

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To The Board of Directors of
Gulf Coast Trades Center, Inc.
New Waverly, Texas

We have audited the financial statements of Gulf Coast Trades Center, Inc. (GCTC, Inc.) as of and for the year ended August 31, 2014, and have issued our report thereon dated January 23, 2015, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The schedules for individual charter school on pages 14 to 19 is presented for the 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.



Houston, TX
January 23, 2015

GULF COAST TRADES CENTER, INC.
THE RAVEN SCHOOL

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2014
(With Comparative Totals for the Year Ended 2013)

ASSETS	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash	\$ 623,591	\$ 894,392
Grants Receivable	40,206	185,858
Due from Gulf Coast	<u>959</u>	<u>8,793</u>
Total Current Assets	<u>664,756</u>	<u>1,089,043</u>
Property & Equipment		
Building Improvements	840,458	840,458
Equipment & Furniture	<u>113,945</u>	<u>113,945</u>
	954,403	954,403
Less Accumulated Depreciation	<u>(445,115)</u>	<u>(408,011)</u>
	<u>509,288</u>	<u>546,393</u>
Total Assets	<u>\$ 1,174,044</u>	<u>\$ 1,635,436</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 38,436	\$ 15,891
Accrued Liabilities	46,359	56,941
Due to TEA	<u>167,870</u>	<u>193,985</u>
Total Liabilities	<u>252,665</u>	<u>266,817</u>
Net Assets:		
Unrestricted	<u>921,379</u>	<u>1,368,619</u>
Total Net Assets	<u>921,379</u>	<u>1,368,619</u>
Total Liabilities and Net Assets	<u>\$ 1,174,044</u>	<u>\$ 1,635,436</u>

See accompanying notes to financial statements.

GULF COAST TRADES CENTER, INC
THE RAVEN SCHOOL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2014
(With Comparative Totals for the Year Ended 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
REVENUES				
Local Support:				
5740 Other Revenues from Local Services	\$ 1,812	\$	\$ 1,812	\$ 2,874
Total Local Support	<u>1,812</u>		<u>1,812</u>	<u>2,874</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues		885,933	885,933	1,147,921
5820 State Program Revenues Distributed by Texas Education Agency				<u>15,795</u>
Total State Program Revenues		<u>885,933</u>	<u>885,933</u>	<u>1,163,716</u>
Federal Program Revenues:				
5910 Federal Revenues Distributed Through Government Entities Other Than State or Federal Agencies		9,933	9,933	6,639
5920 Federal Revenues Distributed by Texas Education Agency		<u>258,574</u>	<u>258,574</u>	<u>696,778</u>
Total Federal Program Revenues		<u>268,507</u>	<u>268,507</u>	<u>703,416</u>
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	<u>1,154,440</u>	<u>(1,154,440)</u>		
Total Revenues	<u>1,156,253</u>		<u>1,156,253</u>	<u>1,870,006</u>
EXPENSES				
11 Instruction	1,025,479		1,025,479	1,561,411
12 Instructional Resources and Media Services	2,780		2,780	2,255
21 Instructional Leadership	2,000		2,000	440
23 School Leadership	162,257		162,257	184,888
31 Guidance, Counseling, and Evaluation Services	94,591		94,591	
32 Social Work Services				111,202
36 Cocurricular/Extracurricular Activities	739		739	1,954
41 General Administration	33,255		33,255	52,276
51 Plant Maintenance and Operations	275,647		275,647	340,192
53 Data Processing Services	6,746		6,746	5,125
Total Expenses	<u>1,603,492</u>		<u>1,603,492</u>	<u>2,259,743</u>
Change in Net Assets	(447,240)		(447,240)	(389,737)
Net Assets, Beginning of Year	<u>1,368,619</u>		<u>1,368,619</u>	<u>1,758,356</u>
Net Assets, End of Year	<u>\$ 921,379</u>	<u>\$</u>	<u>\$ 921,379</u>	<u>\$ 1,368,619</u>

See accompanying notes to financial statements.

GULF COAST TRADES CENTER, INC.
THE RAVEN SCHOOL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2014
(With Comparative Totals for the Year Ended 2013)

	2014	2013
Cash Flows from Operating Activities		
Change in Net Assets	\$ (447,240)	\$ (389,737)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	37,104	37,104
(Increase) Decrease in Grants Receivable	145,652	(120,834)
(Increase) Decrease in Due from Gulf Coast	7,834	5,621
Increase (Decrease) in Accounts Payable & Accrued Liabilities	11,964	(179,139)
Increase (Decrease) in Due to TEA	<u>(26,115)</u>	<u>193,985</u>
Total adjustments	<u>176,439</u>	<u>(63,263)</u>
Net Cash Provided (Used) by Operating Activities	<u>(270,801)</u>	<u>(453,000)</u>
NET INCREASE (DECREASE) IN CASH	<u>(270,801)</u>	<u>(453,000)</u>
CASH AT BEGINNING OF YEAR	<u>894,392</u>	<u>1,347,392</u>
CASH AT END OF YEAR	<u>\$ 623,591</u>	<u>\$ 894,392</u>

See accompanying notes to financial statements.

GULF COAST TRADES CENTER, INC.
THE RAVEN SCHOOL

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2014

EXPENSES

6100 Payroll Costs	\$ 977,963
6200 Professional and Contracted Services	524,363
6300 Supplies and Materials	43,625
6400 Other Operating Costs	<u>57,541</u>
Total Expenses	<u>\$ 1,603,492</u>

See accompanying notes to financial statements.

GULF COAST TRADES CENTER, INC.
THE RAVEN SCHOOL

SCHEDULE OF CAPITAL ASSETS

FOR THE YEAR ENDED AUGUST 31, 2014

<u>The Raven School</u>	Ownership Interest		
	Local	State	Federal
1110 Cash	\$	\$ 623,591	\$
1520 Building and Improvements	74,626	123,166	642,666
1539 Equipment and Furniture		113,945	
Total Property and Equipment	<u>\$ 74,626</u>	<u>\$ 860,702</u>	<u>\$ 642,666</u>
<u>Gulf Coast Trades Center</u>	Ownership Interest		
	Local	State	Federal
Cash	\$ 858,747	\$	\$
Land	436,094		
Building and Improvements	3,346,605		
Equipment and Furniture	2,910,051		
Total Property and Equipment	<u>\$ 7,551,497</u>	<u>\$</u>	<u>\$</u>

See accompanying notes to financial statements.

GULF COAST TRADES CENTER, INC.
THE RAVEN SCHOOL

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2014

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 25,000	\$ 25,000	\$ 1,812	\$ 23,188
Total Local Support	25,000	25,000	1,812	23,188
State Program Revenues:				
5810 Foundation School Program Act Revenues	1,451,825	1,451,825	885,933	565,892
5820 State Program Revenues Distributed by Total State Program Revenues	1,451,825	1,451,825	885,933	565,892
Federal Program Revenues:				
5910 Federal Revenues Distributed Through Government Entities Other Than State or Federal Agencies	10,127	10,127	9,933	194
5920 Federal Revenues Distributed by Texas Education Agency	241,717	287,138	258,574	28,564
Total Federal Program Revenues	251,844	297,265	268,507	28,758
Total Revenues	1,728,669	1,774,090	1,156,253	617,837
EXPENSES				
11 Instruction	1,021,930	1,067,351	1,025,479	41,872
12 Instructional Resources and Media Services	3,500	3,500	2,780	720
21 Instructional Leadership	1,200	2,200	2,000	200
23 School Leadership	185,000	185,000	162,257	22,743
31 Guidance, Counseling, and Evaluation Services	104,914	104,914	94,591	10,323
36 Cocurricular/Extracurricular Activities	2,000	2,000	739	1,261
41 General Administration	55,000	54,000	33,255	20,745
51 Plant Maintenance and Operations	340,000	340,000	275,647	64,353
53 Data Processing Services	15,125	15,125	6,746	8,380
Total Expenses	1,728,669	1,774,090	1,603,492	170,598
Change in Net Assets			(447,240)	(447,240)
Net Assets, Beginning of Year	1,368,619	1,368,619	1,368,619	
Net Assets, End of Year	<u>\$ 1,368,619</u>	<u>\$ 1,368,619</u>	<u>\$ 921,379</u>	<u>\$ (447,240)</u>

See accompanying notes to financial statements.

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

To The Board of Directors of
Gulf Coast Trades Center, Inc.
New Waverly, 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 Gulf Coast Trades Center, Inc. (GCTC, Inc.) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2014, 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 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GCTC, Inc.'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 GCTC, Inc.'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 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.

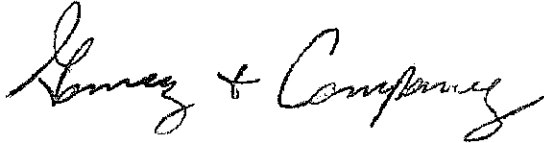
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 GCTC, Inc.'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 cursive script that reads "Loney & Company". The signature is written in black ink and is positioned above the typed text.

Houston, TX
January 23, 2015

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

To The Board of Directors of
Gulf Coast Trades Center, Inc.
New Waverly, Texas

Report on Compliance for Each Major Federal Program

We have audited Gulf Coast Trades Center, Inc.'s (GCTC, Inc.) 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 GCTC, Inc.'s major federal programs for the year ended August 31, 2014. GCTC, Inc.'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 GCTC, Inc.'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 GCTC, Inc.'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 GCTC, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, GCTC, Inc. 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, 2014.

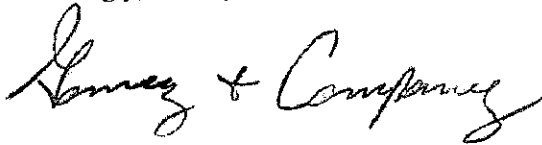
Report on Internal Control Over Compliance

Management of GCTC, Inc. 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 GCTC, Inc.'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 GCTC, Inc.'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script, likely representing the auditing firm, is written in black ink. The signature is stylized and difficult to read precisely, but appears to contain the words "Loney & Company".

Houston, TX
January 23, 2015

GULF COAST TRADES CENTER, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2014

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies or material weaknesses on internal control over financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses on internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major programs.
6. The audit did not disclose any audit findings which are required to be reported under section .510 (a) of OMB A-133.
7. Major programs:

U.S. Department of Labor
 Passed through the
 Dallas County Workforce Board,
 Cameron County Workforce Board,
 Houston-Galveston Workforce Board,
 Workforce Investment Act-Tile I Youth CFDA Number 17.259

8. A \$300,000 threshold was used to distinguish between Type A and Type B programs as described in section .520 (b) of OMB A-133.
9. Agency qualifies as a low-risk auditee.

<u>Current Year Findings</u>	<u>Questioned Costs</u>
No audit findings were noted as per governmental auditing standards and Section 510 (a) of OMB A-133	\$ <u>-0-</u>

<u>Summary Schedule of Prior Year Findings</u>	<u>Questioned Costs</u>
No audit findings were noted as per Section .300 (f) of OMB A-133 for the Year months ended August 31, 2013.	\$ <u>-0-</u>

GULF COAST TRADES CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2014

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Rural Education Achievement Program	84.358A	S538A131543	\$ 9,933
Passed - Through Texas Education Agency:			
Title I, Part A Improving School Basics	84.010A	14610101236801	58,280
Title I, Part D Subpart 2	84.010A	14610103236801	135,320
Title II, Part A - Teacher Quality	84.367A	14694501236801	6,768
IDEA-B Formula	84.027A	136600012368016600	2,125
IDEA-B Formula	84.027A	146600012368016600	39,686
Texas Title I Priority School Grants - ARRA	84.388A	105520017110031	16,395
Total U.S. Department of Education			<u>268,507</u>
<u>U.S. Department of Labor</u>			
Passed - Through Dallas Workforce Board,	17.259	0612WIY000	80,038
Cameron County Workforce Board	17.259		3,317
Houston-Galveston Workforce Board	17.259	2811WIY000	152,556
Total U.S. Department of Labor			<u>235,911</u>
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Department of Human Services			
Federal Food Service Reimbursement			
National School Lunch & Breakfast	10.555		127,603
Total U.S. Department of Agriculture			<u>127,603</u>
Total Expenditures of Federal Awards			<u>\$ 632,021</u>

GULF COAST TRADES CENTER, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of federal awards (the Schedule) includes federal grant activity of Gulf Coast Trades Center, Inc. (GCTC, Inc.) under programs of the federal government for the year ended August 31, 2014. 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*. Because the Schedule presents only a selected portion of the operation of GCTC, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of GCTC, Inc.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.