wings of Hope. The related organizations' Net Assets have been reclassified for financial statement presentation.

<u>Fund</u>	<u>Amount</u>
George Gervin Youth Center	\$ 587,357
George Gervin Retirement Apartments	(567,082)
Wings of Hope	<u>(20,275)</u>
Total	\$ <u>- 0 -</u>

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

(16) **FUND RECLASSIFICATION, (continued)**

In addition, the beginning net assets have been reclassified to account for temporarily restricted net assets.

	Unrestricted Net Assets	Temporarily Net Assets
Net Asset beginning of year	8,035,908	4,535,796
Reclassification of temporarily net assets	(3,444,318)	3,444,318
Net Asset beginning of year	4,591,590	7,980,114

(17) **RELATED ENTITIES**

NEWELL RETIREMENT APARTMENTS, INC.

The Newell Retirement Apartments, Inc. is a nonprofit entity that is owned by the Center. The December 31, 2014 audited financial statements have been consolidated with the Center's financial statement presentation as of August 31, 2015.

The Newell Retirement Apartments, Inc. are restricted from distributing cash to the Center unless income is generated. There were no cash distributions to the Center as of August 31, 2015.

The Newell Retirement Apartments, Inc's financial statements were audited by an independent auditor and the report was issued on February 26, 2015.

Edwards Association

In 2011, the Edwards Association, located in Gonzales, Texas, (a Non-profit entity) was established to provide affordable housing to the elderly under the HUD Section 202 Supportive Housing for the Elderly program. The organization's complex consists of eight (8) one-bedroom apartments. The construction of the complex was completed in December 2013.

The year-end activity has been consolidated in the Center's financial statement presentation as of August 31, 2015.

In addition, this organization is subject to grantor audit requirements, which is audited separately than the Center. As of the date of this report, the audit had not been completed.

George Gervin Retirement Apartments

In 2011, the George Gervin Apartments (a Non-profit entity) was established to provide affordable housing to the elderly under the HUD Section 202 Supportive Housing for the Elderly program. The organization's complex consists of forty-one (41) one-bedroom apartments. The complex was completed in April 2015; however, operations had not commenced as of August 31, 2015.

The year-end activity has been consolidated in the Center's financial statement presentation as of August 31, 2015.

George Gervin Youth Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2015

(17) **RELATED ENTITIES, (continued)**

In addition, this organization is subject to grantor audit requirements, which is audited separately than the Center. As of the date of this report, the audit had not been completed.

Wings of Hope

In 2011, the Wings of Hope (a Non-profit entity) was established to provide an independent living facility for persons with physical and development disabilities under the HUD Section 811 Housing for Persons with Disabilities program. The organization's complex consists of 14 (14) one-bedroom units. One unit is designated for an on-site resident manager. The complex was completed in April 2015; however, operations had not commenced as of August 31, 2015.

The year-end activity has been consolidated in the Center's financial statement presentation as of August 31, 2015.

In addition, this organization is subject to grantor audit requirements, which is audited separately than the Center. As of the date of this report, the audit had not been completed.

(18) **PRIOR PERIOD ADJUSTMENTS**

The prior period adjustment of \$500,000 relates to the consolidating accounting records for the consolidated organization, which included Center's general fund, Wings of Hope and George Gervin Retirement Apartments.

(19) **SUBSEQUENT EVENTS**

Events that occur after the balance sheet date but before financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes.

Management evaluated the activity through January 22, 2016, the date the financial statement were available to be issued and concluded that there were no events that would require recognition in the financial statements. As of the date of the report, no events have transpired that require recognition in the financial statements. In addition, management evaluated events that occurred subsequent to the balance sheet that would require disclosure in the accompany notes and identified one event the required disclosure.

SUPPLEMENTARY SCHEDULES

GEORGE GERVIN YOUTH CENTER, INC.
Consolidating Schedule of Financial Position
As of August 31, 2015

Assets	George Gervin Youth Center	George Gervin Academy	George Gervin Preparatory Academy	Total	Newell Retirement Inc.	Edwards Association	GG Retirement Mainland	Wngs of Hope	Total	Eliminating Entries	Consolidated Balance
Cash and cash equivalents	\$ 48,888	538,922	343,620	\$ 931,430	5,629	-	-	-	\$ 937,059	-	\$ 937,059
Restricted cash	1,243,490	62,233	-	1,305,723	-	-	-	-	1,305,723	-	1,305,723
Investments	868,280	-	-	868,280	-	-	-	-	868,280	-	868,280
Receivables:											
Grants	606,260	48,378	280,895	935,533	-	-	-	-	935,533	-	935,533
Other	1,072	150,710	-	151,782	1,148	-	-	-	152,930	-	152,930
Interfund receivable	323,935	-	-	323,935	-	-	-	-	323,935	(323,935)	-
Deposits	-	4,100	27,170	31,270	148,109	-	-	-	179,379	-	179,379
Prepaid expenses	27,376	5,160	564	33,100	11,519	-	-	-	44,619	-	44,619
Construction in progress	90,806	-	-	90,806	-	-	-	-	90,806	-	90,806
Land Purchases & Improvements	1,795,252	-	-	1,795,252	-	866,106	4,783,127	2,205,418	9,649,903	-	9,649,903
Fixed Assets, net of accumulated depreciation \$8,818,342 and \$7,546,925	13,417,132	159,832	-	13,576,964	3,091,442	-	-	-	16,668,406	-	16,668,406
Total assets	\$ 18,422,491	\$ 969,335	\$ 652,249	\$ 20,044,075	\$ 3,257,847	\$ 866,106	\$ 4,783,127	\$ 2,205,418	\$ 31,156,573	\$ (323,935)	\$ 30,832,638
Liabilities and Net Assets											
Liabilities:											
Accounts payable	\$ 105,704	71,870	42,109	219,683	16,257	-	-	-	\$ 235,940	-	\$ 235,940
Accrued liabilities	583,786	217,900	68,306	869,992	8,511	-	-	-	878,503	-	878,503
Interfund payable	-	-	323,935	323,935	-	-	-	-	323,935	(323,935)	-
Other payable	432,400	24,154	-	456,554	11,690	-	-	-	468,244	-	468,244
Notes payable	14,564,935	-	-	14,564,935	400,000	-	-	-	14,964,935	-	14,964,935
Obligation under capital lease	178,278	-	-	178,278	-	-	-	-	178,278	-	178,278
Total Liabilities	15,865,103	313,924	434,350	16,613,377	436,458	-	-	-	17,049,835	(323,935)	16,725,900
Net Assets:											
Unrestricted	2,557,388	655,411	217,899	3,430,698	(848,301)	26,131	133,209	143,318	2,885,055	-	2,885,055
Temporarily restricted	-	-	-	-	3,669,690	839,975	4,649,918	2,062,100	11,221,683	-	11,221,683
Permanently restricted	-	-	-	-	-	-	-	-	-	-	-
Total net assets	2,557,388	655,411	217,899	3,430,698	2,821,389	866,106	4,783,127	2,205,418	14,106,738	-	14,106,738
Total liabilities and net assets	\$ 18,422,491	\$ 969,335	\$ 652,249	\$ 20,044,075	\$ 3,257,847	\$ 866,106	\$ 4,783,127	\$ 2,205,418	\$ 31,156,573	(323,935)	\$ 30,832,638

GEORGE GERVIN YOUTH CENTER, INC.
Consolidating Schedule of Activities
For the Year Ended August 31, 2015

	George Gervin Youth Center	George Gervin Academy	George Gervin Preparatory Academy	Total	Newell Retirement Inc.	Edwards Association	George Gervin Retirement Apartments	Wngs of Hope	Total	Eliminating Entries	Consolidated Balance
Revenues											
Local support:											
Contributions	\$ 13,328	150,000	784,464	947,792	-	-	-	-	947,792	(782,440)	\$ 165,352
Local government	8,000	19,151	-	27,151	-	-	-	-	27,151	-	27,151
Rent income	1,566,536	43,000	10,564	1,620,100	189,076	-	-	-	1,809,176	(1,621,010)	188,166
Interest and other income	141,067	13,083	3,089	157,239	1,411	-	-	-	158,650	-	158,650
<i>Total local support</i>	<u>1,728,931</u>	<u>225,234</u>	<u>798,117</u>	<u>2,752,282</u>	<u>190,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,942,769</u>	<u>(2,403,450)</u>	<u>539,319</u>
State program revenues:											
Foundation School Program	-	6,638,546	960,373	7,598,919	-	-	-	-	7,598,919	-	7,598,919
Other state aid	1,029,574	63,466	1,811	1,094,851	-	-	-	-	1,094,851	-	1,094,851
<i>Total program revenues</i>	<u>1,029,574</u>	<u>6,702,012</u>	<u>962,184</u>	<u>8,693,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,693,770</u>	<u>-</u>	<u>8,693,770</u>
Federal program revenues:											
Federal Revenue Distributed by State	-	1,209,347	113,155	1,322,502	-	-	-	-	1,322,502	-	1,322,502
Other Federal revenues	1,370,557	584	-	1,371,141	-	-	2,484,876	756,693	4,612,710	-	4,612,710
<i>Total Federal program revenues</i>	<u>1,370,557</u>	<u>1,209,931</u>	<u>113,155</u>	<u>2,693,643</u>	<u>-</u>	<u>-</u>	<u>2,484,876</u>	<u>756,693</u>	<u>5,935,212</u>	<u>-</u>	<u>5,935,212</u>
Total Revenues	<u>4,129,062</u>	<u>8,137,177</u>	<u>1,873,456</u>	<u>14,139,695</u>	<u>190,487</u>	<u>-</u>	<u>2,484,876</u>	<u>756,693</u>	<u>17,571,751</u>	<u>(2,403,450)</u>	<u>15,168,301</u>
Expenses											
Program services:											
GGYC Youth Center											
Youthbuild Program	481,198	-	-	481,198	-	-	-	-	481,198	-	481,198
USDHHS Basic Shelter	1,106,343	-	-	1,106,343	-	-	-	-	1,106,343	-	1,106,343
DOL - Adult Re-entry	493,076	-	-	493,076	-	-	-	-	493,076	-	493,076
Eastside Promise Neighborhood	89,170	-	-	89,170	-	-	-	-	89,170	-	89,170
USDHHS Drug Free Communities	107,188	-	-	107,188	-	-	-	-	107,188	-	107,188
Newell Retirement Inc.	-	-	-	-	292,235	-	-	-	292,235	-	292,235
Edwards Association, Inc	-	-	-	-	-	-	-	-	-	-	-
GG Retirement Mainland, Inc.	-	-	-	-	-	-	-	-	-	-	-
Wings of Hope, Inc	-	-	-	-	-	-	-	-	-	-	-
George Gervin Preparatory Academy	-	-	1,559,417	1,559,417	-	-	-	-	1,559,417	(182,817)	1,376,600
George Gervin Academy											
Instructional Related Services	-	3,928,024	-	3,928,024	-	-	-	-	3,928,024	(1,438,193)	2,489,831
Instructional and School Leadership	-	1,012,257	-	1,012,257	-	-	-	-	1,012,257	-	1,012,257
<i>Total program services</i>	<u>2,276,975</u>	<u>4,940,281</u>	<u>1,559,417</u>	<u>8,776,673</u>	<u>292,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,068,908</u>	<u>(1,621,010)</u>	<u>7,447,898</u>

GEORGE GERVIN YOUTH CENTER, INC.
Consolidating Schedule of Activities
For the Year Ended August 31, 2015

	George Gervin Youth Center	George Gervin Academy	George Gervin Preparatory Academy	Total	Newell Retirement Inc.	Edwards Association	George Gervin Retirement Apartments	Wngs of Hope	Total	Eliminating Entries	Consolidated Balance
Support Services:											
GGYC Youth Center											
Management and general	3,291,560	-	-	3,291,560	-	-	-	-	3,291,560	(782,440)	2,509,120
George Gervin Academy											
Administrative Support Services	-	188,286	-	188,286	-	-	-	-	188,286	-	188,286
Ancillary Services	-	-	-	-	-	-	-	-	-	-	-
Support Services-Non Student Based	-	2,129,766	-	2,129,766	-	-	-	-	2,129,766	-	2,129,766
Support Services-Student (Pupil)	-	858,197	-	858,197	-	-	-	-	858,197	-	858,197
<i>Total support services</i>	<u>3,291,560</u>	<u>3,176,249</u>	<u>-</u>	<u>6,467,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,467,809</u>	<u>(782,440)</u>	<u>5,685,369</u>
Total expenses	<u>5,568,535</u>	<u>8,116,530</u>	<u>1,559,417</u>	<u>15,244,482</u>	<u>292,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,536,717</u>	<u>(2,403,450)</u>	<u>13,133,267</u>
Change in net assets	(1,439,473)	20,647	314,039	(1,104,787)	(101,748)	-	2,484,876	756,693	2,035,034	-	2,035,034
Fund Reclassification	587,357	-	-	587,357	-	-	(567,082)	(20,275)	-	-	-
Prior Period Adjustment	(500,000)	-	-	(500,000)	-	-	-	-	(500,000)	-	(500,000)
Net assets at beginning of year	3,909,504	634,764	(96,140)	4,448,128	2,923,137	866,106	2,865,333	1,469,000	12,571,704	-	12,571,704
Net assets at end of year	<u>\$ 2,557,388</u>	<u>655,411</u>	<u>217,899</u>	<u>3,430,698</u>	<u>2,821,389</u>	<u>866,106</u>	<u>4,783,127</u>	<u>2,205,418</u>	<u>14,106,738</u>	<u>-</u>	<u>\$ 14,106,738</u>

GEORGE GERVIN YOUTH CENTER, INC.
Consolidated Schedule of Functional Expenses
For the Year Ended August 31, 2015

	Program Services							Supporting Services				Eliminating Entries	Grand Total	
	HHS - DRUG FREE COMMUNITIES 201	Eastside Promise Neighborhood	DOL - Adult Re-entry	DOL Youthbuild	US Dept HHS Basic Shelter	George Gervin Prep Academy	Newell Retirement Inc.	George Gervin Academy	Total	Management and General	Total Support Services			Total
Personnel:														
Salaries and wages	\$ 58,425	-	320,329	172,437	705,028	729,006	53,931	4,331,093	6,370,249	278,683	278,683	\$ 6,648,932	\$ -	\$ 6,648,932
Fringe benefits	8,288	-	43,557	16,313	92,826	193,232	8,233	471,545	833,994	18,278	18,278	852,272	-	852,272
Total personnel	66,713		363,886	188,750	797,854	922,238	62,164	4,802,638	7,204,243	296,961	296,961	7,501,204	-	7,501,204
Operational:														
Professional services	579	37,195	4,833	14,290	20,889	90,726	7,916	665,167	841,595	140,255	140,255	981,850	-	981,850
Advertising	-	-	2,174	807	-	418	100	-	3,499	198	198	3,697	-	3,697
Contributions / Donation	-	-	-	-	-	-	-	-	-	782,440	782,440	782,440	(782,440)	-
Contracts	-	-	-	-	-	-	22,938	-	22,938	-	-	22,938	-	22,938
Equipment rental, repairs & maint.	-	-	-	-	-	19,216	3,047	-	22,263	-	-	22,263	-	22,263
Utilities	-	-	-	-	-	44,447	28,883	328,922	402,252	3,836	3,836	406,088	-	406,088
Buildings and grounds R&M	-	-	-	-	66,780	-	-	-	66,780	17,248	17,248	84,028	-	84,028
Rent	11,000	-	53,350	44,392	71,362	182,817	240	1,438,193	1,803,354	(81,861)	(81,861)	1,721,493	(1,621,010)	100,483
Travel and vehicle expense	9,965	50,214	10,336	5,338	109,939.00	24,201	-	51,785	261,778	11,900	11,900	273,678	-	273,678
Licenses, permits, fees and dues	-	-	-	-	139	3,805	18,848	5,287	28,079	25,123	25,123	53,202	-	53,202
Supplies, postage, printing & office exp.	17,375	1,761	13,692	5,158	4,828	44,299	19,507	178,181	284,801	4,627	4,627	289,428	-	289,428
Meals, food and entertainment	-	-	-	-	-	82,526	-	424,424	506,950	-	-	506,950	-	506,950
Student stipends	-	-	17,614	-	-	-	-	72	17,686	-	-	17,686	-	17,686
Client subsistence costs	-	-	11,869	178,846	-	-	-	-	190,715	6,461	6,461	197,176	-	197,176
Insurance and bonding	-	-	(99)	6,038	8,639	16,335	19,267	71,856	122,036	16,585	16,585	138,621	-	138,621
Miscellaneous operating expenses	-	-	-	1,310	521	10,283	1,393	61,562	75,069	212,728	212,728	287,797	-	287,797
Interest Expense	-	-	-	-	-	-	-	-	-	674,654	674,654	674,654	-	674,654
Staff training	-	-	-	-	-	8,773	590	-	9,363	-	-	9,363	-	9,363
Services	-	-	-	-	-	59,765	2,582	33,768	96,115	-	-	96,115	-	96,115
Telephone and communications	1,556	-	13,421	13,003	20,849	30,742	-	-	79,571	5,715	5,715	85,286	-	85,286
Property and Equipment purchases	-	-	-	23,266	4,543	18,826	-	-	46,635	3,248	3,248	49,883	-	49,883
Property taxes	-	-	-	-	-	-	-	-	-	51,180	51,180	51,180	-	51,180
Bad Debt	-	-	-	-	-	-	598	-	598	-	-	598	-	598
Note related costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses before depreciation	107,188	89,170	493,076	481,198	1,106,343	1,539,417	188,073	8,061,855	12,086,320	2,171,298	2,171,298	14,257,618	(2,403,450)	11,854,168
Depreciation	-	-	-	-	-	-	104,162	54,675	158,837	1,120,262	1,120,262	1,279,099	-	1,279,099
Total expenses after depreciation	\$ 107,188	\$ 89,170	\$ 493,076	\$ 481,198	\$ 1,106,343	\$ 1,539,417	\$ 292,235	\$ 8,116,530	\$ 12,245,157	\$ 3,291,560	\$ 3,291,560	\$ 15,536,717	\$ (2,403,450)	\$ 13,133,267

**GEORGE GERVIN ACADEMY
SUPPLEMENTARY INFORMATION**

GEORGE GERVIN ACADEMY
Statement of Financial Position
As of August 31, 2015

Assets	<u>2015</u>	<u>Memo Totals 2014</u>
Cash and cash equivalents	\$ 538,922	\$ 633,967
Investment	62,233	\$ 61,418
Receivables:		
Grantors	48,378	49,416
Other	150,710	1,716
Deposits	4,100	4,100
Prepaid expenses	5,160	3,168
Fixed Assets, net of accumulated depreciation of \$647,985 and \$817,117	<u>159,832</u>	<u>214,506</u>
Total assets	<u><u>\$ 969,335</u></u>	<u><u>\$ 968,291</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 71,870	\$ 112,886
Accrued liabilities	217,900	197,376
Interfund payable	-	-
Other payable	<u>24,154</u>	<u>23,265</u>
 Total liabilities	 <u>313,924</u>	 <u>333,527</u>
 Net Assets:		
Unrestricted	655,411	634,764
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
 Total net assets	 <u>655,411</u>	 <u>634,764</u>
 Total liabilities and net assets	 <u><u>\$ 969,335</u></u>	 <u><u>\$ 968,291</u></u>

George Gervin Academy
Statement of Activities
As of August 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015	Memo Totals 2014
Revenue					
Local support:					
5740 Other Revenues from Local Sources	\$ 212,151	-	-	\$ 212,151	\$ 369,577
5750 Revenues from Cocurricular, Enterprising Services or Activities	12,996	-	-	12,996	45,305
5760 Miscellaneous Revenue/Intermed Sources	87	-	-	87	3,116
State program revenues					
5810 Foundation School Program Act Revenues	-	6,638,546	-	6,638,546	7,343,350
5820 State Program Revenues Distributed by Texas Education Agency	-	63,466	-	63,466	56,831
Total program revenues	225,234	6,702,012	-	6,927,246	7,818,179
Federal program revenues:					
5919 Federal Revenues Distributed by Government	-	351,130	-	351,130	-
5920 Federal Revenues Distributed by the Texas Education Agency	-	858,217	-	858,217	941,516
Other Federal Revenues	-	584	-	584	-
Net assets released from restrictions:					
Restrictions satisfied by payments	7,911,943	(7,911,943)	-	-	-
Total Revenues	8,137,177	-	-	8,137,177	8,759,695
Expenses					
11 Instruction	3,928,024	-	-	3,928,024	3,848,103
12 Instructional Resources and Media Services	-	-	-	-	-
13 Curriculum Development and Instructional Staff Development	3,915	-	-	3,915	1,128
21 Instructional Leadership	-	-	-	-	88
22 Counselor, Career & Tech	-	-	-	-	-
23 School Leadership	1,008,342	-	-	1,008,342	1,022,636
24 Compensatory Education	-	-	-	-	-
30 Training	-	-	-	-	-
31 Guidance, Counseling and Evaluation Services	44,667	-	-	44,667	42,215
32 Social Work Services	-	-	-	-	-
33 Health Services	-	-	-	-	-
34 Student (Pupil) Transportation	295,417	-	-	295,417	336,856
35 Food Services	471,370	-	-	471,370	512,164
36 Cocurricular/Extracurricular Activities	46,743	-	-	46,743	65,200
41 General Administration	188,286	-	-	188,286	213,198
51 Plant Maintenance and Operations	2,101,420	-	-	2,101,420	2,308,860
52 Security and Monitoring Services	-	-	-	-	-
53 Data Processing Services	28,346	-	-	28,346	42,253
61 Community Services	-	-	-	-	-
71 Debt Service	-	-	-	-	-
81 Fundraising	-	-	-	-	-
Total Expenses	8,116,530	-	-	8,116,530	8,392,701
Change in Net Assets	20,647	-	-	20,647	366,994
Net Assets at beginning of year	634,764	-	-	634,764	267,770
Net Assets at end of year	\$ 655,411	-	-	\$ 655,411	\$ 634,764

GEORGE GERVIN ACADEMY
Statement of Cash Flows
As of August 31, 2015

	2015	Memo Totals 2014
Cash flows from operating activities:		
Change in net assets	\$ 20,647	\$ 366,994
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	54,675	70,321
(Increase) decrease in:		
Receivables from grantors	1,038	24,569
Other receivables	(148,994)	(538)
Prepaid expense	(1,993)	(2,102)
Increase (decrease) in:		
Accounts payable	(41,016)	20,465
Accrued liabilities	20,524	17,614
Interfund payable	-	(296,680)
Other payables	889	22,202
	(94,230)	222,845
Cash flows from investing activities:		
Increase in Investments	(815)	(61,418)
Net cash (used) by investing activities	(815)	(61,418)
Cash flows from financing activities:		
Net cash (used) by financing activities	-	-
Net Increase (decrease) in cash and cash equivalents	(95,045)	161,427
Cash and cash equivalents, beginning of year	633,967	472,540
Cash and cash equivalents, end of year	\$ 538,922	\$ 633,967
Interest paid	\$ -	\$ -

GEORGE GERVIN ACADEMY
Schedule of Expenses
As of August 31, 2015

	<u>Totals</u>	
	<u>2015</u>	<u>Memo Totals 2014</u>
Expenses		
6100 Payroll Costs	\$ 4,802,636	\$ 4,608,940
6200 Professional and Contracted Services	2,466,103	2,755,836
6300 Supplies and Materials	643,732	738,498
6400 Other Operating Costs	204,059	289,427
6500 Debt	-	-
Total Expenses	<u>\$ 8,116,530</u>	<u>\$ 8,392,701</u>

GEORGE GERVIN ACADEMY
Schedule of Capital Assets
As of August 31, 2015

	Ownership Interest								
	Local			* State			Federal		
	Assets	Accumulated Depreciaiton	Net	Assets	Accumulated Depreciaiton	Net	Assets	Accumulated Depreciaiton	Net
1510 Land and Improvements	\$ -	\$ -	\$-	\$ -	\$ -	\$ -	\$ -	\$ -	\$-
1520 Buildings and Improvements	-	-	-	481,265	(399,766)	81,499	-	-	-
1531 Vehicles	-	-	-	107,230	(107,230)	-	-	-	-
1538 Computer Hardware/Software	-	-	-	17,765	(17,765)	-	-	-	-
1539 Furniture and Equipment	-	-	-	3,639	(3,584)	55	-	-	-
1540 Assets District Defined	-	-	-	101,258	(77,968)	23,290	-	-	-
1541 Vehicles	-	-	-	-	-	-	-	-	-
1542 Equipment	-	-	-	151,334	(96,346)	54,988	-	-	-
Total Propery and Equipment	\$ -	\$ -	\$-	\$ 862,491	\$ (702,659)	\$ 159,832	\$ -	\$ -	\$-

* State property and equipment purchased in the years of 1997 thru 2005 were fully depreciated and have since been retired, with a zero market value.

GEORGE GERVIN ACADEMY
Budgetary Comparison Schedule
As of August 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>	<u>Variance Percentage Change</u>
	<u>Original</u>	<u>Final</u>			
Revenue					
Local support:					
5740 Other Revenues from Local Sources	\$ 212,151	212,151	212,151	-	0.00%
5750 Revenues from Cocurricular, Enterprising Services or Activities	12,996	12,996	12,996	-	0.00%
5760 Revenues from Intermediate Sources	87	87	87	-	0.00%
State program revenues					
5810 Foundation School Program Act Revenues	6,617,898	6,617,898	6,638,546	20,648	0.31%
5820 State Program Revenues Distributed by Texas Education Agency	63,467	63,467	63,466	(1)	0.00%
Total program revenues	<u>6,906,599</u>	<u>6,906,599</u>	<u>6,927,246</u>	<u>20,647</u>	
Federal program revenues:					
5919 Federal Revenues Distributed by Government	351,130	351,130	351,130	-	0.00%
5920 Federal Revenues Distributed by the Texas Education Agency	858,217	858,217	858,217	-	0.00%
Other Federal Revenues	584	584	584	-	
Total Revenues	<u>8,116,530</u>	<u>8,116,530</u>	<u>8,137,177</u>	<u>20,647</u>	
Expenses					
11 Instruction	3,928,024	3,928,024	3,928,024	-	0.00%
12 Instructional Resources and Media Services	-	-	-	-	0.00%
13 Curriculum Development and Instructional Staff Development	3,915	3,915	3,915	-	0.00%
21 Instructional Leadership	-	-	-	-	0.00%
22 Counselor, Career & Tech	-	-	-	-	0.00%
23 School Leadership	1,008,342	1,008,342	1,008,342	-	0.00%
30 Training	-	-	-	-	0.00%
31 Guidance, Counseling and Evaluation Services	44,667	44,667	44,667	-	0.00%
32 Social Work Services	-	-	-	-	0.00%
33 Health Services	-	-	-	-	0.00%
34 Student (Pupil) Transportation	295,417	295,417	295,417	-	0.00%
35 Food Services	471,370	471,370	471,370	-	0.00%
36 Cocurricular/Extracurricular Activities	46,743	46,743	46,743	-	0.00%
41 General Administration	188,286	188,286	188,286	-	0.00%
51 Plant Maintenance and Operations	2,101,420	2,101,420	2,101,420	-	0.00%
52 Security and Monitoring Services	-	-	-	-	0.00%
53 Data Processing Services	28,346	28,346	28,346	-	0.00%
61 Community Services	-	-	-	-	0.00%
71 Debt Service	-	-	-	-	0.00%
81 Fundraising	-	-	-	-	0.00%
Total Expenses	<u>8,116,530</u>	<u>8,116,530</u>	<u>8,116,530</u>	<u>-</u>	0.00%
Change in Net Assets	-	-	20,647	20,647	0.00%
Net Assets at beginning of year	-	-	634,764	-	0.00%
Net Assets at end of year	<u>\$ -</u>	<u>-</u>	<u>655,411</u>	<u>20,647</u>	

SINGLE AUDIT REPORTS

GEORGE GERVIN YOUTH CENTER, INC.
Schedule of Expenditures of Federal Awards
For The Year Ended August 31, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor Pass-through Number	Expenditures
<u>George Gervin Youth Center, Inc.</u>			
<u>U.S. DEPARTMENT OF LABOR</u>			
Employment & Training Administration			
Youth Build Program	17.274	YB-26216-14-60-A-48	\$ 481,198
Training to Work 2-Adult Re-entry	17.270	PE-25937-14-60-A-48	493,076
<u>United Way of San Antonio</u>			
Eastside Promise Neighborhood	84.21N	U215N110053	89,170
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Basic Center Program for Runaway and Homeless Youth	93.623	90CY6595-02	199,925
Project Alert-Drug Free	93.623	90CY6595-03	107,188
Sub-total			<u>\$ 1,370,557</u>
<u>GEORGE GERVIN ACADEMY EXPENDITURES</u>			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed through Texas Education Agency</u>			
School Breakfast Program	10.553	20141n109946	\$ 122,838
National School Lunch Program	10.555		227,452
<u>Passed through Texas Education Agency</u>			
ESEA, Title I, Part A -Improving Basic Programs	84.010	S010A130043	232,762
IDEA B- Formula	84.173	H173A100004	15,465
IDEA B- Formula	84.027	H027A140008	195,891
Title II, Part A Teacher & Principal	84.367	S367A110041	26,557
Title I, Priority & Focus	84.010	S010A130043	17,000
Summer School LEP	84.369	S369A130045	3,320
Title 111 ELA (SSA)	84.365	S369A140043	4,003
Effective Educator Program-EEP	84.374		351,130
USDA Donated Commodities	99.999		12,929
Child Nutrition Direct Certification Performance	10.589		584
Sub-total			<u>\$ 1,209,931</u>
<u>GEORGE GERVIN PREP ACADEMY EXPENDITURES</u>			
<u>Passed through Arizona Department of Education</u>			
Classroom Site Fund	84.385		\$ 43,007
Instructional Improvement Fund	84.367		4,157
IDEA B	84.385		17,659
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed through Arizona Education Agency</u>			
National School Lunch Program	10.555	20131N109946	48,332
Sub-total			<u>113,155</u>
<u>Total Federal Expenditures</u>			<u>\$ 2,693,643</u>

George Gervin Youth Center, Inc.

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2015

(1) **Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of George Gervin Youth Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *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 basic financial statements.

Related entities activity has been consolidated in the George Gervin Youth Center, Inc.'s Consolidated Financial Statement presentation; however, federal expenditures for these organizations are not consolidated into the George Gervin Youth Center, Inc.'s Schedule of Expenditures of Federal Awards as of August 31, 2015. Each entity has their own compliance requirements to adhere to upon commencement of operations as dictated by grantor. As of August 31, 2015, related entities federal awards were \$3,241,569.

(2) **Loans Outstanding**

George Gervin Youth Center, Inc. had no Federal Financial Assistance loan balances outstanding at August 31, 2015.

(3) **Subrecipients**

Of the federal expenditures presented in the schedule, George Gervin Youth Center, Inc. did not provide federal awards to subrecipients.

**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
George Gervin Youth Center, Inc.

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 George Gervin Youth Center, Inc. (GGYC) (a nonprofit organization), which comprise the consolidated statement of financial position as of August 31, 2015, 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 22, 2016. Our report includes a reference to other auditors who audited the financial statements of Newell Retirement Apartments, as described in our report on GGYC's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered GGYC'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of GGYC's internal control. Accordingly, we do not express an opinion on the effectiveness of the GGYC's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GGYC's consolidated 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 GGYC'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 GGYC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clayton & Co., P.C.

January 22, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of
George Gervin Youth Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited George Gervin Youth Center, Inc.'s (GGYC) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of GGYC's major federal programs for the year ended August 31, 2015. GGYC'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 GGYC'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 GGYC'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 GGYC's compliance.

Opinion on Each Major Federal Program

In our opinion, GGYC 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, 2015.

Report on Internal Control Over Compliance

Management of GGYC 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 GGYC'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 OMB Circular A-133, 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 GGYC'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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clayton & Co. P.C.

January 22, 2016

GEORGE GERVIN YOUTH CENTER, INC.
Schedule of Findings and Questioned Costs
For the year ended August 31, 2015

Section I – Summary of Auditors’ Results

Financial Statements:

Type of report issued	Unmodified
Material weaknesses identified	None
Significant Deficiency identified that are not considered to be material weaknesses	None
Noncompliance material to financial statements	None

Federal Awards:

Internal control over major programs:	None
Material weakness identified	None
Significant Deficiency identified that are not considered to be material weakness	None
Type of auditors’ report issued on compliance for major programs	Unmodified
Audit finding disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	None
Dollar threshold considered between Type A and Type B federal programs	\$300,000
High Risk Auditee Statements	George Gervin Youth Center, Inc was classified as a High risk auditee in the context of OMB Circular A-133
Major federal program(s)	CFDA# 17.274, Youthbuild CFDA# 17.270, Reintegration of Ex-Offenders CFDA# 93.623, Basic Center CGDA# 84.374, Teacher Incentive Fund

GEORGE GERVIN YOUTH CENTER, INC.
Schedule of Findings and Questioned Costs
For the year ended August 31, 2015

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None.

GEORGE GERVIN YOUTH CENTER, INC.

Schedule of Status of Prior Year Findings

For the year ended August 31, 2015

ALL FINANCIAL STATEMENT

None.

QUESTIONED COSTS

None

ALL FEDERAL PROGRAMS

None.

QUESTIONED COSTS

None

