GREAT SCHOOLS PARTNERSHIP

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2015

and

INDEPENDENT AUDITOR'S REPORT

GREAT SCHOOLS PARTNERSHIP

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2015

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BROWN JAKE & McDANIEL, PC
CERTIFIED PUBLIC ACCOUNTANTS
2607 KINGSTON PIKE, SUITE 110
KNOXVILLE, TENNESSEE 37919-3336
865/637-8600 • fax: 865/637-8601

JOE L. BROWN, CPA, CGFM, CGMA
FRANK D. McDANIEL, CPA, CGFM, CGMA
TERRY L. MOATS, CPA, CGFM, CGMA
JAMES E. BOOHER, CPA, CGMA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Great Schools Partnership
Knoxville, Tennessee

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Great Schools Partnership (a nonprofit charitable trust) and its supporting organization, which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Great Schools Partnership and its supporting organization as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information shown on pages 14 – 17 is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015, on our consideration of Great Schools Partnership'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 Great Schools Partnership's internal control over financial reporting and compliance.

Brown Jake & McDaniel, PC

Knoxville, Tennessee
October 26, 2015

GREAT SCHOOLS PARTNERSHIP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2015

ASSETS	
Cash and cash equivalents	$ 1,302,264
Restricted cash	32,313
Unconditional promises to give, net	982,356
Accounts receivable	259
Prepaid expenses	11,917
Property and equipment, net	97,497
Investments, of which $10,476,660 are restricted	10,629,013
Total assets	$ 13,055,619
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued expenses	$ 740,431
Scholarships payable	255,765
Loans payable	10,655,000
Total liabilities	11,651,196
Net assets:	
Unrestricted	1,345,726
Temporarily restricted	58,697
Total net assets	1,404,423
Total liabilities and net assets	$ 13,055,619

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

GREAT SCHOOLS PARTNERSHIP

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support -			
Contributions	$ 5,961,473	$ 119,000	$ 6,080,473
Investment income	5,819	165,035	170,854
Miscellaneous revenue	17,258	-	17,258
Net assets released from restrictions	225,338	(225,338)	-
Total revenues, gains and other support	6,209,888	58,697	6,268,585
Expenses -			
Program services -			
Research and development	2,454,528	-	2,454,528
Community schools	1,019,602	-	1,019,602
Student and family support	430,919	-	430,919
College access	1,551,061	-	1,551,061
Supporting services -		-	
Management and general	766,146	-	766,146
Total expenses	6,222,256	-	6,222,256
Change in net assets	(12,368)	58,697	46,329
Net assets at beginning of year	1,358,094	-	1,358,094
Net assets at end of year	$ 1,345,726	$ 58,697	$ 1,404,423

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

GREAT SCHOOLS PARTNERSHIP

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015

	Program Services					
	Research and Development	Community Schools	Student and Family Support	College Access	Management and General	Total
Salaries and benefits	$ 35,893	$ 631,238	$ 379,198	$ 762,065	$ 639,038	$ 2,447,432
Direct grants to Knox County Schools	2,162,546	-	-	-	-	2,162,546
Other program expenditures	180,346	4,098	-	-	6,754	191,198
Scholarships	-	-	-	151,530	-	151,530
In-kind Summer Institute	-	-	-	380,000	-	380,000
Scholarship celebration dinner	-	-	-	35,785	-	35,785
Summer Institute stipends	-	-	-	36,915	-	36,915
Program support	17,572	311,126	16,085	52,308	15,178	412,269
Program awareness	31,051	7,687	6,333	22,795	13,258	81,124
Special events	1,224	-	-	-	1,500	2,724
Contract labor	-	-	-	-	5,221	5,221
Conferences and meetings	-	-	651	17,532	8,517	26,700
Dues, fees and subscriptions	211	536	93	2,316	993	4,149
Equipment rental and maintenance	1,494	602	1,663	5,985	1,132	10,876
Insurance	3,898	1,571	3,544	12,758	(1,762)	20,009
Minor technology	-	-	537	2,799	2,680	6,016
Postage and shipping	206	82	681	2,450	504	3,923
Professional development	-	3,795	-	-	2,656	6,451
Professional fees	6,784	4,696	4,838	8,361	38,609	63,288
Rent	-	-	6,017	21,659	1,841	29,517
Supplies	6,150	50,397	781	3,340	15,959	76,627
Telephone	999	403	1,992	7,418	1,434	12,246
Travel and meals	1,022	1,302	2,845	4,640	5,581	15,390
Interest	-	-	-	30	18	48
Bad debt expense	3,118	1,257	-	-	3,182	7,557
Depreciation	2,014	812	5,661	20,375	3,853	32,715
Total	$ 2,454,528	$ 1,019,602	$ 430,919	$ 1,551,061	$ 766,146	$ 6,222,256

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

GREAT SCHOOLS PARTNERSHIP

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

Cash flows from operating activities:	
Change in net assets	$ 46,329
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	32,715
Net unrealized gains (losses) on investments	(165,035)
(Increase) decrease in assets:	
Unconditional promises to give	(153,094)
Accounts receivable	17,300
Prepaid expenses	599
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(524,816)
Scholarships payable	(18,735)
Net cash used by operating activities	(764,737)
Cash flows from investing activities:	
Purchase of property and equipment	(33,292)
Purchase of investments	(2,114)
Net cash used by investing activities	(35,406)
Net decrease in cash and cash equivalents	(800,143)
Cash and cash equivalents, beginning of the year	2,134,720
Cash and cash equivalents, end of the year	$ 1,334,577
Supplemental disclosure of cash flow information:	
Cash payments for interest	$ 48

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

GREAT SCHOOLS PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2015

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

The mission of Great Schools Partnership (the Organization) is to serve as a catalyst, think tank, incubator and a start-up funder for making Knox County, Tennessee schools globally competitive.

Project GRAD Knoxville, Inc. is a supporting organization of Great Schools Partnership and a private nonprofit corporation, incorporated to help ensure a quality public school education for Heart of Knoxville students, that equips and encourages youth to graduate from high school and to succeed in college or post-secondary vocational education. To achieve its purpose, Project GRAD Knoxville, Inc. has entered into an agreement with the Knox County Board of Education to implement the Project GRAD program within certain select Knox County schools. This agreement ran through June 1, 2015 and has been extended through June 1, 2016. The Organization began its initial year of operations on August 6, 2001.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization 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.

The Organization has no permanently restricted net assets during the year ended June 30, 2015.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its supporting organization. All significant intercompany balances and transactions have been eliminated in the consolidation.

Cash and Cash Equivalents

Cash equivalents consist of the highly liquid investments with an initial maturity of three months or less. Cash equivalents are carried at cost which approximates fair value.

Property and Equipment

Property and equipment are recorded at cost when purchased and at estimated fair value when donated. The cost of maintenance and repairs is charged to income as incurred. Expenditures that extend the economic lives or improve the efficiency of equipment and leaseholds are capitalized.

GREAT SCHOOLS PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Gains or losses from disposition are included in income when realized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets generally as follows:

Furniture and fixtures	7 years
Computers and equipment	3 - 5 years
Leasehold improvements	15 years

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Fair values of investments were determined based upon current market prices of the underlying securities as confirmed by the trustee.

The fair value measurement accounting literature establishes that when determining fair value a hierarchy must be used which prioritizes the inputs used to measure fair value. The highest priority of inputs (Level 1 inputs) consists of "unadjusted quoted prices in active markets for identical assets." The Organization considers the current market prices of the securities as confirmed by the trustee to be level 1 input.

Revenue

The Organization receives substantially all of its revenue from contributions and investment income.

Contribution revenue is recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Investment income consists primarily of interest and realized and unrealized gains and losses on investments. Interest is recognized as earned.

In-Kind Contributions

In-kind contributions include donated noncash assets and donated services. Donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received.

GREAT SCHOOLS PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct any unrelated business activities. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements. The Organization's Forms 990 are subject to examination by the taxing authorities. No periods are under examination, and open return years per statute are 2011 through 2014.

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.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Allocations are made on a specific-identification basis when applicable while certain supporting costs are allocated among the programs and supporting services benefited.

Date of Management's Review

The Organization has evaluated subsequent events through October 26, 2015, the date on which the financial statements were available to be issued.

2. Cash and Cash Equivalents

The Organization has concentrated its credit risk for cash by maintaining deposits at financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk to cash.

Restricted cash includes funds restricted for payment of scholarships. These funds are expected to be paid during the upcoming year.

GREAT SCHOOLS PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

3. Unconditional Promises to Give

Unconditional promises to give are recognized as revenues and as assets in the period the promise is received. Unconditional promises to give of the Organization at June 30, 2015 are scheduled to be collected as follows:

Due in:		
Less than one year	$	465,100
One to five years		550,000
Total unconditional promises to give		1,015,100
Less: allowance for doubtful accounts		(27,247)
Less: unamortized discount		(5,497)
Unconditional promises to give, net	$	982,356

4. Property and Equipment

Property and equipment consists of the following at June 30, 2015:

Furniture and fixtures	$	46,852
Computers and equipment		106,949
Leasehold improvements		143,402
Total property and equipment		297,203
Less: accumulated depreciation		(199,706)
Property and equipment, net	$	97,497

Depreciation expense for the year ended June 30, 2015 was $32,715.

5. Investments

Investments, reported at fair value, at June 30, 2015 are summarized as follows:

Unrestricted	$	152,353
Investments restricted to:		
Payment of scholarships		282,149
Payment of QZAB bonds		10,194,511
Total restricted		10,476,660
Total investments	$	10,629,013

GREAT SCHOOLS PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

5. Investments (Continued)

Unrestricted investments and investments restricted to payment of scholarships have been invested in bank certificates of deposit. The investments restricted to the payment of loans payable are held by the bond trustee to fund the repayment of the loans. The trustee has invested these funds in U.S. Government stripped securities which are scheduled to mature prior to the loans' maturity and in amounts sufficient to pay the loans as follows:

Maturity Date:	
May 2016	$ 4,975,000
October 2017	2,345,000
September 2021	3,335,000
Total	$ 10,655,000

The following schedule summarizes the investment income and its classification in the statement of activities:

	Unrestricted	Temporarily Restricted	Total
Interest income	$ 5,819	$ -	$ 5,819
Net unrealized gains (losses)	-	165,035	165,035
	$ 5,819	$ 165,035	$ 170,854

6. Loans Payable

The supporting organization (GRAD) has entered into various loan agreements with the Health, Educational and Housing Facility Board of the County of Knox (the Board) who, on the GRAD's behalf, has issued conduit debt obligations. The Board has issued Qualified Zone Academy Bonds (QZAB) totaling $10,655,000 at June 30, 2015. Series A and Series B amounting to $7,320,000 were issued in 2002 and Series C in the amount of $3,335,000 was issued in 2005. The QZAB do not bear interest as the purchasers receive federal income tax credits in lieu of interest. To qualify for these tax credits, GRAD must use the bond proceeds for restricted uses, including teacher training and curricular materials for certain schools within the Knox County, Tennessee school system. These expenditures are subject to audit by the bond trustee and the Internal Revenue Service as they related to any unused tax credits or those tax credits claimed in the open tax years of the entity that used the credits. Should an audit find exceptions in the use of the bond funds, the maturity of the bonds may be accelerated and GRAD may be liable to the bond holders for lost tax credits. The tax credits are expected to be utilized through the maturity of the bonds. No examinations have been made or requested.

6. Loans Payable (Continued)

As a condition to the sale of the QZAB, GRAD has placed with the bond trustee funds raised through contributions which, when invested, will be sufficient to redeem the bonds at maturity.

The Organization's loans payable consists of the following at June 30, 2015:

Loans payable for Qualified Zone Academy Bonds:

Series A, maturity July 10, 2016	$ 4,975,000
Series B, maturity November 7, 2017	2,345,000
Series C, maturity October 7, 2021	3,335,000
Total loans payable	$ 10,655,000

7. Line of Credit

At June 30, 2015, the supporting organization had a line of credit at a bank expiring November 1, 2015. The maximum available credit was $480,000 subject to certain limitations imposed by the lender, including pledged securities. Interest on borrowings accrues at the bank's base index rate (4.00% at June 30, 2015). The line of credit was collateralized by two certificates of deposit held at the bank. At June 30, 2015, there were no outstanding borrowings on this line of credit.

8. 401(k) Retirement Plan

The Organization participates in a 401(k) retirement plan. Eligible employees may make contributions up to the maximum dollar limit set by the IRS. The Organization matches up to three percent of the participants' compensation. Employer contributions to this plan totaled $42,443 for the year ended June 30, 2015.

The Organization also makes contributions to a 403(b) plan on behalf of one employee. Employer contributions to this plan totaled $24,000 for the year ended June 30, 2015.

9. Lease Obligations

The Organization leases office space under a month-by-month general lease agreement. This agreement can be terminated with a 90-day written notice. Total rent expense recorded under this lease was $29,517 during the year ended June 30, 2015.

GREAT SCHOOLS PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

10. Related Party Transactions

At the beginning of the year ended June 30, 2015, the Organization had $200,000 unconditional promises to give due from a board member. During the year, the board member made additional unconditional promises to give totaling $14,500. Of this amount, $14,500 has been received at June 30, 2015.

11. Commitments

The supporting organization has entered into an agreement with the Knox County Board of Education whereby each party agreed to fund certain stipulated costs of implementing and administering the Project GRAD program at certain select Knox County Schools through June 1, 2015. This agreement has been verbally renewed through June 1, 2016. This agreement can be cancelled by mutual agreement or by lack of adequate appropriated funds by the Board of Education. The estimated cost of this commitment which expires in 2016 to the supporting organization is $1,142,000.

12. Scholarships

The supporting organization (GRAD) has committed to provide scholarships for qualifying Project GRAD students. The scholarship award provides $500 per semester for 4 years for these college enrollees who continue to meet certain academic requirements. Several higher education institutions, including the University of Tennessee and Pellissippi State Community College, have agreed to assist GRAD and provide these scholarships for the qualifying students. GRAD accrues the net cost of these scholarships on a semester by semester basis when all qualifications have been met including the successful completion of the previous semester. Accordingly, GRAD has accrued the net cost of scholarships which it expects to pay for the upcoming year of $255,765. Scholarship expense totaled $151,530. If all qualified Project GRAD graduates continue to meet the eligibility requirements, GRAD's total commitment as of June 30, 2015 amounts to $963,500 over the next five years. Historically, an average of 60.7% of actual scholarships granted has been provided directly by the higher education institution, and not by GRAD.

SUPPLEMENTARY INFORMATION

GREAT SCHOOLS PARTNERSHIP

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2015

	Great Schools Partnership	Project GRAD Knoxville, Inc.	Eliminations	Total
ASSETS				
Cash and cash equivalents	$ 1,034,317	$ 267,947	$ -	$ 1,302,264
Restricted cash	-	32,313	-	32,313
Unconditional promises to give, net	982,356	135,000	(135,000)	982,356
Accounts receivable	22,818	259	(22,818)	259
Prepaid expenses	-	11,917	-	11,917
Property and equipment, net	10,681	86,816	-	97,497
Investments, of which $10,476,660 are restricted	-	10,629,013	-	10,629,013
Total assets	$ 2,050,172	$ 11,163,265	$ (157,818)	$ 13,055,619
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	$ 758,769	$ 139,480	$ (157,818)	$ 740,431
Scholarships payable	-	255,765	-	255,765
Loans payable	-	10,655,000	-	10,655,000
Total liabilities	758,769	11,050,245	(157,818)	11,651,196
Net assets:				
Unrestricted	1,291,403	54,323	-	1,345,726
Temporarily restricted	-	58,697	-	58,697
Total net assets	1,291,403	113,020	-	1,404,423
Total liabilities and net assets	$ 2,050,172	$ 11,163,265	$ (157,818)	$ 13,055,619

See independent auditor's report.

GREAT SCHOOLS PARTNERSHIP

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Great Schools Partnership	Project GRAD Knoxville, Inc.	Eliminations	Total
Revenues, gains and other support -				
Contributions	$ 4,335,491	$ 2,404,982	$ (660,000)	$ 6,080,473
Investment return	3,695	167,159	-	170,854
Miscellaneous income	-	17,258	-	17,258
Total revenues, gains and other support	4,339,186	2,589,399	(660,000)	6,268,585
Expenses -				
Program services -				
Research and development	2,454,528	-	-	2,454,528
Community schools	1,019,602	-	-	1,019,602
Student and family support	-	430,919	-	430,919
College access	-	1,551,061	-	1,551,061
Project GRAD Knoxville, Inc.	660,000	-	(660,000)	-
Supporting services -				
Management and general	468,791	297,355	-	766,146
Total expenses	4,602,921	2,279,335	(660,000)	6,222,256
Change in net assets	(263,735)	310,064	-	46,329
Net assets (deficit), beginning of year	1,555,138	(197,044)	-	1,358,094
Net assets, end of year	$ 1,291,403	$ 113,020	$ -	$ 1,404,423

See independent auditor's report.

GREAT SCHOOLS PARTNERSHIP

STATEMENT OF FUNCTIONAL EXPENSES - GREAT SCHOOLS PARTNERSHIP

Year Ended June 30, 2015

	Program Services			
	Research and Development	Community Schools	Management and General	Total
Salaries and benefits	$ 35,893	$ 631,238	$ 402,654	$ 1,069,785
Direct grants to Knox County Schools	2,162,546	-	-	2,162,546
Other program expenditures	180,346	4,098	6,754	191,198
Program support	17,572	311,126	4,950	333,648
Program awareness	31,051	7,687	8,831	47,569
Special events	1,224	-	1,500	2,724
Contract labor	-	-	3,201	3,201
Dues, fees and subscriptions	211	536	719	1,466
Equipment rental/maintenance	1,494	602	623	2,719
Insurance	3,898	1,571	1,625	7,094
Postage and shipping	206	82	8	296
Professional fees	6,784	4,696	17,036	28,516
Professional development	-	3,795	2,656	6,451
Supplies	6,150	50,397	11,061	67,608
Telephone	999	403	825	2,227
Travel and meals	1,022	1,302	2,327	4,651
Bad debt expense	3,118	1,257	3,182	7,557
Depreciation	2,014	812	839	3,665
Total	$ 2,454,528	$ 1,019,602	$ 468,791	$ 3,942,921

See independent auditor's report.

GREAT SCHOOLS PARTNERSHIP

STATEMENT OF FUNCTIONAL EXPENSES - PROJECT GRAD KNOXVILLE, INC.

Year Ended June 30, 2015

	Program Services			
	Student and Family Support	College Access	Management and General	Total
Salaries and benefits	$ 379,198	$ 762,065	$ 236,384	$ 1,377,647
Scholarships	-	151,530	-	151,530
In-kind Summer Institute	-	380,000	-	380,000
Scholarship celebration dinner	-	35,785	-	35,785
Summer Institute stipends	-	36,915	-	36,915
Program support	16,085	52,308	10,228	78,621
Program awareness	6,333	22,795	4,427	33,555
Contract labor	-	-	2,020	2,020
Conferences and meetings	651	17,532	8,517	26,700
Dues, subscriptions and fees	93	2,316	274	2,683
Equipment and maintenance	1,663	5,985	509	8,157
Insurance	3,544	12,758	(3,387)	12,915
Minor technology	537	2,799	2,680	6,016
Postage and shipping	681	2,450	496	3,627
Professional fees	4,838	8,361	21,573	34,772
Rent	6,017	21,659	1,841	29,517
Supplies	781	3,340	4,898	9,019
Telephone	1,992	7,418	609	10,019
Travel and meals	2,845	4,640	3,254	10,739
Interest	-	30	18	48
Depreciation	5,661	20,375	3,014	29,050
Total	$ 430,919	$ 1,551,061	$ 297,355	$ 2,279,335

See independent auditor's report.

BROWN JAKE & McDANIEL, PC
CERTIFIED PUBLIC ACCOUNTANTS
2607 KINGSTON PIKE, SUITE 110
KNOXVILLE, TENNESSEE 37919-3336
865/637-8600 • fax: 865/637-8601

JOE L. BROWN, CPA, CGFM, CGMA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Great Schools Partnership
Knoxville, Tennessee

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 Great Schools Partnership (a nonprofit charitable trust), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Great Schools Partnership'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 Great Schools Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of Great Schools Partnership'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Great Schools Partnership'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.

Brown Jake & McDaniel, PC

Knoxville, Tennessee
October 26, 2015

GREAT SCHOOLS PARTNERSHIP

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2015

Finding Number	Finding Title	Status

There were no prior findings reported.