

SAN ANTONIO POSITIVE SOLUTIONS, Inc.
San Antonio, Texas

Financial Statements
with
SUPPLEMENTARY INFORMATION ON
POSITIVE SOLUTIONS CHARTER SCHOOL

JUNE 30, 2014

(with Independent Auditor's Report Thereon)

SAN ANTONIO POSITIVE SOLUTIONS, INC.

Table of Contents

JUNE 30, 2014

Certification

Certificate of Board.....	1
---------------------------	---

Financial Statements

Independent Auditors' Report.....	2 - 3
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13

Supplementary Information

Positive Solutions Charter School

Statement of Financial Position.....	14
Statement of Activities.....	15
Statement of Cash Flows.....	16
Schedule of Expenses.....	17
Schedule of Capital Assets.....	18
Budgetary Comparison Schedule.....	19
Notes to Budgetary Comparison Schedule.....	20

Other Reports

Independent Auditors' Report on Internal Control over Financial Reporting And on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .	21-22
Schedule of Findings and Questioned Costs	23

SAN ANTONIO POSITIVE SOLUTIONS, INC.

Federal Employer Identification Number: 74-2676269

Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of San Antonio Positive Solutions, Inc. was reviewed and approved disapproved for the year ended June 30, 2014 at a meeting of the governing body of San Antonio Positive Solutions, Inc. on the 8th day of November, 2014.



Signature of Board Secretary



Signature of Board Chairman

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
San Antonio Positive Solutions, Inc.

We have audited the accompanying report on the financial statements of San Antonio Positive Solutions, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Antonio Positive Solutions, Inc. as of June 30, 2014, 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

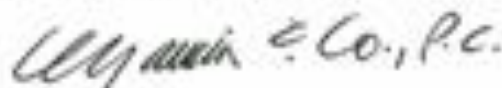
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Positive Solution Charter School supplementary information pages 14 – 20 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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, except for management's responses, 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 November 8, 2014, on our consideration of San Antonio Positive Solutions, 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 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 San Antonio Positive Solutions, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the San Antonio Positive Solutions, Inc.'s 2013 financial statements, and our report dated November 27, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



San Antonio, Texas
November 8, 2014

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

STATEMENT OF FINANCIAL POSITION
As of JUNE 30, 2014

ASSETS	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents	\$ 325,844	\$ 206,482
Prepaid expenses	11,095	35,649
Receivables:		
Grantors	8,838	190,030
Other	<u>7,125</u>	<u>12,665</u>
 Total Current Assets	 352,902	 444,826
 Land, Building and Equipment, Net	 <u>2,247,857</u>	 <u>2,305,575</u>
 Total Assets	 <u>\$ 2,600,759</u>	 <u>\$ 2,750,401</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 13,009	\$ 62,524
Vacation payable	11,216	8,357
Deferred revenues	630	4,266
Accrued wages	13,454	146,296
Interfund receivables	-	6,112
Mortgage Notes Payable - Current Portion	<u>220,183</u>	<u>126,746</u>
 Total Current Liabilities	 <u>258,492</u>	 <u>354,301</u>
 Non Current Liabilities		
Mortgage Notes Payable	1,891,257	2,103,704
 Total Liabilities	 <u>2,149,749</u>	 <u>2,458,005</u>
 Net Assets:		
Unrestricted		
Invest in property, plant and equipment	136,417	70,399
Undesignated	303,793	216,997
Temporarily restricted	10,800	5,000
Permanently restricted	<u>-</u>	<u>-</u>
 Total net assets	 <u>451,010</u>	 <u>292,396</u>
 Total liabilities and net assets	 <u>\$ 2,600,759</u>	 <u>\$ 2,750,401</u>

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

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2014	2013
Revenues					
Local support:					
Contributions	\$ 16,906	5,800	-	\$ 22,706	\$ 17,393
Fund-raising activities	91,164	-	-	91,164	123,847
Building Rental Income	18,130	-	-	18,130	18,604
Interest and other income	2,696	-	-	2,696	-
Total local support	128,896	5,800	-	134,696	159,844
State program revenues:					
Foundation school program	-	1,210,942	-	1,210,942	1,090,887
Other state aid	-	36,546	-	36,546	59,442
Total program revenues	-	1,247,488	-	1,247,488	1,150,329
Federal program revenues:					
ESEA Title I	-	66,268	-	66,268	94,922
ESEA Title I SIP	-	6,980	-	6,980	1,825
ESEA Title I SEIS	-	69,673	-	69,673	53,244
Title II	-	4,155	-	4,155	11,733
Idea B	-	33,310	-	33,310	26,665
EEP Teacher Incentive	-	-	-	-	57,332
State textbooks	-	1,777	-	1,777	-
Youth Empowerment Svcs, Inc.	-	93,187	-	93,187	-
TX TTL 1	-	152,928	-	152,928	930,003
Total Federal program revenues	-	428,278	-	428,278	1,175,724
Net assets released from restrictions:					
Restrictions satisfied by payments	1,675,766	(1,675,766)	-	-	-
Total Revenues	1,804,662	5,800	-	1,810,463	2,485,897
Expenses					
Program services:					
Instruction and Instructional-Related Services	598,176	-	-	598,176	1,188,166
Instructional and School Leadership	432,660	-	-	432,660	673,838
Support Services:					
Administrative Support Services	171,691	-	-	171,691	144,069
Support Services - Non-Student Based	239,810	-	-	239,810	31,278
Support Services - Student (Pupil)	128,320	-	-	128,320	164,246
Fundraising					
General Operating	2,500	-	-	2,500	261
Bingo	100,319	-	-	100,319	127,677
Building Rental	-	-	-	-	101,494
Total expenses	1,673,477	-	-	1,673,477	2,431,029
Change in net assets	131,185	5,800	-	136,985	54,868
Net assets at beginning of year	287,396	5,000	-	292,396	238,604
Prior period adjustment	21,628	-	-	21,628	(1,076)
Net assets at end of year	\$ 440,210	10,800	-	\$ 451,010	\$ 292,396

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

SAN ANTONIO POSITIVE SOLUTIONS, INC
San Antonio , Texas

Statement of Cash Flows

For the Year Ended June 30, 2014

	2014	2013
Cash flows from operating activities:		
Foundation School Program Receipts	\$ 1,247,488	\$ 1,137,330
Grant Receipts and Other Income	419,440	1,099,948
Contributions and Fund-raising Receipts	134,696	159,844
Payments to Vendors for Goods and Services Rendered	(643,444)	(1,072,702)
Payments to Personnel for Services Rendered	(789,829)	(1,334,271)
Interest Payments	(129,979)	(58,933)
Net Cash Provided (used) by Operating Activities	238,372	(68,784)
Cash flows from investing activities:		
Purchase of fixed assets	-	(2,329,625)
Net cash (used) by investing activities	-	(2,329,625)
Cash flows from financing activities:		
Issuance of long-term debt	-	2,291,777
Payments of Principal on long-term debt	(119,010)	(61,327)
Net cash provided by financing activities	(119,010)	2,230,450
Net Increase (decrease) in cash and cash equivalents	119,362	(167,959)
Cash and cash equivalents, beginning of year	206,482	374,441
Cash and cash equivalents, end of year	\$ 325,844	\$ 206,482
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in net assets	\$ 136,985	\$ 54,868
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Prior Period Adjustment	21,628	(1,076)
Depreciation	57,720	25,991
(Increase) Decrease in Assets:		
Prepaid Expenses	24,554	(713)
Grant Receivables	181,192	(88,775)
Other Receivables	5,540	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(49,516)	(38,504)
Vacation Payable	2,859	(1,046)
Deferred Revenue	(3,636)	2,781
Accrued Liabilities	(132,842)	(27,310)
Interfund receivables	(6,112)	5,000
Net cash provided (used) by operating activities	\$ 238,372	\$ (68,784)

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

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2014

(1) Organization and Summary of Significant Accounting Policies

A. Organization's Activities

San Antonio Positive Solutions, Inc. (the agency) is an educational and employment training organization incorporated on July 9, 1993. The agency's purpose is to increase employability and academic competencies of disadvantage individuals in San Antonio and Bexar County, Texas by direct delivery of training and educational services.

In October 1998 the Agency was granted a Charter from the Texas Education Agency to operate a Charter School authorized to provide a high school equivalence program and high school diplomas. The Charter School started operations in 1998 and has one campus in San Antonio, Texas.

B. Activities

San Antonio Positive Solutions, Inc. conducted the following activities in 2014:

Charter School

Funded through the Texas Education Agency, the agency operated a charter school whose purpose is to provide educational services with emphasis on academic enrichment, individualized instruction and self-paced curriculum. The school has open enrollment for grades 9th through 12th.

Bingo Operations

The agency operated a bingo program designed to provide unrestricted revenues in support of agency operational expenses.

C. Basis of Accounting

The financial statements of San Antonio Positive Solutions, Inc. have been prepared on the accrual basis of accounting.

D. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-55, Financial Statements of Not-For-Profit Organizations. Under ASC 958-205-55, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2014

(1) Organization and Summary of Significant Accounting Policies, (continued)

E. Total Columns

Total columns for 2013, 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.

F. Restricted and Unrestricted Revenue and Support, (continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished), the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

G. Property and Equipment

All fixed assets are valued at cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Expenses for repairs and 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 3 to 39.5 years.

Assets that have unit cost of \$5,000 and a useful life of one year or more are capitalized and depreciated. The assets are depreciated over their estimated useful lives on the straight-line basis. Currently the following estimated lives are used:

Computer Equipment – 3 years
Teaching Equipment – 5 years
Furniture and Fixtures – 5 years
Buildings – 39.5 years

H. Federal Income Taxes

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and contributions to it are tax deductible within the limitations prescribed by the Code. The Agency has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The organization files an information return, Form 990, with the Internal Revenue Service. Years open for examination are 2011, 2012, 2013.

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2014

(1) Organization and Summary of Significant Accounting Policies, (continued)

I. Grants and Contracts

Support received under grants and contracts with the United States Government and private foundations is recorded as public support in the appropriate fund when the related direct costs are incurred.

J. Functional Expenses

The Agency 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.

K. Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less are considered to be cash.

L. Use of Estimates

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

M. Net Assets

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

Permanently Restricted – Net assets to be maintained in perpetuity with only the income to be used for the agency's activities due to donor imposed restrictions.

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

Temporarily Restricted – Net assets subject to donor imposed stipulations that may or will be met, either by actions of the agency and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2014

(2) Fixed Assets

The fixed assets of the Agency for the year ended June 30, 2014 is as follows:

Land	\$ 49,559
Furniture, Fixtures and Equipment	335,709
Building and improvements	<u>2,280,068</u>
	2,665,336
Less: accumulated depreciation	<u>(417,479)</u>
Total fixed assets	<u>\$ 2,247,857</u>

Depreciation expense was \$57,720 for the year ended June 30, 2014.

(3) General Fixed Assets and Depreciation

San Antonio Positive Solutions, Inc. has \$44,302 of furniture and equipment purchased with JTPA funds of which title had not vested and can be recalled by the grantor. These assets are not presented in the financial statements.

(4) Vacation Leave

Full time employees earn 3.3 hours of vacation leave per monthly upon successful completion of their introductory period which is 180 calendar days of employment. Accrued vacation does not become vested, and as such, may not be used until 210 days after the first day of employment. Employees may carry over a maximum of five (5) vacation days. Vacations days over this amount may be carried only with the approval of the director. Vacation payable as of June 30, 2014 was \$11,216.

(5) Leases

San Antonio Positive Solutions, Inc. leases equipment under various operating and capital leases as follows:

Operating Leases

The agency also leases copiers through US BanCorp. The lease period is for sixty-three months from February 2013 through May 2018. Minimum future lease payments remaining are as follows:

For the year ended June 30,

<u>Year</u>	<u>Amount</u>
2015	\$ 6,600
2016	6,600
2017	7,700
2018	<u>4,950</u>
Total	<u>\$ 25,850</u>

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2014

(6) Charter School Personnel Services, Fringe benefits, and Pension Plan

Personnel services are provided to Positive Solutions Charter School through a system that utilizes leased employees. San Antonio Positive Solutions, Inc. contracts with Insperity, an employee leasing service, to perform certain aspects of its personnel functions including hiring of staff selected by San Antonio Positive Solutions, Inc. to provide personnel services for Positive Solutions Charter School. Leased employee personnel cost, exclusive of administrative management fees, paid to Insperity are recorded and shown on these financial statements as payroll cost. Personnel management fees paid to Insperity are charged as contractual cost.

Leased employees are eligible to contribute to a 401(K) plan administered by Insperity. Yearly contributions by employees are limited to a maximum of 6% of their annual pay and San Antonio Positive Solutions, Inc. matches it with a 3% maximum contribution. For the current year, San Antonio Positive Solutions, Inc. paid \$16,689 in employee pension contributions.

(7) Mortgage Note Payable

At June 30, 2014, San Antonio Positive Solutions, Inc. had notes payable as follows:

a.	Mortgage note payable to Vantage National Bank dated January 24, 2013 payable in monthly installments of \$11,118 including interest. The mortgage note bears interest at the stated rate of 5.25%. The Mortgage note is secured by a first lien on San Antonio Positive Solutions, Inc. land and buildings.	\$ 1,589,001
b.	Mortgage note payable to CAN Industries, Inc. dated January 24, 2013 payable in monthly installments of \$7,230 including interest. The mortgage note bears interest at the stated rate of 8.75%. The Mortgage note is secured by a second lien on San Antonio Positive Solutions, Inc. land and buildings.	<u>522,439</u>
	Total long-term debt	<u>\$ 2,111,440</u>

The requirement to amortize all Mortgage Notes Payable as of June 30, 2014 including interest is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2015	\$ 220,183
2016	220,183
2017	220,183
2018	220,183
2019	220,183
Thereafter	<u>1,010,525</u>
Total	<u>\$ 2,111,440</u>

Interest expense was \$129,979 for the year ended June 30, 2014.

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2014

(8) Intracompany Transactions

Positive Solutions Charter School pays for rental space for its operation to San Antonio Positive Solutions, Inc. Accordingly, the following intercompany space rental transactions have been eliminated between the overall San Antonio Positive Solutions, Inc. financial statements and the Positive Solutions Charter School supplementary financial statements.

<u>Charges From:</u>	<u>Charges To:</u>	<u>Amount</u>
San Antonio Positive Solutions, Inc.	Positive Solutions Charter School	<u>\$282,292</u>

(9) Contingencies

A. San Antonio Positive Solutions, Inc. receives substantial amounts of revenue from local funding/agencies and the Texas Education Agency. A significant reduction in the level of this revenue, if this were to occur, would have an effect of its programs and activities. San Antonio Positive Solutions, Inc.'s various programs are governed by various rules and regulation of the local/grantor agencies and the Texas Education Agency. Expenses charged to the programs are subject to audit and adjustments by the grantor/local agencies and Texas Education Agency. Therefore, to the extent that San Antonio Positive Solutions, Inc. has not complied with the rules and regulations governing these grants and programs, refunds of money received may be required.

In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants and programs. Therefore, no provision has been made in the accompanying financial statements for such contingencies.

B. On March 5, 2013, San Antonio Positive Solutions, Inc. was granted an exemption from local property tax taxation from the Bexar Appraisal District based on the condition that only the public charter school (Positive Solutions Charter School) would be occupying the property. Should there be a change in status, San Antonio Positive Solutions, Inc. would be subject to taxation based on the amount of space not occupied by the public charter school.

(10) Temporarily Restricted Net Assets

At June 30, 2014, Temporarily Restricted Net Assets of \$10,800 consisted of student scholarships funds that were held by the agency for award to deserving students who graduated from Positive Solutions Charter School.

(11) Prior Period Adjustments

Prior period adjustments consisted of prior year (a) correction of \$7,793 in building purchase attorney fees payable which were previously capitalized and (b) \$13,835 equity correction from prior year.

SAN ANTONIO POSITIVE SOLUTIONS, INC.
San Antonio, Texas

Notes to Financial Statements

For the Year Ended June 30, 2014

(12) 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 should be 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 November 8, 2014 and concluded that there were no events have occurred 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.

POSITIVE SOLUTIONS CHARTER SCHOOL

**POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas**

STATEMENT OF FINANCIAL POSITION

As of June 30, 2014

Assets	2014	2013
Current Assets		
Cash in Bank	\$ 314,562	\$ 203,540
Account receivable Due from State		
State	6,253	190,030
Other Assets	<u>11,095</u>	<u>38,605</u>
Total Current Assets	\$ 331,910	\$ 432,175
Property and Equipment, net	<u>2,247,860</u>	<u>2,305,577</u>
Total Assets	<u>\$ 2,579,770</u>	<u>\$ 2,737,752</u>
 Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 12,916	\$ 58,519
Vacation Payable	11,216	8,357
Deferred Revenues	630	-
Deferred Property Tax Credit	-	4,266
Accrued Payroll	12,832	145,673
Mortgage Note Payable - Current Portion	220,183	126,746
Interfund Receivables	<u>-</u>	<u>6,112</u>
Total Current Liabilities	<u>257,777</u>	<u>349,673</u>
Non Current Liabilities		
Mortgage Note Payable	<u>1,891,257</u>	<u>2,103,704</u>
Total Liabilities	<u>2,149,034</u>	<u>2,453,377</u>
Net Assets:		
Invested in Property, Plant and Equipment	136,417	75,127
Unrestricted	294,319	209,248
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>430,736</u>	<u>284,375</u>
Total Liabilities and Net Assets	<u>\$ 2,579,770</u>	<u>\$ 2,737,752</u>

POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2014</u>	<u>2013</u>
Revenue					
Local support:					
5740 Other Revenues from Local Sources	\$ 18,130	98,595	-	\$ 116,725	\$ 18,605
5768 Contributions from Other Funds	-	-	-	-	3,788
State program revenues:					
5810 Foundation School Program Act Revenues	-	1,247,488	-	1,247,488	1,137,330
5820 State Program Revenues Distributed by Texas Education Agency	-	2,772	-	2,772	43,923
Total program revenues	<u>18,130</u>	<u>1,348,855</u>	<u>-</u>	<u>1,366,985</u>	<u>1,203,646</u>
Federal program revenues:					
5920 Federal Revenues Distributed by the Texas Education Agency	-	332,320	-	332,320	1,145,096
Net assets released from restrictions:					
Restrictions satisfied by payments	<u>1,681,175</u>	<u>(1,681,175)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,699,305</u>	<u>-</u>	<u>-</u>	<u>1,699,305</u>	<u>2,348,742</u>
Expenses					
11 Instruction	598,176	-	-	598,176	1,162,816
13 Staff Development	-	-	-	-	25,350
21 Instructional Leadership	130,146	-	-	130,146	148,895
23 School Leadership	302,514	-	-	302,514	524,943
31 Guidance, Counseling and Evaluation Services	60,725	-	-	60,725	72,807
32 Social Work Services	50,337	-	-	50,337	71,974
35 Food Services	17,258	-	-	17,258	19,465
41 General Administration	171,691	-	-	171,691	212,992
51 Plant Maintenance and Operations	239,810	-	-	239,810	63,743
53 Data Processing Services	-	-	-	-	106
81 Fund Raising	-	-	-	-	-
Total Expenses	<u>1,570,657</u>	<u>-</u>	<u>-</u>	<u>1,570,657</u>	<u>2,303,091</u>
Change in Net Assets	128,648	-	-	128,648	45,651
Net Assets at beginning of year	284,375	-	-	284,375	239,799
Prior Period Adjustment	<u>17,713</u>	<u>-</u>	<u>-</u>	<u>17,713</u>	<u>(1,075)</u>
Net Assets at end of year	<u>\$ 430,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,736</u>	<u>\$ 284,375</u>

POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

	2014	2013
Cash flows from operating activities:		
Foundation School Program Receipts	\$ 1,247,488	\$ 1,137,330
Grant Receipts and Other Income	445,564	1,122,637
Prepayments	-	(14,191)
Payments to Vendors for Goods and Services Rendered	(548,660)	(1,017,477)
Payments to Personnel for Services Rendered	(784,383)	(1,248,513)
Interest Payments	(129,979)	(58,933)
	<u>230,030</u>	<u>(79,147)</u>
Net Cash Provided (used) by Operating Activities		
Cash flows from investing activities:		
Purchase of Fixed Asset	-	(2,329,625)
	<u>-</u>	<u>(2,329,625)</u>
Cash flows from financing activities:		
Issuance of Long-Term Debt	-	2,291,775
Payments of Principal on long-term debt	(119,008)	(61,327)
	<u>(119,008)</u>	<u>2,230,448</u>
Net Increase in cash and cash equivalents	111,022	(178,324)
Cash and cash equivalents, beginning of year	203,540	381,864
	<u>203,540</u>	<u>381,864</u>
Cash and cash equivalents, end of year	<u>\$ 314,562</u>	<u>\$ 203,540</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in net assets	\$ 128,648	\$ 45,651
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Prior period adjustment	17,713	(1,075)
Depreciation	57,720	25,991
(Increase) Decrease in Assets:		
Due from State	183,777	(88,775)
Other Assets	27,510	(713)
Increase (Decrease) in Liabilities:		
Accounts Payable	(45,601)	(35,372)
Vacation Payable	2,859	(1,046)
Deferred Revenue	630	(1,485)
Interfund receivables	(10,385)	5,000
Accrued Liabilities	(132,841)	(27,323)
	<u>(132,841)</u>	<u>(27,323)</u>
Net cash provided (used) by operating activities	<u>\$ 230,030</u>	<u>\$ (79,147)</u>

POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas

SCHEDULE OF EXPENSES

For the Year Ended June 30, 2014

	Totals	
	2014	2013
Expenses		
6100 Payroll Costs	\$ 914,365	\$ 1,292,643
6200 Professional and Contracted Services	360,064	703,294
6300 Supplies and Materials	73,470	232,035
6400 Other Operating Costs	<u>222,758</u>	<u>42,548</u>
Total Expenses	<u>\$ 1,570,657</u>	<u>\$ 2,270,520</u>

**POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas**

SCHEDULE OF CAPITAL ASSETS

For the Year Ended June 30, 2014

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 314,562	\$ -
1510 Land and Improvements	-	49,563.00	-
1520 Buildings and Improvements	-	2,280,064	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	335,709	-
1540 Assets District Defined	-	-	-
1541 Vehicles	-	-	-
1542 Equipment	-	-	-
Total Properly and Equipment	\$ -	\$ 2,979,898	\$ -

POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas

Budgetary Comparison Schedule

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Local support:				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ 116,725	\$ -
5768 Contributions from Other Funds	-	-	-	-
State program revenues				
5810 Foundation School Program Act Revenues	-	-	1,247,488	-
5820 State Program Revenues Distributed by Texas Education Agency	-	-	2,772	-
Total State Program Revenues	<u>-</u>	<u>-</u>	<u>1,366,985</u>	<u>-</u>
Federal program revenues:				
5920 Federal Revenues Distributed by the Texas Education Agency	-	-	332,320	-
Total Revenues	<u>-</u>	<u>-</u>	<u>1,699,305</u>	<u>-</u>
Expenses				
11 Instruction	501,322	622,058	598,176	23,882
12 Instructional Resources and Media Services	-	-	-	-
13 Curriculum Development and Instructional Staff Development	5,000	5,000	-	5,000
21 Instructional Leadership	119,639	119,639	130,146	(10,507)
23 School Leadership	299,808	299,808	302,514	(2,706)
31 Guidance, Counseling and Evaluation Services	94,564	94,564	60,725	33,839
32 Social Work Services	29,327	29,327	50,337	(21,010)
33 Health Services	-	-	-	-
34 Student (Pupil) Transportation	-	-	-	-
35 Food Services	21,150	21,150	17,258	3,892
36 Cocurricular/Extracurricular Activities	-	-	-	-
41 General Administration	157,454	157,454	171,691	(14,237)
51 Plant Maintenance and Operations	32,900	32,900	239,810	(206,910)
52 Security and Monitoring Services	-	-	-	-
53 Data Processing Services	-	-	-	-
61 Community Services	-	-	-	-
71 Debt Service	-	-	-	-
81 Fundraising	-	-	-	-
Total Expenses	<u>1,261,164</u>	<u>1,381,900</u>	<u>1,570,657</u>	<u>(188,757)</u>
Change in Net Assets	-	-	128,648	188,757
Net Assets at beginning of year	-	-	284,375	-
Prior Period Adjustment	-	-	17,713	-
Net Assets at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,736</u>	<u>\$ 188,757</u>

POSITIVE SOLUTIONS CHARTER SCHOOL
San Antonio, Texas

NOTES TO BUDGETARY COMPARISON SCHEDULE

As of June 30, 2014

1. The following are explanations for variances between initial and final budget of 10% or more as required by Texas Education Agency:

Function 11 — Instruction

Variance is due to programming of other funding sources.

2. The following are explanations for variances between final budget and actual expenditures of 10% or more as required by Texas Education Agency:

Function 13 — Curriculum Development

No expenditures were incurred during the school year.

Function 31 — Guidance. Counseling

Budget projection was over estimated.

Function 32 — Social Work Services

Budget projection was over estimated.

Function 35 — Food Services

Budget projection was over estimated.

Function 51 — Plant Maintenance & Operations

Did not project budget for interest expense and depreciation expense for building.

OTHER REPORTS

**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
San Antonio Positive Solution, 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 San Antonio Positive Solution, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 November 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Antonio Positive Solution, 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 San Antonio Positive Solution, 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 San Antonio Positive Solution, 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.

Olson & Co., P.C.

San Antonio, Texas
November 8, 2014

SAN ANTONIO POSITIVE SOLUTION, INC.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2014

Section I – Summary of Auditors' Results

Financial Statements:

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

November 8, 2014

To the Board of Directors
San Antonio Positive Solutions, Inc.
San Antonio, Texas

We have audited the financial statements of San Antonio Positive Solutions, Inc. for the year ended June 30, 2014, and have issued our report dated November 8, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 7, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Antonio Positive Solutions, Inc. are described in Note 1 in the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for doubtful accounts, which is based on the expectation that grant money earned through compliance with contract requirements will be reimbursed in full. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

To the Board of Directors
San Antonio Positive Solutions, Inc.
San Antonio, Texas
Page 2

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 8, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants has occurred. In addition, to our knowledge San Antonio Positive Solutions, Inc. has contracted with an external accountant for assistance with accounting applications.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Directors and management of San Antonio Positive Solutions, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

C.C. Garcia & Co., P.C.

C.C. Garcia & Co., P.C.
San Antonio, Texas