

**GULF COAST TRADES CENTER, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED AUGUST 31, 2020**

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**GULF COAST TRADES CENTER, INC.**  
236-801

(Federal Employer Identification Number: 74-1694949)

**CERTIFICATE OF BOARD**

August 31, 2020

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Gulf Coast Trades Center, Inc. was reviewed and  approved  disapproved for the year ended August 31, 2020, at a meeting of the governing body of said charter holder on the 22 day of January, 2021.

  
Signature of Board Secretary

  
Signature of Board President

# GOMEZ & COMPANY

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## CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Gulf Coast Trades Center, Inc. (GCTC, Inc.) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GCTC, Inc. as of August 31, 2020, 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***

### **Report on Summarized Comparative Information**

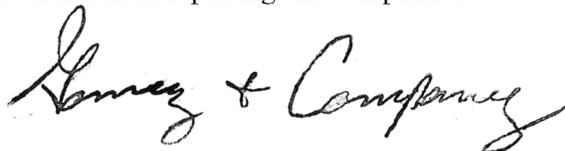
We have previously audited GCTC's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2021 on our consideration of GCTC, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GCTC's 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 GCTC, Inc.'s internal control over financial reporting and compliance.



Houston, TX  
January 22, 2021

GULF COAST TRADES CENTER, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2020

(With Comparative Totals for the Year Ended 2019)

<b>ASSETS</b>	2020	2019
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,535,850	\$ 1,329,168
Grants Receivable	956,511	961,428
Other Receivables	16,640	2,117
<b>TOTAL CURRENT ASSETS</b>	<b>2,509,001</b>	<b>2,292,713</b>
 <b>PROPERTY AND EQUIPMENT</b>		
Land	384,200	384,200
Building and Improvements	3,931,854	3,881,856
Furniture and Equipment	2,320,381	2,304,581
Automotive Equipment	662,871	609,989
Construction in Progress	655,273	
	7,954,579	7,180,626
Less: Accumulated Depreciation	(5,336,923)	(5,179,290)
	2,617,656	2,001,336
 <b>OTHER ASSETS</b>		
Other Assets	62,567	44,161
 <b>TOTAL ASSETS</b>	<b>\$ 5,189,224</b>	<b>\$ 4,338,210</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 229,175	\$ 82,309
Accrued Expenses	247,770	394,336
Accrued Payroll Liabilities	918	1,975
Due to TEA	117,136	164,792
Line of Credit	129,518	129,518
Paycheck Protection Program Loan	889,400	
Economic Injury Disaster Loan	150,000	
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,763,917</b>	<b>772,930</b>
 <b>TOTAL LIABILITIES</b>	<b>1,763,917</b>	<b>772,930</b>
 <b>NET ASSETS</b>		
Without Donor Restrictions	3,425,307	3,397,751
With Donor Restrictions		167,529
<b>TOTAL NET ASSETS</b>	<b>3,425,307</b>	<b>3,565,280</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,189,224</b>	<b>\$ 4,338,210</b>

See accompanying notes to financial statements.

GULF COAST TRADES CENTER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020  
 (With Comparative Totals for the Year Ended 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>REVENUE</b>				
Federal Grants	\$	\$ 1,166,657	\$ 1,166,657	\$ 1,248,003
State and Local Grants		1,445,639	1,445,639	2,052,655
Residential Fees		2,542,289	2,542,289	3,940,923
Donations	18,643		18,643	16,797
Interest Income	9,333		9,333	3,783
Other Income	818,346		818,346	121,118
Net Assets Released from Restrictions	5,322,114	(5,322,114)		
Total Support and Revenue	<u>6,168,436</u>	<u>(167,529)</u>	<u>6,000,907</u>	<u>7,383,279</u>
<b>EXPENSES</b>				
Program Expenses	5,444,085		5,444,085	6,469,092
Management and General	696,795		696,795	851,790
Total Expenses	<u>6,140,880</u>		<u>6,140,880</u>	<u>7,320,882</u>
<b>CHANGE IN NET ASSETS</b>	<u>27,556</u>	<u>(167,529)</u>	<u>(139,973)</u>	<u>62,397</u>
<b>NET ASSETS, beginning of year</b>	<u>3,397,751</u>	<u>167,529</u>	<u>3,565,280</u>	<u>3,502,883</u>
<b>NET ASSETS, end of year</b>	<u>\$ 3,425,307</u>	<u>\$ -</u>	<u>\$ 3,425,307</u>	<u>\$ 3,565,280</u>

See accompanying notes to financial statements.

GULF COAST TRADES CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2020  
(With Comparative Totals for the Year Ended 2019)

	Program Services						Management and General	Total All Funds	2019 Total Expenses
	Cafeteria	Maintenance	Residential	Education Vocation	Contract Program	Total Program			
Salaries	\$ 163,615	\$ 209,808	\$ 973,595	\$ 1,066,679	\$ 964,204	\$ 3,377,902	\$ 510,731	\$ 3,888,633	\$ 4,651,203
Fringe Benefits	16,970	36,646	77,126	66,124	72,632	269,497	35,718	305,215	395,496
Payroll Taxes	25,802	16,989	68,890	65,201	116,546	293,429	24,235	317,664	314,140
Total Personnel and Related Benefits	<u>206,387</u>	<u>263,442</u>	<u>1,119,612</u>	<u>1,198,004</u>	<u>1,153,382</u>	<u>3,940,827</u>	<u>570,684</u>	<u>4,511,511</u>	<u>5,360,839</u>
Food Purchases	166,022					166,022		166,022	302,704
Insurance				52,008		52,008		52,008	166,408
Supplies	11,942	31,506	21,460	74,113	23,833	162,854	8,487	171,341	192,976
Travel		15,114	24,286	7,336	40,029	86,764	31,622	118,386	87,638
Telephone	219	15,611	4,798	6,210	5,876	32,714	5,709	38,423	13,459
Rent Expense	4,049	59,712	190	10,142		74,092	0	74,092	69,868
Repairs and Maintenance		71,824		23,306		95,130	2,161	97,291	206,994
Professional Fees	600	115,406	20,400	91,177	19,650	247,233		247,233	246,808
Dues and Subscriptions						-	3,947	3,947	4,029
Postage and Delivery	680	3,984	2,357		12	7,033	6,252	13,284	10,621
Permits and Licenses		1,634		2,605		4,239	17,922	22,162	22,695
Training	50	297	1,235		4,394	5,976	2,587	8,563	12,506
Utilities	19,571	18,916	44,292	72,309	2,969	158,058	24,220	182,277	207,762
Participant Services		55	28,742	17,611	9,066	55,474		55,474	109,969
Public Relations		1,726			1,076	2,802	10,610	13,411	24,236
Interest		16,895				16,895		16,895	19,896
Conference & Meetings									98
Other Expenses		108,790	60,193	8,702	647	178,332	12,594	190,926	103,104
Total Expenses Before Depreciation	<u>409,520</u>	<u>724,912</u>	<u>1,327,564</u>	<u>1,563,522</u>	<u>1,260,934</u>	<u>5,286,453</u>	<u>696,795</u>	<u>5,983,248</u>	<u>7,162,610</u>
Depreciation		123,383		34,249		157,632		157,632	158,272
<b>Total Expenses</b>	<u>\$ 409,520</u>	<u>\$ 848,295</u>	<u>\$ 1,327,564</u>	<u>\$ 1,597,771</u>	<u>\$ 1,260,934</u>	<u>\$ 5,444,085</u>	<u>\$ 696,795</u>	<u>\$ 6,140,880</u>	<u>\$ 7,320,882</u>

See accompanying notes to financial statements.

GULF COAST TRADES CENTER, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2020  
(With Comparative Totals for the Year Ended 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (139,973)	\$ 62,397
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	157,632	158,272
(Increase) Decrease in Grants and Other Receivable	(9,604)	(15,580)
(Increase) Decrease in Other Assets	(18,406)	17,983
Increase (Decrease) in Accounts Payable & Accrued Liabilities	300	(50,648)
Increase (Decrease) in Payroll Taxes	(1,056)	(1,080)
Increase (Decrease) in Due to TEA	(47,656)	(92,621)
Total Adjustments	<u>81,210</u>	<u>16,326</u>
Net Cash Provided (Used) by Operating Activities	<u>(58,763)</u>	<u>78,723</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Fixed Assets	<u>(773,955)</u>	<u>          </u>
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(773,955)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on Paycheck Protection Plan	889,400	(482)
Proceeds on Notes Payable	<u>150,000</u>	<u>          </u>
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>1,039,400</u>	<u>(482)</u>
NET INCREASE (DECREASE) IN CASH	<u>206,682</u>	<u>78,241</u>
CASH AT BEGINNING OF YEAR	<u>1,329,168</u>	<u>1,250,927</u>
CASH AT END OF YEAR	<u>\$ 1,535,850</u>	<u>\$ 1,329,168</u>
<u>SUPPLEMENTAL DISCLOSURES:</u>		
Cash Paid during the year for:		
Interest	<u>\$ 16,895</u>	<u>\$ 19,896</u>

See accompanying notes to financial statements.

GULF COAST TRADES CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

A. Organization:

Gulf Coast Trades Center, Inc. (GCTC, Inc.) is a nonprofit organization incorporated in 1971. Its chartered purpose is to promote and conduct educational service, particularly vocational skill training coupled with other social services including counseling in a residential setting. GCTC, Inc.'s goal is to increase the social and economic independence of its clients through its educational learning environment and programs.

In May 1998, the Gulf Coast Trades Center, Inc. was approved by the Texas State Board of Education for a Charter to operate a Charter School, known as the Raven School. The Charter was in effect from August 1998 through July 2003 and was subsequently renewed for another ten years. The Charter School began operations in September 1998 to provide instruction to students at the high school level.

B. Summary of Significant Accounting Policies:

**BASIS OF PRESENTATION**

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. GCTC, Inc. reports its financial information based on the *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 205 Presentation of Financial Statements*. Under *FASB ASC 958-205*, an organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

**CLASSIFICATION OF NET ASSETS**

Net assets of the organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

*Net Assets Without Donor Restrictions* – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

*Net Assets with Donor Restrictions* – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the organization. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

On occasion, the governing board may designate a portion of net assets without donor restrictions for a specific purpose. Designated net assets are not governed by donor-imposed restrictions and may be reversed by the governing board at any time.

GULF COAST TRADES CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

B. Summary of Significant Accounting Policies: (Continued)

SUPPORT AND REVENUE

Support and revenue are recorded based on the accrual method.

CASH DONATIONS AND DONATED SERVICES

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

CONTRIBUTIONS

In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 605 Revenue Recognition*, contributions received are recorded as with donor restrictions and without donor restrictions support depending on the existence or nature of any donor restrictions.

PROPERTY AND EQUIPMENT

Property and equipment purchased by GCTC, Inc. are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All assets acquired with a value in excess of \$5,000 are recorded as fixed assets. Depreciation is provided on the straight-line method based upon estimated useful lives of seven years for heavy equipment, five years for vehicles, and three years for computer equipment. Gains or losses on retired or sale of property and equipment are reflected in income for the period. The proceeds from such sales which are not legally required or expected to be reinvested in property and equipment are transferred to net assets without donor restrictions.

PLEDGES AND ACCOUNTS RECEIVABLE

Contributions are recognized when the donor makes a promise to give to GCTC, Inc., which is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

INCOME TAXES

GCTC, Inc. qualifies as a tax-exempt organization under section 501 (c) (3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

GULF COAST TRADES CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

B. Summary of Significant Accounting Policies: (Continued)

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

GCTC, Inc.'s investments are with Texpool, a public funds investment pool and in certificates of deposits in a financial institution. Investment pools are established by the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Investment Act, chapter 2256 of the Texas Government Code.

CASH AND CASH EQUIVALENTS

For purpose of the statement of cash flows, cash and cash equivalents are comprised of cash on hand and in banks.

CONCENTRATION OF RISK

GCTC, Inc.'s depository bank pledges collateral to secure GCTC, Inc. deposits in excess of Federal Deposit Insurance Coverage.

ESTIMATES

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

C. Pension Plan:

*Plan Description*

On August 19, 1995, GCTC, Inc. terminated its defined benefit pension plan and adopted a voluntary profit sharing pension plan. Under terms of the new plan, all participants of the prior plan were determined to be fully vested. The balance of each individual account was determined to be eligible for rollover to the new plan.

Under the profit sharing plan, contributions are to be made at the discretion of GCTC, Inc. Contributions are allocated to all participants eligible in the same proportion that each participant's compensation bears to the total compensation of all participants for that year. GCTC, Inc.'s contribution to the plan for the fiscal year ended August 31, 2020 was \$-0-.

Provisions of the plan state that forfeitures will be allocated to all participants eligible to share in the allocation in the same proportion that each participant's compensation for the year bears to the compensation of all participants for that year. Also, to become eligible for the plan, an employee must

GULF COAST TRADES CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

C. Pension Plan: (Continued)

have one year of service and be over 21 years of age. Participants fully vest after seven years of service. The charter school contributes to the Teacher Retirement System of Texas (“TRS”), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the Charter School, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas.

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

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2020 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2020	ABO 2020	Percent Funded
TRS	\$ 184,361,871,000	\$ 218,974,205,000	75.54%

*Funding Policy*

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. State law provides for a member contribution rate of 7.7% for fiscal year 2020. The state’s contribution rate as non-employer contributing entity was 7.5% for fiscal year 2020. The charter school’s employee contributions to the system for the year ended August 31, 2020 were \$278,333 equal to the required contributions for the year.

GULF COAST TRADES CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

C. Pension Plan: (Continued)

Other contributions made from federal and private grants and from the Charter School for salaries above the statutory minimum were contributed at a rate of 7.5% totaling \$85,170 for the year ended August 31, 2020. The Charter School's contributions into this plan do not represent more than 5% of the total contributions to the plan. The Charter School was not assessed a surcharge.

D. Budget:

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

E. Liquidity and Availability of Financial Assets:

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets at year-end	
Cash	\$ 1,535,850
Accounts Receivable	973,151
Total Financial assets at year-end	<u>\$ 2,509,001</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted imposed restrictions as to use:	-
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,509,001</u>

The Organization manages its liquid assets conservatively within standard depository bank accounts at national banks. Cash is managed to provide sufficient funds for meeting program expenditures of the Organization.

F. Commitments and Contingencies:

The charter school receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

GULF COAST TRADES CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

G. Other Assets:

GCTC, Inc.'s other assets at August 31, 2020 consisted of supplies on hand available for individuals in residence and security deposits.

H. Leases:

GCTC, Inc. is currently leasing equipment and one facility on a non-cancellable operating lease.

GCTC Inc.'s minimum annual lease commitment is as follows:

<u>Twelve months ending August 31,</u>	<u>Amount</u>
2021	\$ 69,192
2022	41,370
2023	9,575
2024	1,535
2025	196
Total	<u>\$ 121,868</u>

Operating lease expense amounted to \$63,951 for the year ended August 31, 2020.

I. Line of Credit:

GCTC has a \$200,000 reducing revolving line of credit, with a balance of \$129,518 at August 31, 2020. Interest related to bank advances on the credit line is payable on a monthly basis and is computed using the Prime Rate plus 2.75 percentage points over the index. The full amount of advances obtained under the line of credit are due on demand. The loan is unsecured.

J. Paycheck Protection Program Loan:

The organization received on April 22, 2020 a loan from the Paycheck Protection Program (PPP) for the amount of \$889,400. The PPP loan is payable in 2 years with an interest rate of 1%. The organization applied for PPP loan forgiveness on October 23, 2020 and received notification from SBA on November 10, 2020 that the PPP loan has been partially forgiven in the amount of \$884,122. The PPP Loan has been accounted for as Debt under the provisions of FASB-ASC 470. The forgiven amount of the PPP loan will be recognized as debt forgiveness on November 10, 2020.

K. Economic Injury Disaster Loan:

The organization received on June 14, 2020 a loan from the SBA Economic Injury Disaster Loan (EIDL) for the amount of \$150,000. The loan is payable in 30 years with an interest rate of 2.75%.

GULF COAST TRADES CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

L. Health Care Coverage:

During the year ended August 31, 2020, employees of GCTC, Inc. were covered by a health insurance plan. The school contributed \$345 per month per employee for full time employees and \$245 for part-time employees (depending upon coverage selected) to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer.

M. Due to TEA:

The Raven School receives an allotment Foundation school funds based on expected student attendance for the fiscal year. The Texas Education Agency made an adjustment to the total allocation granted for the 2019-20 year and the school was overpaid \$117,136. This amount was deducted and repaid from the 2020-21 allotment of Foundation funds.

N. Net Assets with Donor Restrictions:

Net Assets with Donor Restrictions at August 31, 2020, are available for the following periods:

Periods after August 31, 2020:

Total restricted funds	\$ <u>0</u>
------------------------	-------------

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

State and Local Funds	\$ 1,613,168
Residential Fees	769,475
Residential Fees & Care	1,772,814
Federal Funds	<u>1,166,657</u>
Total restrictions released	<u>\$ 5,322,114</u>

O. Comparative Totals:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended August 31, 2019 from which the summarized information was derived.

P. Evaluation of Subsequent Event:

GCTC, Inc. has evaluated subsequent events through January 22, 2021, the date which the financial statements were available to be issued.

# GOMEZ & COMPANY

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### INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY 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, 2020, and have issued our report thereon dated January 22, 2021, 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 15 to 20 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 22, 2021

GULF COAST TRADES CENTER, INC.  
THE RAVEN SCHOOL

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2020

(With Comparative Totals for the Year Ended 2019)

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 467,618	\$ 720,035
Grants Receivable	53,574	37,172
Due from Gulf Coast	15,730	1,631
<b>TOTAL CURRENT ASSETS</b>	536,922	758,838
 <b>PROPERTY AND EQUIPMENT</b>		
Building and Improvements	840,458	840,458
Furniture and Equipment	123,774	123,774
	964,232	964,232
Less: Accumulated Depreciation	(661,613)	(627,365)
	302,619	336,867
<b>TOTAL ASSETS</b>	839,541	1,095,705
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	27,409	15,469
Accrued Liabilities	64,703	73,840
Due to TEA	117,136	164,792
	209,248	254,101
 <b>NET ASSETS</b>		
Unrestricted	630,293	674,075
Temporarily Restricted	-	167,529
<b>TOTAL NET ASSETS</b>	630,293	841,604
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 839,541	\$ 1,095,705

See accompanying notes to financial statements.

GULF COAST TRADES CENTER, INC.  
THE RAVEN SCHOOL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020  
(With Comparative Totals for the Year Ended 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>REVENUES</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 3,238	\$	\$ 3,238	\$ 2,906
Total Local Support	3,238		3,238	2,906
State Program Revenues:				
5810 Foundation School Program Act Revenues		1,118,666	1,118,666	1,731,937
5820 State Program Revenues Distributed by Texas Education Agency		7,400	7,400	14,975
5830 State Program Revenues Distributed by Texas Department of Agriculture				10,000
Total State Program Revenues		1,126,066	1,126,066	1,756,912
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency		235,196	235,196	186,073
Total Federal Program Revenues		235,196	235,196	186,073
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	1,528,791	(1,528,791)		
Total Revenues	1,532,029	(167,529)	1,364,500	1,945,891
<b>EXPENSES</b>				
11 Instruction	807,087		807,087	1,207,955
12 Instructional Resources and Media Services	872		872	3,130
21 Instructional Leadership	102,458		102,458	112,248
23 School Leadership	225,749		225,749	198,230
31 Guidance, Counseling and Evaluating Services	64,930		64,930	97,343
33 Health Services	52,130		52,130	51,139
36 Cocurricular/Extracurricular Activities	1,362		1,362	4,759
41 General Administration	92,740		92,740	90,473
51 Plant Maintenance and Operations	216,284		216,284	228,709
53 Data Processing Services	12,199		12,199	12,000
Total Expenses	1,575,811		1,575,811	2,005,986
<b>CHANGE IN NET ASSETS</b>	(43,782)	(167,529)	(211,311)	(60,095)
NET ASSETS, Beginning of Year	674,075	167,529	841,604	901,699
NET ASSETS, End of Year	\$ 630,293	\$ -	\$ 630,293	\$ 841,604

See accompanying notes to financial statements.

GULF COAST TRADES CENTER, INC.  
THE RAVEN SCHOOL

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2020  
(With Comparative Totals for the Year Ended 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (211,311)	\$ (60,095)
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation expense	34,249	34,249
(Increase) Decrease in Grants Receivable	(16,402)	5,846
(Increase) Decrease in Due from Gulf Coast	(14,099)	(575)
Increase (Decrease) in Accounts Payable & Accrued Liabilities	2,802	(49,756)
Increase (Decrease) in Due to TEA	(47,656)	(91,608)
Total Adjustments	(41,106)	(101,844)
 CASH USED FOR OPERATING ACTIVITIES	 (252,417)	 (161,939)
 NET INCREASE (DECREASE) IN CASH	 (252,417)	 (161,939)
 CASH AT BEGINNING OF YEAR	 720,035	 881,974
 CASH AT END OF YEAR	 \$ 467,618	 \$ 720,035

See accompanying notes to financial statements.

GULF COAST TRADES CENTER, INC.  
THE RAVEN SCHOOL

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2020

**EXPENSES**

6100 Payroll Costs	\$ 1,195,788
6200 Professional and Contracted Services	271,976
6300 Supplies and Materials	61,714
6400 Other Operating Costs	46,332
Total Expenses	<u>\$ 1,575,811</u>

GULF COAST TRADES CENTER, INC.  
THE RAVEN SCHOOL

SCHEDULE OF CAPITAL ASSETS

FOR THE YEAR ENDED AUGUST 31, 2020

<b>The Raven School</b>	Ownership Interest		
	Local	State	Federal
1110 Cash	\$	\$ 467,618	\$
1520 Building and Improvements	74,626	123,166	642,666
1549 Furniture and Equipment		123,774	
<b>Total Capital Assets</b>	<b>\$ 74,626</b>	<b>\$ 714,558</b>	<b>\$ 642,666</b>

<b>Gulf Coast Trades Center</b>	Ownership Interest		
	Local	State	Federal
Cash	\$ 1,068,232	\$	\$
Land	384,200		
Building and Improvements	3,684,171		62,498
Furniture and Equipment	2,196,607		
Vehicles	637,771		25,100
<b>Total Capital Assets</b>	<b>\$ 7,970,981</b>	<b>\$</b>	<b>\$ 87,598</b>

<b>Total</b>	Ownership Interest		
	Local	State	Federal
Cash	\$ 1,068,232	\$ 467,618	\$
Land	384,200		
Building and Improvements	3,758,797	123,166	705,164
Furniture and Equipment	2,196,607	123,774	
Vehicles	637,771		25,100
<b>Total Capital Assets</b>	<b>\$ 8,045,607</b>	<b>\$ 714,558</b>	<b>\$ 730,264</b>

GULF COAST TRADES CENTER, INC.  
THE RAVEN SCHOOL

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 25,000	\$ 25,000	\$ 3,238	\$ (21,762)
Total Local Support	<u>25,000</u>	<u>25,000</u>	<u>3,238</u>	<u>(21,762)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	1,820,144	1,300,000	1,118,666	(181,334)
5820 State Program Revenues Distributed by Texas Education Agency			7,400	7,400
5830 State Program Revenues Distributed by Texas Department of Agriculture				
Total State Program Revenues	<u>1,820,144</u>	<u>1,300,000</u>	<u>1,126,066</u>	<u>(173,934)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	233,073	313,531	235,196	(78,335)
Total Federal Program Revenues	<u>233,073</u>	<u>313,531</u>	<u>235,196</u>	<u>(78,335)</u>
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments				
Total Revenues	<u>2,078,217</u>	<u>1,638,531</u>	<u>1,364,500</u>	<u>(274,031)</u>
<b>EXPENSES</b>				
11 Instruction	1,120,387	875,270	807,087	68,183
12 Instructional Resources and Media Services	4,500	4,500	872	3,628
21 Instructional Leadership	113,417	113,417	102,458	10,959
23 School Leadership	230,676	230,676	225,749	4,927
31 Guidance, Counseling and Evaluating Services	142,715	110,657	64,930	45,727
33 Health Services	56,108	71,804	52,130	19,674
36 Cocurricular/Extracurricular Activities	5,000	5,000	1,362	3,638
41 General Administration	100,414	100,414	92,740	7,674
51 Plant Maintenance and Operations	267,000	267,000	216,284	50,716
52 Security and Monitoring Services		30,000		30,000
53 Data Processing Services	13,000	13,000	12,199	801
Total Expenses	<u>2,053,217</u>	<u>1,821,738</u>	<u>1,575,811</u>	<u>245,927</u>
<b>CHANGE IN NET ASSETS</b>	<u>25,000</u>	<u>(183,207)</u>	<u>(211,311)</u>	<u>28,104</u>
NET ASSETS, beginning of year	<u>841,604</u>	<u>841,604</u>	<u>841,604</u>	
NET ASSETS, end of year	<u>\$ 866,604</u>	<u>\$ 658,397</u>	<u>\$ 630,293</u>	<u>\$ 28,104</u>

See accompanying notes to financial statements.

# GOMEZ & COMPANY

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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, 2020, 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, 2021.

#### **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.

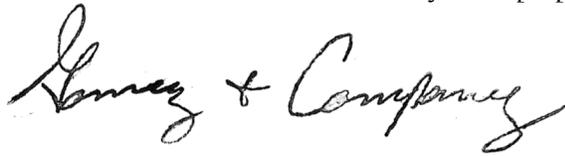
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Houston, TX  
January 22, 2021

# GOMEZ & COMPANY

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

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

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

We have audited GCTC, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of GCTC, Inc.'s major federal programs for the year ended August 31, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2020.

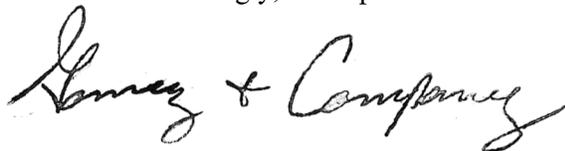
## Report on Internal Control Over Compliance

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Houston, TX  
January 22, 2021

GULF COAST TRADES CENTER, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2020

Summary of Audit Results

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

U.S. Department of Justice, Office of Justice Programs, Office for Victims of Crime  
 Passed – Through Texas Office of the Governor – Criminal Justice Division (CJD)  
 Victims of Crime Act Formula Grant Program                      CFDA Number 16.575
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. GCTC, Inc. qualifies as a low-risk auditee.

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

GULF COAST TRADES CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2020

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	S358A173761	\$ 10,670
Passed - Through Texas Education Agency:			
Title I, Part A Improving School Basics	84.010A	20610101236801	54,986
Title I, Part D Improving School Basics/Part D Subpart 2	84.010A	19610103236801	13,860
Title I, Part D Improving School Basics/Part D Subpart 2	84.010A	20610103236801	65,525
Title IV, Part A - Student Support	84.424A	19680101236801	7,969
Title II, Part A - Teacher Quality	84.367A	19694501236801	570
Title II, Part A - Teacher Quality	84.367A	20694501236801	4,533
IDEA-B Formula	84.027A	206600012368016000	37,105
Esser Grant	84.425D	S425D200042	38,708
Instructional Continuity	84.377A	S377A160044	1,271
Total U.S. Department of Education			<u>235,197</u>
<u>U.S. Department of Justice</u>			
Passed - Texas Office of the Governor - Criminal Justice Division	16.575	2018-V2-GX-0040	555,182
Passed - Texas Office of the Governor - Criminal Justice Division	16.575	2018-V2-GX-00470	200,635
Passed - Texas Office of the Governor - Criminal Justice Division	16.575	2020-ST-ST-0015	13,231
Total U.S. Department of Justice			<u>769,048</u>
<u>U.S. Department of Labor</u>			
Passed - Through Dallas Workforce Board,	17.259	0612WIY000	11,973
Houston-Galveston Workforce Board	17.259	2811WIY000	18,807
Total U.S. Department of Labor			<u>30,780</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		112,240
Passed - Through Texas Department of Agriculture			
USDA Commodity Food Distribution	10.555		9,392
Total U.S. Department of Agriculture			<u>121,632</u>
<u>Small Business Administration</u>			
Economic Injury Disaster Loan	59.008		107,434
Total Small Business Administration			<u>107,434</u>
Total Expenditures of Federal Awards			<u>\$ 1,264,091</u>

GULF COAST TRADES CENTER, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2020

**NOTE 1- SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying schedule of federal awards (the Schedule) includes the federal grant activity of GCTC, Inc. under programs of the federal government for the year ended August 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of 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 the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

***Indirect Cost Rate***

GCTC, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

***Subrecipients***

No awards were passed through to subrecipients.

**NOTE 2 – OTHER SOURCES OF FEDERAL REVENUES**

Other sources of federal revenues include an Economic Injury Disaster Loan Emergency Advance of \$10,000 which is not includible in the Schedule of Expenditures of Federal Awards (SEFA). In addition, an Economic Injury Disaster Loan of \$107,434 is included in the SEFA but is not part of federal revenues.

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

Total expenditure of federal awards per the SEFA	\$ 1,264,091
Economic Injury Disaster Loan Emergency Advance	10,000
Economic Injury Disaster Loan	<u>(107,434)</u>
Total federal revenues per the Statement of Activities	<u>\$ 1,166,657</u>