

**ROY MAAS' YOUTH ALTERNATIVES, INC.
AND AFFILIATES (ROY MAAS' YOUTH
ALTERNATIVES FOUNDATION AND
MEADOWLAND
CHARTER SCHOOL)**

**CONSOLIDATED FINANCIAL STATEMENTS WITH
COMPLIANCE AND SINGLE AUDIT REPORTING**

June 30, 2016 and 2015

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION
AND MEADOWLAND CHARTER SCHOOL)

Federal Employer Identification Number: 74-1914638

Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one) approved disapproved for the year ended June 30, 2016, at a meeting of the Board of Trustees of such charter holder on the 24th day of October, 2016.


Signature of Board Secretary


Signature of Board President

If the Board of Trustees disapproved the auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
FINANCIAL STATEMENTS WITH COMPLIANCE
AND SINGLE AUDIT REPORTING
June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Roy Maas' Youth Alternatives, Inc. and Affiliates
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Roy Maas' Youth Alternatives, Inc. and its affiliates (non-profit organizations) as of June 30, 2016 and 2015, and the related consolidated statements of activities (with comparative totals for 2015), functional expenses (with comparative totals for 2015), and cash flows for the years 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 Roy Maas' Youth Alternatives, Inc. and its affiliates as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

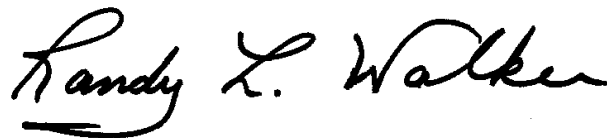
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 16-18 and the accompanying schedule of expenditures of federal and state awards on page 25, 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* and the State of Texas Single Audit Circular, are presented for purposes of additional analysis and are 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 October 24, 2016, on our consideration of Roy Maas' Youth Alternatives, Inc. and its affiliates' internal control over financial reporting and on our tests of their 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 Roy Maas' Youth Alternatives, Inc.'s and its affiliates' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline under the name.

San Antonio, Texas
October 24, 2016

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,812,219	\$ 1,405,803
Investments	1,190,230	1,561,942
Due from State	230,091	270,864
Accounts Receivable	1,196,835	871,998
Prepaid Expenses	109,876	72,057
Land, Buildings, Improvements and Equipment, net	4,015,374	3,698,677
TOTAL ASSETS	\$ 8,554,625	\$ 7,881,341
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts Payable	\$ 218,235	\$ 182,213
Accrued Expenses	321,077	260,419
Other Liabilities	319	2,100
Deferred Revenue	1,300	2,700
Line of Credit	-	228,725
TOTAL LIABILITIES	540,931	676,157
 NET ASSETS		
Unrestricted:		
Undesignated	4,840,115	4,528,463
Designated	559,167	559,167
Total Unrestricted Net Assets	5,399,282	5,087,630
Temporarily Restricted	2,614,412	2,117,554
TOTAL NET ASSETS	8,013,694	7,205,184
TOTAL LIABILITIES AND NET ASSETS	\$ 8,554,625	\$ 7,881,341

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

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(with comparative totals for 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
<u>SUPPORT AND REVENUE</u>				
Government Funding	\$ 5,536,458	\$ 1,908,056	\$ 7,444,514	\$ 6,796,174
Grants and Contributions - General	422,972	968,941	1,391,913	1,692,373
United Way	503,368	-	503,368	421,759
Special Event Income	201,026	-	201,026	141,450
Contributed Services	139,814	-	139,814	45,722
Sales - Thrift Shop	117,160	-	117,160	140,855
Investment Income	48,302	-	48,302	53,439
Contributed Goods/Equipment/Fixed Assets	38,274	-	38,274	86,092
Self Referral and Other Program Fees	34,217	-	34,217	14,493
Net Gain (Loss) on Sale of Assets	24,528	-	24,528	(7,907)
Other Income	9,589	-	9,589	6,962
Insurance Proceeds	-	-	-	40,000
Net Loss on Investments	(73,503)	-	(73,503)	(10,313)
Net Assets Released from Restriction	2,380,139	(2,380,139)	-	-
TOTAL SUPPORT AND REVENUE	9,382,344	496,858	9,879,202	9,421,099
<u>EXPENSES</u>				
Program Services	7,773,615	-	7,773,615	7,830,073
Supporting Services:				
General Management	761,922	-	761,922	614,963
Fundraising	261,972	-	261,972	168,612
Burdick Center	67,039	-	67,039	94,843
RMYA Foundation	44,899	-	44,899	42,286
Thrift Shop	161,245	-	161,245	142,828
TOTAL EXPENSES	9,070,692	-	9,070,692	8,893,605
CHANGE IN NET ASSETS	311,652	496,858	808,510	527,494
NET ASSETS, Beginning of Year	5,087,630	2,117,554	7,205,184	6,677,690
NET ASSETS, End of Year	\$ 5,399,282	\$ 2,614,412	\$ 8,013,694	\$ 7,205,184

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

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016
(with comparative totals for 2015)

	Program Services								Supporting Services					Other	2016 Total	2015 Total	
	Bridge Emergency Shelter	San Antonio Counseling Center	MeadowLand Counseling Center	Girlsville/ The Junction	The Meadows	Turning Point	Charter School	Eliminating Entry	Total Program	General Management	Burdick Center	RMYA Foundation	Fund- Raising	Eliminating Entry			Thrift Shop
Salaries	\$ 534,336	\$ 181,155	\$ 270,783	\$ 845,909	\$ 1,809,048	\$ 129,626	\$ 1,187,081	\$ -	\$ 4,957,938	\$ 514,433	\$ -	\$ -	\$ 134,526	\$ -	\$ 80,236	\$ 5,687,133	\$ 5,716,086
Employee Benefits	39,257	13,300	18,039	71,944	170,443	12,196	78,576	-	403,755	42,564	-	-	7,650	-	9,090	463,059	412,935
Payroll Taxes	46,047	14,996	22,374	72,296	157,628	12,346	17,286	-	342,973	40,353	-	-	11,488	-	7,550	402,364	358,875
Total Payroll Expenses	619,640	209,451	311,196	990,149	2,137,119	154,168	1,282,943	-	5,704,666	597,350	-	-	153,664	-	96,876	6,552,556	6,487,896
Professional Fees	50,752	56,221	13,213	31,807	70,560	8,276	221,132	-	451,961	74,625	700	16,655	24,354	-	8,397	576,692	408,930
Food Services	54,948	397	81	76,699	115,645	8,255	201	-	256,226	2,342	27	-	-	-	411	259,006	241,618
Depreciation Expense	40,053	6,507	-	34,000	61,906	13,402	13,392	-	169,260	7,026	34,417	27,978	-	-	8,199	246,880	217,012
Heating, Cooling and Water	17,553	5,358	-	44,790	67,186	10,673	-	-	145,560	3,887	15,341	-	-	-	5,534	170,322	180,086
Office Supplies, Printing and Postage	4,154	2,122	649	7,597	13,546	838	121,871	-	150,777	7,124	13	-	14	-	2,301	160,229	181,873
Occupancy	17,610	5,569	14	36,234	57,048	4,912	56,335	(43,391)	134,331	5,322	3,047	-	-	-	10,510	153,210	207,385
Contributed Services	1,126	60,632	2,356	30,539	45,161	-	-	-	139,814	-	-	-	-	-	-	139,814	45,722
Insurance	12,879	3,348	4,598	24,716	51,022	4,712	21,583	-	122,858	8,507	4,121	-	471	-	2,550	138,507	145,802
Telephone	9,717	3,335	1,247	11,023	14,061	4,152	33,968	-	77,503	7,047	223	-	-	-	3,799	88,572	130,086
Children's Personal Expenses	6,718	98	40	27,976	42,209	7,945	-	-	84,986	1,080	-	-	-	-	354	86,420	73,242
Contract Labor	25,093	5,301	3,971	-	-	8,788	-	-	43,153	19,876	-	-	-	-	9,613	72,642	42,733
Travel and Mileage	2,051	36	-	6,530	10,938	2,579	47,061	-	69,195	1,021	-	-	-	-	115	70,331	78,007
Miscellaneous	985	216	5	1,362	5,360	18	42,532	-	50,478	5,954	8	266	-	-	2,920	59,626	63,582
Event Expenses	-	-	-	-	-	-	-	-	-	-	-	-	52,056	-	-	52,056	37,642
Contributed Goods/Equipment	10,263	600	-	6,222	8,779	175	-	-	26,039	1,311	-	-	16,553	-	5,244	49,147	108,673
Supplies - Housekeeping	10,652	1,020	-	13,920	18,976	3,312	-	-	47,880	20	-	-	-	-	453	48,353	52,968
Computer Services and Equipment	2,494	8,975	3,658	7,909	8,171	817	-	-	32,024	4,788	90	-	-	-	1,052	37,954	55,311
Conferences and Workshops	2,133	3,676	828	5,613	8,158	6	-	-	20,414	9,427	-	-	-	-	1,183	31,024	19,187
Public Relations	575	138	230	966	1,725	184	-	-	3,818	2,535	-	-	14,739	-	230	21,322	20,412
Employee Recruitment and Other	1,613	3,320	79	5,607	8,096	404	-	-	19,119	227	-	-	-	-	218	19,564	12,310
Automotive Expenses	1,312	-	-	2,269	5,999	1,272	-	-	10,852	-	284	-	-	-	1,022	12,158	12,321
Interest	-	-	-	-	-	-	-	-	-	839	13,840	-	-	(5,072)	-	9,607	9,195
USDA Commodities	1,585	-	-	2,325	3,581	-	-	-	7,491	-	-	-	121	-	-	7,612	5,422
Membership Dues	1,311	197	65	995	1,404	97	-	-	4,069	1,614	-	-	-	-	264	5,947	10,880
Recreational Equipment	323	-	-	180	270	-	-	-	773	-	-	-	-	-	-	773	2,533
Instructional Materials	-	-	-	-	-	-	368	-	368	-	-	-	-	-	-	368	2,777
Legal Claims Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,000
TOTAL EXPENSES	\$ 895,540	\$ 376,517	\$ 342,230	\$ 1,369,428	\$ 2,756,920	\$ 234,985	\$ 1,841,386	\$ (43,391)	\$ 7,773,615	\$ 761,922	\$ 72,111	\$ 44,899	\$ 261,972	\$ (5,072)	\$ 161,245	\$ 9,070,692	\$ 8,893,605

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

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in Net Assets from Operations	\$ 808,510	\$ 527,494
Adjustments to Reconcile Net Change to Net Cash Provided by Operations:		
Depreciation	246,880	217,012
Loss on Investments	73,503	10,313
(Gain) Loss on Sale of Assets	(24,528)	7,907
Decrease (Increase) in Assets:		
Due from State	40,773	129,304
Accounts Receivable	(324,837)	(411,365)
Prepaid Expenses	(37,819)	36,269
Increase (Decrease) in Liabilities:		
Accounts Payable	36,022	50,797
Accrued Expenses	60,658	(235)
Other Liabilities	(1,781)	2,100
Deferred Revenue	(1,400)	(2,300)
NET CASH PROVIDED BY OPERATING ACTIVITIES	875,981	567,296
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(539,049)	(317,543)
NET CASH USED BY INVESTING ACTIVITIES	(539,049)	(317,543)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Sale (Purchase) of Investments, net	298,209	(37,798)
Payments on Line of Credit	(228,725)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	69,484	(37,798)
NET INCREASE IN CASH FLOWS	406,416	211,955
CASH AND CASH EQUIVALENTS, Beginning of Year	1,405,803	1,193,848
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,812,219	\$ 1,405,803
<u>SUPPLEMENTAL DISCLOSURES</u>		
Interest Paid	\$ 9,607	\$ 9,195

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

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The accompanying statements of Roy Maas' Youth Alternatives, Inc. and its affiliates have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activities

Roy Maas' Youth Alternatives, Inc. (the Company) is organized in Texas as a non-profit corporation to provide counseling and residential programs within the state of Texas which are directed towards assisting troubled youths.

Affiliated with Roy Maas' Youth Alternatives, Inc. is Roy Maas' Youth Alternatives Foundation (the Foundation), a non-profit corporation. The Foundation is organized for the exclusive purpose of serving as a supporting organization for Roy Maas' Youth Alternatives, Inc. The Foundation is controlled by the board of Roy Maas' Youth Alternatives, Inc., and the two entities are financially inter-related.

Also affiliated with the Company, the State Board of Education of the State of Texas granted Roy Maas' Youth Alternatives, Inc. an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code in the fall of 2008. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, MeadowLand Charter School (the School) was opened on August 25, 2008. The School was organized to provide educational services to at-risk students, and their programs, services, activities and functions are governed by the School's board of directors.

The Foundation's and School's financial activity for the years ended June 30, 2016 and 2015 is consolidated within Roy Maas' Youth Alternatives, Inc.'s financial statements.

Basis of Presentation

The Company and its affiliates are required to report information regarding their financial position and activities according to three classes of net assets:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Company and its affiliates and/or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company and its affiliates. There are no permanently restricted net assets for the years ended June 30, 2016 and 2015.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, Roy Maas' Youth Alternatives, Inc. and its affiliates consider all certificates of deposit and money market fund purchases with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Roy Maas' Youth Alternatives, Inc. and its affiliates consider their accounts receivable to be fully collectible as they are all receivables from granting agencies; accordingly, no allowance for doubtful accounts is required.

Fixed Assets

Fixed assets acquired by Roy Maas' Youth Alternatives, Inc. and its affiliates are considered to be owned by Roy Maas' Youth Alternatives, Inc. and its affiliates. However, federal, state, and city funding sources may maintain equitable interest in the property purchased with grant funds as well as the right to determine the use of any proceeds from the sale of these assets.

Fixed assets are recorded at cost. Donated assets are recorded at estimated market value at the date of donation. Fixed assets with a value of \$5,000 or more are capitalized and depreciated for financial statement preparation. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Buildings	30 years
Modular Classrooms	15 years
Software	3 years
Transportation Equipment	5 years
Furniture and Equipment	5 years
Improvements	5 - 30 years

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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 a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenues

Roy Maas' Youth Alternatives, Inc. and its affiliates receive substantial revenue from federal, state, and city agencies. Noncompliance by Roy Maas' Youth Alternatives, Inc. and its affiliates with the terms of the grants/contracts would require funding to be returned.

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Roy Maas' Youth Alternatives, Inc., Roy Maas' Youth Alternatives Foundation, and MeadowLand Charter School are all exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As of June 30, 2016, the tax years that remain subject to examination by taxing authorities begin with 2013.

Subsequent Events

Roy Maas' Youth Alternatives, Inc. and its affiliates have evaluated subsequent events through October 24, 2016, which is the date the financial statements were available to be issued.

NOTE 2 - RECLASSIFICATION

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

NOTE 3 - INVESTMENTS

Investments of the Company and its affiliates include marketable securities and real estate. In accordance with generally accepted accounting principles, the investments in marketable securities are carried at fair market value, and the investment in real estate is carried at cost. The investments of the Company and its affiliates are not required to be collateralized. Furthermore, the Company did not engage in derivative, hedging, or security lending activities for the years ended June 30, 2016 and 2015.

Investments were as follows at June 30:

	<u>2016</u>		<u>2015</u>	
	<u>Market Value</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Cost Basis</u>
Liquid Temporary Investments	\$ -	\$ -	\$ 3,000	\$ 3,000
Equity Securities	638,057	578,316	930,837	843,391
Certificates of Deposit	111,038	110,000	135,644	135,000
Equity Mutual Funds	300,150	311,392	351,648	292,242
Corporate Bonds	140,985	141,259	140,813	141,509
Total Investments	<u>\$ 1,190,230</u>	<u>\$ 1,140,967</u>	<u>\$ 1,561,942</u>	<u>\$ 1,415,142</u>

Investment income for the years ended June 30, 2016 and 2015 consists of total interest and dividends from all banking and investment accounts, including net income from the real estate trust, for a total of \$48,302 and \$53,439, respectively.

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 3 - INVESTMENTS (continued)

Net gain/(loss) on investments includes the realized gain/(loss) from the sale of investments and the unrealized gain/(loss) from the change in fair market value of investments in relation to the carrying value. For the year ended June 30, 2016, the net loss of \$73,503 resulted from a realized gain of \$23,640 and an unrealized loss of \$97,143. For the year ended June 30, 2015, the net loss of \$10,313 resulted from a realized gain of \$34,233 and an unrealized loss of \$44,546.

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

The School maintains its cash balances in checking and money market accounts at a single bank. The Federal Deposit Insurance Corporation (the FDIC) insures the balances in the checking accounts. The limit insured by the FDIC is \$250,000. Additionally, the School has a Depository Contract with their bank in accordance with Texas Education Code Section 12.107(a)(1), which requires that the bank secure all funds deposited with them. Therefore, at June 30, 2016 and 2015, the School had no uninsured cash and investment balances.

The Company maintains its cash balances at several banks. However, it maintains significant cash and investment balances at one financial institution that are not insured by the FDIC or Securities Investor Protection Corporation. At June 30, 2016 and 2015, the Company's uninsured cash and investment balances totaled \$1,567,151 and \$1,703,161, respectively, without regard to reconciling items.

NOTE 5 - FIXED ASSETS

Fixed assets consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 485,546	\$ 470,906
Buildings	3,782,852	3,649,037
Construction in Progress	110,981	2,000
Modular Classrooms	417,374	417,374
Improvements	3,318,798	3,122,196
Software	116,225	91,225
Transportation Equipment	573,443	583,159
Furniture and Equipment	302,106	256,517
	<u>9,107,325</u>	<u>8,592,414</u>
Less: Accumulated Depreciation	<u>(5,091,951)</u>	<u>(4,893,737)</u>
Total Fixed Assets, Net	<u>\$ 4,015,374</u>	<u>\$ 3,698,677</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$246,880 and \$217,012, respectively.

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 6 - LINE OF CREDIT

In February 2014, the Company entered into a line of credit agreement with Broadway National Bank for \$250,000. The line of credit is collateralized by investments held at the bank up to \$333,000. Interest is based on a variable interest rate with 4% being the minimum per annum and 18% being the maximum. The line of credit was paid off and closed during the year ended June 30, 2016. The outstanding balance on the line of credit was \$-0- and \$228,725 as of June 30, 2016 and 2015, respectively.

NOTE 7 - DESIGNATED NET ASSETS

During the fiscal years ended June 30, 2016 and 2015, the management of the Company and its affiliates had \$559,167 in unrestricted designated net assets, respectively. The designation of the funds is determined by the Board of Directors.

NOTE 8 - RELATED PARTY TRANSACTIONS

The School entered into a lease agreement with the Foundation in September 2008. In September 2010, the School renegotiated the lease agreement with the Foundation. The monthly lease payments under the agreement are \$3,615.92 per month through August 2018. The School has an additional lease agreement with the Foundation for office space at a monthly payment of \$2,490 through July 2014. For the years ended June 30, 2016 and 2015, lease expense was \$43,391. Future lease payments are as follows:

Years Ending June 30,		
2017	\$	43,391
2018		43,391
2019		<u>7,232</u>
Total	\$	<u>94,014</u>

The Company had a receivable of \$931 and \$11,468 from the School for miscellaneous expenses as of June 30, 2016 and 2015, respectively. The Foundation had a receivable of \$3,616 and \$-0- from the School for rent as of June 30, 2016 and 2015, respectively.

The Company entered into a loan agreement with the Foundation for \$115,766 in 2013 to complete the Burdick Community Center kitchen. Interest is based on a 4% APR, and the loan term is 10 years. Additionally, the Foundation paid off the Company's line of credit loan during the year ended June 30, 2016 (see Note 6). At June 30, 2016 and 2015, the Company had a total outstanding balance of \$312,480 and \$94,456, respectively, due to the Foundation for the line of credit loan payoff and the Burdick loan. Total interest paid by the Company to the Foundation was \$5,072 and \$4,015 for the years ended June 30, 2016 and 2015, respectively.

The Foundation had receivables totaling \$1,240 from the Company for interest and miscellaneous expenses as of June 30, 2016 and 2015, respectively.

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Michael Gibbons Fund: Children's Special Activities	\$ 54,359	\$ 54,359
Old Bridge Shelter Renovation	170,000	50,000
New Bridge Shelter Construction	1,152,137	750,000
Detention Basin for Meadowland	-	125,000
Gala	20,250	24,500
Bedding	-	1,230
Pool House Repairs	-	8,464
Turning Point House Purchase and Renovation	10,113	-
Vehicle Expenditures	6,644	-
Junction Cabin Flooring	2,500	-
Food Service Training	750	-
Medical Supplies	61,759	65,007
Special Program Activities	14,418	-
Music Room	4,446	4,446
Future School Building	10,000	-
Foundation School Program Act Revenues	<u>1,107,036</u>	<u>1,034,548</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,614,412</u>	<u>\$ 2,117,554</u>

NOTE 10 - CONTRIBUTED SERVICES AND CONTRIBUTIONS OF GOODS

The Company receives a substantial amount of donated services from interns, doctors, nurses and other professionals who are committed to the programs currently being provided and to the youths who benefit from these programs. The value for these services is based on conservative hourly rates determined by management from current market rates in relation to the type of service received. For the year ended June 30, 2016, total volunteer hours logged by these individuals amounted to 5,920 hours, and are valued at \$139,814 for the various programs. For the year ended June 30, 2015, total volunteer hours logged by these individuals amounted to 1,953 hours, and are valued at \$45,722 for the various programs. Other non-cash contributions received by the Company include supplies, food, clothing, other personal items, furnishings and equipment. The estimated fair market value of these contributions is \$38,274 and \$86,092 for the years ended June 30, 2016 and 2015, respectively.

Other in-kind services received by the Company are from non-professional volunteers and are not reflected on these financial statements. Total hours logged by these individuals for the years ended June 30, 2016 and 2015 amounted to 3,360 and 1,562, respectively.

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 11 - PENSION PLAN OBLIGATIONS

Plan Description

The School contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiemployer defined benefit pension plan with one exception: all risks and costs are not shared by the School but are the liability of the state of Texas. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, *Public Retirement Systems*, Subtitle C, *Teacher Retirement System of Texas*, which is subject to amendment by the Texas Legislature. TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.
- There is no withdrawal penalty for leaving the TRS system.

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$149,780,061,824
Accumulated Benefit Obligations - \$163,887,375,172
The plan is 78.43% funded.

There are no collective-bargaining agreements.

Funding Policy

Under provisions in state law, plan members are required to contribute 6.7% of their annual covered salary, and the state of Texas contributes an amount equal to 6.0% of the School's covered payroll. The School's contributions to TRS for the years ended June 30, 2016 and 2015 were \$27,320 and \$28,031, respectively, which include \$15,335 and \$14,035, respectively, in Non-OASDI participating surcharges. The School's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

NOTE 12 - BUDGET AMENDMENT FOR USE OF RESERVES

During the year ended June 30, 2015, the Board of Directors approved a budget amendment for the School in the amount of \$130,000 from fiscal year 2014 reserves in order to expend funds that were approved in the previous fiscal year. The expenditures included capital expenditures and expenditures for supplies and non-capitalized equipment. There was no such budget amendment during the year ended June 30, 2016.

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 13 - FUNDING FROM GOVERNMENT SOURCES

The Company receives the majority of its program support from federal, state and local government sources under unit rate contracts and cost reimbursement grants. This support is contingent upon the future availability of funds from these sources and compliance with the various federal, state, and local regulations and laws. Total government support was as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Unit Rate Contract Funding:		
Medicaid/Health Services	\$ 263,598	\$ 229,895
Bexar County Juvenile Probation	189,000	189,000
Other County Juvenile Probation	-	20,884
City of San Antonio	26,745	27,169
Texas Department of State Health Services	357,734	-
Texas Department of Family and Protective Services	4,146,943	3,924,235
Other	2,163	3,978
	<u>4,986,183</u>	<u>4,395,161</u>
Grant Funding		
U.S. Department of Agriculture	143,336	128,501
U.S. Department of Agriculture Commodities	6,763	4,989
U.S. Department of Health and Human Services	400,176	398,487
Texas Education Agency	1,908,056	1,869,036
	<u>2,458,331</u>	<u>2,401,013</u>
Total Government Support	<u>\$ 7,444,514</u>	<u>\$ 6,796,174</u>

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company and its affiliates adopted the provisions of ASC 820, "Fair Value Measurements and Disclosures" (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the Company's and its affiliates' financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The Company and its affiliates do not have Level 2 or Level 3 assets or liabilities.

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Company's and its affiliates' financial instruments (Level 1) were as follows at June 30:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and Cash Equivalents	\$ 1,812,219	\$ 1,812,219	\$ 1,405,803	\$ 1,405,803
Due from State	\$ 230,091	\$ 230,091	\$ 270,864	\$ 270,864
Accounts Receivable	\$ 1,196,835	\$ 1,196,835	\$ 871,998	\$ 871,998
Prepaid Expenses	\$ 109,876	\$ 109,876	\$ 72,057	\$ 72,057
Financial liabilities:				
Accounts Payable	\$ 214,619	\$ 214,619	\$ 182,213	\$ 182,213
Accrued Expenses	\$ 321,077	\$ 321,077	\$ 260,419	\$ 260,419
Other Liabilities	\$ 319	\$ 319	\$ 2,100	\$ 2,100
Deferred Revenue	\$ 1,300	\$ 1,300	\$ 2,700	\$ 2,700

The carrying amounts reported in the consolidated statements of financial position approximate fair values because of the short maturities of those instruments.

The Company's and its affiliates' financial instruments also include investments. The fair values of investments are based on quoted market prices for those or similar investments (Note 3).

NOTE 15 - OPERATING LEASES

The Company leases copiers under an operating lease that expires in June 2019. The School leases copiers under an operating lease that expires in September 2019. Total lease expense for the years ended June 30, 2016 and 2015 was \$26,277 and \$18,192, respectively.

Future lease payments are as follows:

Years Ending June 30,	
2017	\$ 27,396
2018	27,396
2019	27,396
2020	<u>19,546</u>
Total	<u>\$ 101,734</u>

SUPPLEMENTAL INFORMATION SECTION

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2016
(with comparative totals for 2015)

	2016					2015
	Roy Maas' Youth Alternatives, Inc.	Roy Maas' Youth Alternatives Foundation	MeadowLand Charter School	Eliminating Entries	Total	Total
	<u>ASSETS</u>					
Cash and Cash Equivalents	776,651	\$ 77,251	\$ 958,317	\$ -	\$ 1,812,219	\$ 1,405,803
Investments	421,708	768,522	-	-	1,190,230	1,561,942
Due from State	-	-	230,091	-	230,091	270,864
Accounts Receivable	1,197,766	4,856	-	(5,787)	1,196,835	871,998
Inter-Fund Loan Receivable	-	312,480	-	(312,480)	-	-
Prepaid Expenses	103,734	-	6,142	-	109,876	72,057
Land, Buildings, Improvements and Equipment, net	3,654,482	274,133	86,759	-	4,015,374	3,698,677
TOTAL ASSETS	\$ 6,154,341	\$ 1,437,242	\$ 1,281,309	\$ (318,267)	\$ 8,554,625	\$ 7,881,341
	<u>LIABILITIES AND NET ASSETS</u>					
LIABILITIES						
Accounts Payable	\$ 206,114	\$ -	\$ 17,908	\$ (5,787)	\$ 218,235	\$ 182,213
Accrued Expenses	219,444	-	101,633	-	321,077	260,419
Other Liabilities	-	-	319	-	319	2,100
Deferred Revenue	1,300	-	-	-	1,300	2,700
Inter-Fund Line of Credit	312,480	-	-	(312,480)	-	-
Line of Credit	-	-	-	-	-	228,725
TOTAL LIABILITIES	739,338	-	119,860	(318,267)	540,931	676,157
NET ASSETS						
Unrestricted:						
Undesignated	3,358,460	1,427,242	54,413	-	4,840,115	4,528,463
Designated	559,167	-	-	-	559,167	559,167
Total Unrestricted Net Assets	3,917,627	1,427,242	54,413	-	5,399,282	5,087,630
Temporarily Restricted	1,497,376	10,000	1,107,036	-	2,614,412	2,117,554
TOTAL NET ASSETS	5,415,003	1,437,242	1,161,449	-	8,013,694	7,205,184
TOTAL LIABILITIES AND NET ASSETS	\$ 6,154,341	\$ 1,437,242	\$ 1,281,309	\$ (318,267)	\$ 8,554,625	\$ 7,881,341

See independent auditor's report.

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(with comparative totals for 2015)

	2016					2015
	Roy Maas' Youth Alternatives, Inc.	Roy Maas' Youth Alternatives Foundation	MeadowLand Charter School	Eliminating Entries	Total	Total
<u>SUPPORT AND REVENUE</u>						
Government Funding	\$ 5,536,458	\$ -	\$ 1,908,056	\$ -	\$ 7,444,514	\$ 6,796,174
Grants and Contributions - General	1,374,194	10,000	7,719	-	1,391,913	1,692,373
United Way	503,368	-	-	-	503,368	421,759
Special Event Income	201,026	-	-	-	201,026	141,450
Contributed Services	139,814	-	-	-	139,814	45,722
Sales - Thrift Shop	117,160	-	-	-	117,160	140,855
Investment Income	12,997	35,305	-	-	48,302	53,439
Contributed Goods/Equipment/Fixed Assets	38,274	-	-	-	38,274	86,092
Self Referral and Other Program Fees	34,217	-	-	-	34,217	14,493
Net Gain (Loss) on Sale of Assets	(4,408)	28,936	-	-	24,528	(7,907)
Other Income	9,589	5,072	-	(5,072)	9,589	6,962
Insurance Proceeds	-	-	-	-	-	40,000
Rental Income	-	43,391	-	(43,391)	-	-
Net Loss on Investments	(21,483)	(52,020)	-	-	(73,503)	(10,313)
TOTAL SUPPORT AND REVENUE	7,941,206	70,684	1,915,775	(48,463)	9,879,202	9,421,099
<u>EXPENSES</u>						
Program Services	5,975,620	-	1,841,386	(43,391)	7,773,615	7,830,073
Supporting Services:						
General Management	761,922	-	-	-	761,922	614,963
Fundraising	261,972	-	-	-	261,972	168,612
Burdick Center	72,111	-	-	(5,072)	67,039	94,843
RMYA Foundation	-	44,899	-	-	44,899	42,286
Thrift Shop	161,245	-	-	-	161,245	142,828
TOTAL EXPENSES	7,232,870	44,899	1,841,386	(48,463)	9,070,692	8,893,605
CHANGE IN NET ASSETS	708,336	25,785	74,389	-	808,510	527,494
NET ASSETS, Beginning of Year	4,706,667	1,411,457	1,087,060	-	7,205,184	6,677,690
NET ASSETS, End of Year	\$ 5,415,003	\$ 1,437,242	\$ 1,161,449	\$ -	\$ 8,013,694	\$ 7,205,184

See independent auditor's report.

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
SCHEDULE OF THRIFT SHOP REVENUE AND EXPENSES
For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUES:		
Sales Revenue	\$ 117,160	\$ 140,855
Contributed Goods/Equipment	2,622	-
TOTAL REVENUES	119,782	140,855
EXPENSES:		
Salaries	80,236	77,529
Employee Benefits	9,090	10,237
Payroll Taxes	7,550	6,101
	96,876	93,867
Occupancy	10,510	4,455
Contract Labor	9,613	3,374
Professional Fees	8,397	6,803
Depreciation Expense	8,199	4,588
Heating, Cooling and Water	5,534	6,184
Contributed Goods/Equipment	5,244	-
Telephone	3,799	5,377
Miscellaneous	2,920	2,681
Insurance	2,550	5,509
Office Supplies, Printing and Postage	2,301	2,543
Conferences and Workshops	1,183	1,332
Computer Services and Equipment	1,052	3,345
Automotive Expenses	1,022	93
Supplies - Housekeeping	453	919
Food Services	411	48
Children's Personal Expenses	354	354
Membership Dues	264	225
Public Relations	230	481
Employee Recruitment and Other	218	300
Travel and Mileage	115	350
TOTAL EXPENSES	161,245	142,828
NET LOSS	\$ (41,463)	\$ (1,973)

See independent auditor's report.

SPECIFIC-PURPOSE FINANCIAL STATEMENTS SECTION

MEADOWLAND CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 958,317	\$ 885,291
Due from State	230,091	270,864
Prepaid Expenses	6,142	792
Property and Equipment, net	86,759	42,408
TOTAL ASSETS	\$ 1,281,309	\$ 1,199,355
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts Payable	\$ 17,908	\$ 24,233
Accrued Expenses	101,633	85,962
Other Liabilities	319	2,100
TOTAL LIABILITIES	119,860	112,295
NET ASSETS		
Unrestricted	54,413	52,512
Temporarily Restricted	1,107,036	1,034,548
TOTAL NET ASSETS	1,161,449	1,087,060
TOTAL LIABILITIES AND NET ASSETS	\$ 1,281,309	\$ 1,199,355

See independent auditor's report.

MEADOWLAND CHARTER SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(with comparative totals for 2015)

	<u>2016</u>			<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
<u>REVENUES AND OTHER SUPPORT</u>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 7,719	\$ -	\$ 7,719	\$ 11,172
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	1,400,043	1,400,043	1,426,863
5820 State Program Revenues Distributed by TEA	-	279,774	279,774	224,601
Total State Program Revenues	-	1,679,817	1,679,817	1,651,464
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	-	228,239	228,239	217,572
Total Federal Program Revenues	-	228,239	228,239	217,572
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	1,835,568	(1,835,568)	-	-
TOTAL REVENUES AND OTHER SUPPORT	1,843,287	72,488	1,915,775	1,880,208
<u>EXPENSES</u>				
11 Instruction	897,889	-	897,889	955,583
13 Curriculum Development and Instructional Staff Development	179,717	-	179,717	72,882
21 Instructional Leadership	90,675	-	90,675	191,259
23 School Leadership	254,325	-	254,325	187,572
31 Guidance, Counseling, and Evaluation Services	94,839	-	94,839	86,325
33 Health Services	175	-	175	14
34 Transportation	8,493	-	8,493	-
35 Food Services	201	-	201	1,972
36 Extracurricular Activities	15,556	-	15,556	17,274
41 General Administration	128,834	-	128,834	216,770
51 Plant Maintenance and Operations	135,309	-	135,309	153,051
52 Security and Monitoring	-	-	-	348
53 Data Processing Services	31,612	-	31,612	66,507
61 Community Services	3,761	-	3,761	265
TOTAL EXPENSES	1,841,386	-	1,841,386	1,949,822
CHANGE IN NET ASSETS	1,901	72,488	74,389	(69,614)
NET ASSETS, Beginning of Year	52,512	1,034,548	1,087,060	1,156,674
NET ASSETS, End of Year	\$ 54,413	\$ 1,107,036	\$ 1,161,449	\$ 1,087,060

See independent auditor's report.

MEADOWLAND CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Foundation School Program Payments	\$ 1,429,465	\$ 1,403,663
Grant Payments	519,364	594,677
Miscellaneous Sources	4,165	11,172
Payments to Vendors for Goods and Services Rendered	(507,076)	(671,301)
Payments to Charter School Personnel for Services Rendered	(1,315,149)	(1,246,414)
NET CASH PROVIDED BY OPERATING ACTIVITIES	130,769	91,797
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(57,743)	(39,198)
NET CASH USED BY INVESTING ACTIVITIES	(57,743)	(39,198)
NET INCREASE IN CASH FLOWS	73,026	52,599
CASH AND CASH EQUIVALENTS, Beginning of Year	885,291	832,692
CASH AND CASH EQUIVALENTS, End of Year	\$ 958,317	\$ 885,291
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Change in Net Assets	\$ 74,389	\$ (69,614)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	13,392	4,917
Decrease (Increase) in Assets:		
Due from State	40,773	129,304
Prepaid Expenses	(5,350)	33,268
(Decrease) Increase in Liabilities:		
Accounts Payable	(6,325)	(5,420)
Accrued Expenses	15,671	(2,758)
Other Liabilities	(1,781)	2,100
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 130,769	\$ 91,797

See independent auditor's report.

MEADOWLAND CHARTER SCHOOL
SCHEDULE OF EXPENSES
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
EXPENSES		
6100 Payroll Costs	\$ 1,282,943	\$ 1,328,061
6200 Professional and Contracted Services	315,967	343,592
6300 Supplies and Materials	125,578	155,870
6400 Other Operating Costs	116,898	122,299
TOTAL EXPENSES	<u>\$ 1,841,386</u>	<u>\$ 1,949,822</u>

See independent auditor's report.

MEADOWLAND CHARTER SCHOOL
SCHEDULE OF CAPITAL ASSETS
June 30, 2016

Capital assets acquired with public funds, which constitute public property pursuant to Chapter 12 of the Texas Education Code, are as follows:

	<u>Local</u>	<u>State</u>	<u>Federal</u>
1110 Cash	\$ 54,413	\$ 903,904	\$ -
1520 Buildings and Improvements	-	51,352	-
1530 Furniture and Equipment	-	54,194	-
Total Capital Assets	<u>\$ 54,413</u>	<u>\$ 1,009,450</u>	<u>\$ -</u>

See independent auditor's report.

MEADOWLAND CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES AND OTHER SUPPORT				
Local Support:				
5740 Other Revenues from Local Sources	\$ -	\$ 4,165	\$ 7,719	\$ 3,554
Total Local Support	-	4,165	7,719	3,554
State Program Revenues:				
5810 Foundation School Program Act Revenues	1,548,530	1,415,000	1,400,043	(14,957)
5820 State Program Revenues Distributed by TEA	342,431	342,431	279,774	(62,657) (1)
Total State Program Revenues	1,890,961	1,757,431	1,679,817	(77,614)
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	372,127	395,575	228,239	(167,336) (2)
Total Federal Program Revenues	372,127	395,575	228,239	(167,336)
TOTAL REVENUES AND OTHER SUPPORT	2,263,088	2,157,171	1,915,775	(241,396)
EXPENSES				
11 Instruction	1,007,299	977,004	897,889	79,115
13 Curriculum Development and Instructional Staff Development	211,364	205,259	179,717	25,542
21 Instructional Leadership	146,064	136,042	90,675	45,367
23 School Leadership	271,117	296,492	254,325	42,167
31 Guidance, Counseling, and Evaluation Services	138,752	110,577	94,839	15,738
33 Health Services	-	500	175	325
34 Transportation	11,500	11,806	8,493	3,313
35 Food Services	-	201	201	-
36 Extracurricular Activities	16,100	20,113	15,556	4,557
41 General Administration	170,251	151,334	128,834	22,500
51 Plant Maintenance and Operations	195,881	158,411	135,309	23,102
52 Security and Monitoring	2,500	-	-	-
53 Data Processing Services	75,254	69,847	31,612	38,235
61 Community Services	2,000	4,100	3,761	339
TOTAL EXPENSES	2,248,082	2,141,686	1,841,386	300,300
CHANGE IN NET ASSETS	15,006	15,485	74,389	58,904
NET ASSETS, Beginning of Year	1,087,060	1,087,060	1,087,060	-
NET ASSETS, End of Year	\$ 1,102,066	\$ 1,102,545	\$ 1,161,449	\$ 58,904

(1) Unfavorable variance due to grant period being from July through October, whereas the school's fiscal year is from July through June. Therefore, there are four more months of revenue reflected in the Final Budget amount than in the Actual amount.

(2) Unfavorable variance due to grant period being from July through September, whereas the school's fiscal year is from July through June. Therefore, there are three more months of revenue reflected in the Final Budget amount than in the Actual amount.

See independent auditor's report.

FINANCIAL AWARDS SECTION

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2016

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Health and Human Services:			
Transitional Living for Homeless Youth	93.550	90CX699603/90CX699604	\$ 200,000
Administration for Children and Families Basic Center Grant - Runaway and Homeless Youth	93.623	90CY655102/90CY655103	<u>199,176</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>399,176</u>
U.S. Department of Agriculture:			
Pass-Through Texas Department of Agriculture: School Breakfast Program and National School Lunch Program	10.553-10.555	01310	<u>143,336</u>
<i>Total U.S. Department of Agriculture</i>			<u>143,336</u>
U.S. Department of Education:			
Pass-Through Texas Education Agency:			
Title I, Part A - Grants to Local Educational Agencies, Improving Basic Programs	84.010A	16610101130801	50,209
Title I 1003 (A) Priority and Focus School Grant	84.010A	15610112130801001/16610112130801000	144,273
Title II, Part A - Improving Teacher Quality State Grant:	84.367A	16694501130801	9,010
Special Education: Grants to States	84.027A	N/A	15,822
Rural Education Achievement Program	84.358A	S358A148265/S358A158265	<u>13,127</u>
<i>Total U.S. Department of Education</i>			<u>232,441</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>774,953</u>
Texas Department of Family and Protective Services:			
Residential Child Care Services	N/A	200066/200211/200094	4,153,871
Texas Department of State Health Services:			
Residential Treatment Center	N/A	2016-048362-001	357,734
Texas Education Agency:			
Educator Excellence Innovation Program	N/A	02911617	<u>279,774</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>4,791,379</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 5,566,332</u>

See accompanying notes to schedule of expenditures of federal and state awards.

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Roy Maas' Youth Alternatives, Inc. and its affiliates and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - RECONCILIATION OF TEXAS EDUCATION AGENCY FUNDING

Due to Roy Maas' Youth Alternatives, Inc. being the charter holder for MeadowLand Charter School, the School's fiscal year end is June 30. However, the Texas Education Agency contract period with the School is through August 31. Therefore, the following is a reconciliation of the federal revenue amounts recorded on the statement of activities for the School in the Special Purpose Financial Statements compared to the amount that the TEA payment reports indicate as of August 31, 2016.

Amount received per TEA as of August 31, 2016:	\$ 274,121
Less amounts received in July/August 2016:	(41,144)
Plus expenses incurred not reimbursed at FYE 6/30/16:	153
Less amounts received in FYE 06/30/16 for expenses incurred in FYE 6/30/15:	<u>(4,891)</u>
Amounts recorded as 5920 Federal Revenue from TEA for the FYE 6/30/16:	<u>\$ 228,239</u>

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
Roy Maas' Youth Alternatives, Inc.
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Roy Maas' Youth Alternatives, Inc. and its affiliates (nonprofit organizations), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Roy Maas' Youth Alternatives, Inc.'s and its affiliates' 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 Roy Maas' Youth Alternatives, Inc.'s and its affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Roy Maas' Youth Alternatives, Inc.'s and its affiliates' 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.

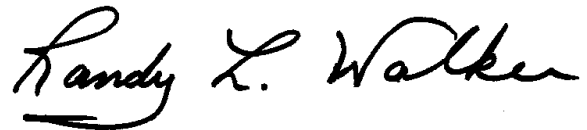
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Roy Maas' Youth Alternatives, Inc.'s and its affiliates' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a large, sweeping initial "R" and a distinct "L" and "W".

San Antonio, Texas
October 24, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the Board of Directors
Roy Maas' Youth Alternatives, Inc.
San Antonio, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Roy Maas' Youth Alternatives, Inc.'s and its affiliates' (nonprofit organizations) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of Roy Maas' Youth Alternatives, Inc.'s and its affiliates' major federal and state programs for the year ended June 30, 2016. Roy Maas' Youth Alternatives, Inc.'s and its affiliates' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Roy Maas' Youth Alternatives, Inc.'s and its affiliates' major federal and state 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; 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); and the State of Texas Single Audit Circular. Those standards, the Uniform Guidance, and the State of Texas Single Audit Circular 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 or state program occurred. An audit includes examining, on a test basis, evidence about Roy Maas' Youth Alternatives, Inc.'s and its affiliates' 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 and state program. However, our audit does not provide a legal determination of Roy Maas' Youth Alternatives, Inc.'s and its affiliates' compliance.

Opinion on Each Major Federal and State Program

In our opinion, Roy Maas' Youth Alternatives, Inc. and its affiliates 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 and state programs for the year ended June 30, 2016.

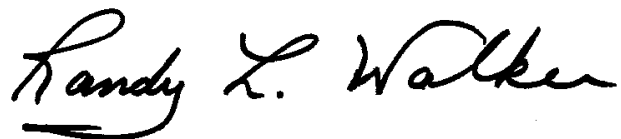
Report on Internal Control Over Compliance

Management of Roy Maas' Youth Alternatives, Inc. and its affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Roy Maas' Youth Alternatives, Inc.'s and its affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas Single Audit Circular, 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 Roy Maas' Youth Alternatives, Inc.'s and its affiliates' 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 or state 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 or state 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 or state 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 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a large, sweeping initial "R".

San Antonio, Texas
October 24, 2016

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Noncompliance material to the financial statements	None

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	None

State Awards

Internal control over major programs:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the State of Texas Single Audit Circular	None

Major Programs

Federal

84.010A Title I, Part A - Grants to Local Educational Agencies,
Improving Basic Programs

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

SUMMARY OF AUDITOR'S RESULTS (continued)

84.027A Special Education: Grants to States	
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Audit qualified as low-risk auditee	Yes
<i>State</i>	
Texas Department of Family and Protective Services Residential Child Care Services	
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Audit qualified as low-risk auditee	No
Findings - Financial Statements Audit	None
Findings and Questioned Costs - Major Federal Award Programs Audit	None
Findings and Questioned Costs - Major State Award Programs Audit	None

ROY MAAS' YOUTH ALTERNATIVES, INC. AND AFFILIATES
(ROY MAAS' YOUTH ALTERNATIVES FOUNDATION AND MEADOWLAND CHARTER SCHOOL)
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

I. PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT

None

II. PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None