

ANNUAL FINANCIAL REPORT

of

CEDARS ACADEMY

DBA

*CEDARS INTERNATIONAL
ACADEMY*

For the Years Ended
August 31, 2012 and 2011

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CEDARS ACADEMY

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August 31, 2012 and 2011

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CEDARS ACADEMY
CERTIFICATE OF BOARD

Cedars Academy
Name of Charter Holder

74-2960628
Federal Employer ID Number

Cedars International Academy
Name of Charter School

Travis
County

227-817
Co. Dist. Number

We, the undersigned, certify that the attached financial and compliance reports of the above named Charter Holder were reviewed and (check one) approved disapproved for the year ended August 31, 2012, at a meeting of the governing body of the Charter Holder on the 20 day of December 2012.


Signature of Board Secretary


Signature of Board President

NOTE: If the governing body of the Charter Holder does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cedars Academy:

We have audited the accompanying statements of financial position of Cedars Academy (the "Charter Holder") dba Cedars International Academy (a nonprofit organization) as of August 31, 2012 and 2011, and the related Statements of Activities and cash flows for the years then ended. These financial statements are the responsibility of the Charter Holder's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter Holder as of August 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of the Charter Holder'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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial schedules noted as supplemental information in the table of contents are presented for purposes of additional analysis, and are not required parts 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 2, 2012

FINANCIAL STATEMENTS

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CEDARS ACADEMY

STATEMENTS OF FINANCIAL POSITION - EXHIBIT A-1

August 31, 2012 and 2011

	2012	2011
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 446,704	\$ 417,979
Other investments	110,035	-
Due from Texas Education Agency	15,123	32,196
Due from others	4,163	4,251
Other receivables	1,461	-
Total current assets	577,486	454,426
Property and equipment, net	1,960,495	1,991,091
Total non-current assets	1,960,495	1,991,091
Total Assets	\$ 2,537,981	\$ 2,445,517
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 11,622	\$ 901
Current portion of long-term debt	79,567	73,808
Total current liabilities	91,189	74,709
Long-term liabilities:		
Bonds payable	1,331,312	1,479,329
Total long-term liabilities	1,331,312	1,479,329
Total Liabilities	1,422,501	1,554,038
Net assets:		
Unrestricted	512,521	474,398
Temporarily restricted	602,959	417,081
Total Net Assets	1,115,480	891,479
Total Liabilities and Net Assets	\$ 2,537,981	\$ 2,445,517

See Notes to Financial Statements.

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CEDARS ACADEMY
STATEMENTS OF ACTIVITIES - EXHIBIT A-2
For the Years Ended August 31, 2012 and 2011

	Unrestricted	Temporarily Restricted	Totals	
			2012	2011
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 22,793	\$ -	\$ 22,793	\$ 17,145
5750 Revenue from cocurricular or enterprising	-	37,414	37,414	20,670
5760 Revenue from intermediate sources	15,330	-	15,330	-
Total local support	38,123	37,414	75,537	37,815
State program revenues				
5810 Foundation school program act revenues	-	1,919,030	1,919,030	1,739,325
5820 State program revenues distributed by Texas Education Agency	-	926	926	12,074
Total state program revenue	-	1,919,956	1,919,956	1,751,399
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	441,337	441,337	405,913
Net assets released from restrictions:				
Restricted satisfied by payments	2,212,829	(2,212,829)	-	-
Total Revenues	2,250,952	185,878	2,436,830	2,195,127
Expenses				
11 Instruction	1,236,509	-	1,236,509	1,222,950
12 Instructional resources and media services	-	-	-	500
13 Curriculum development and instructional staff development	18,435	-	18,435	13,833
21 Instructional leadership	47,232	-	47,232	23,839
23 School leadership	113,208	-	113,208	99,214
31 Guidance, counseling and evaluation services	46,103	-	46,103	43,972
33 Health services	165	-	165	109
35 Food services	167,646	-	167,646	143,057
36 Cocurricular/extracurricular activities	26,126	-	26,126	16,442
41 General administration	158,559	-	158,559	143,302
51 Plant maintenance and operations	287,008	-	287,008	350,683
52 Security and monitoring services	1,289	-	1,289	1,785
53 Data processing services	28,896	-	28,896	28,199
61 Community services	17,861	-	17,861	17,235
71 Debt service	63,792	-	63,792	83,862
Total Expenses	2,212,829	-	2,212,829	2,188,982
Change in Net Assets	38,123	185,878	224,001	6,145
Beginning net assets	474,398	417,081	891,479	885,334
Ending Net Assets	\$ 512,521	\$ 602,959	\$ 1,115,480	\$ 891,479

See Notes to Financial Statements.

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CEDARS ACADEMY
STATEMENTS OF CASH FLOWS - EXHIBIT A-3
For the Years Ended August 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Revenue from cocurricular or enterprising	\$ 51,283	\$ 20,670
Foundation school program payments	1,919,956	1,813,809
Grant payments	458,498	410,164
Miscellaneous sources	22,793	17,145
Payments to vendors for goods and services rendered	(399,698)	(352,072)
Payments to charter school personnel for services rendered	(1,574,271)	(1,510,177)
Interest payments	(63,792)	(83,862)
Net Cash Provided in Operating Activities	414,769	315,677
Cash Flows from Investing Activities		
Payments for property and equipment	(133,751)	(32,566)
Purchase of investments	(110,035)	-
Net Cash (Used) in Investing Activities	(243,786)	(32,566)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(142,258)	(119,458)
Net Cash (Used) in Financing Activities	(142,258)	(119,458)
Net Change in Cash and Cash Equivalents	28,725	163,653
Beginning cash and cash equivalents	417,979	254,326
Ending Cash and Cash Equivalents	\$ 446,704	\$ 417,979
Adjustments to Reconcile to Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in net assets	\$ 224,001	\$ 6,145
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) in operating activities:		
Depreciation	164,347	246,092
(Increase) decrease in:		
Due from Texas Education Agency	17,073	62,410
Due from others	88	4,251
Other receivables	(1,461)	-
Increase (decrease) in:		
Accounts payable	10,721	(3,221)
Net Cash Provided in Operating Activities	\$ 414,769	\$ 315,677

See Notes to Financial Statements.

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CEDARS ACADEMY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended August 31, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of Cedars Academy (the “Charter Holder”) dba Cedars International Academy (a non-profit organization) were prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The Charter Holder is a not-for-profit organization incorporated in the State of Texas in May 2000 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter Holder is governed by a Board of Directors comprised of eight members. The Board of Directors is selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions, appoint the chief executive officer of the Charter Holder, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Charter Holder.

Since the Charter Holder received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Reclassifications

Applicable revenue and instruction expenses for the 2011 fiscal year have been reclassified to conform with the 2012 presentation.

Cash and due from others, as well as revenue and instruction and instructional leadership expenses in the 2011 fiscal year have been revised to include the 21st Century Community Learning Centers activity grant as part of the reporting entity. The effect of this change on net assets is zero.

Corporate Operations

In May 2000, the State Board of Education of the State of Texas granted the Charter Holder an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. 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, Cedars International Academy was opened. Cedars International Academy was organized to provide educational services to “at risk” students. The Charter Holder’s Board of Directors governs their programs, services, activities and functions. For the school year 2011-2012, Cedars International Academy served grades pre-kindergarten through eighth grade.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

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

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

Temporarily restricted – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Charter Holder, the charter school and/or the passage of time. When a restriction expires,

CEDARS ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2012 and 2011

temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted – net assets required to be maintained in perpetuity with only the income to be used for the Charter Holder’s activities due to donor-imposed restrictions.

Use of Estimates

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

Contributions

The Charter Holder accounts for contributions 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 temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

For financial statement purposes, the Charter Holder considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose financial statements. Capital assets are defined by the Charter Holder as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to 20 years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

NOTE 2 – DEPOSITS AND INVESTMENTS

As of August 31, 2012, the Charter held the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 110,035	0.07

CEDARS ACADEMY

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended August 31, 2012 and 2011

NOTE 3 – CAPITAL ASSETS

Capital assets at August 31, 2012 and 2011 were as follows:

	2012	2011
Buildings and improvements	\$ 2,672,474	\$ 2,586,700
Furniture and equipment	81,074	33,097
Total Property and Equipment	2,753,548	2,619,797
Less accumulated depreciation	(793,053)	(628,706)
Property and Equipment, Net	\$ 1,960,495	\$ 1,991,091

Capital assets acquired with public funds received by the Charter Holder for the operation of the charter school constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the schedule of capital assets.

Depreciation expense for the 2012 and 2011 fiscal years were \$164,347, and \$246,092.

NOTE 4 – LONG-TERM DEBT

On September 11, 2008, the Charter Holder entered into a loan agreement with Amegy Bank of Texas. The original loan amount was \$100,000 and the interest rate was 7.5 percent. In August 2011, the Charter Holder paid off the remaining balance of \$42,984 bringing the loan balance at Amegy Bank of Texas to zero.

The Charter Holder entered into a Tri-Party Loan Agreement in May 2007 with the La Vernia Higher Education Finance Corporation (the "Corporation") and Amegy Bank to obtain financing for the building located at 8416 N. IH-35, Austin, TX. Financing was obtained in the form of two promissory notes. The Corporation has assigned its rights, title, and interest in these notes to Amegy Bank. These notes are referred to as the tax-exempt note in the principal amount of \$1,683,670 and the taxable note in the principal amount of \$176,330. The tax-exempt note originally carried an interest rate of 4.910 percent. On May 1, 2012, this rate was adjusted to a fixed rate equal to 65 percent of the five year LIBOR Swap Rate plus 1.65 percent and this rate will continue through maturity on May 1, 2017. The taxable note originally carried an interest rate of 6.750 percent. On May 1, 2012, this rate was adjusted to a fixed rate equal to the sum of the five year LIBOR Swap Rate plus 1.75 percent and this rate will continue through maturity on May 1, 2017.

	Beginning Balance	Additions	Reductions	Ending Balance
Tax-Exempt Note	\$ 1,452,567	\$ -	\$ (67,175)	\$ 1,385,392
Taxable Note	100,570	-	(75,083)	25,487
	\$ 1,553,137	\$ -	\$ (142,258)	\$ 1,410,879

Future maturities of long-term debt at August 31, 2012 are as follows:

Year Ended August 31	Principal	Interest	Total
2013	\$ 79,567	\$ 30,322	\$ 109,889
2014	93,844	30,804	124,648
2015	83,401	28,700	112,101
2016	85,345	26,756	112,101
2017	1,068,722	18,611	1,087,333
	\$ 1,410,879	\$ 135,193	\$ 1,546,072

CEDARS ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2012 and 2011

Total interest expenses for fiscal years 2012 and 2011 were \$63,792, and \$83,862.

NOTE 5 – PENSION PLAN OBLIGATIONS

Plan Description

The Charter Holder contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the Charter Holder, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, www.trs.state.tx.us.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas State legislature. The State funding policy is as follows: (1) the State constitution requires the legislature to establish a member contribution rate of not less than six percent of the member's annual compensation and a State contribution rate of not less than six percent and not more than ten percent of the aggregate annual compensation of all members of the system; (2) State statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds one year, the period would be increased by such action. State law provides for a member contribution rate of 6.4 percent for fiscal year 2012, 2011, and 2010, and a state contribution rate of 6.64 percent for fiscal years 2012, 2011 and 2010. The Charter Holder's employees' contributions to the System for the years ending August 31, 2012, 2011, and 2010 were \$75,120, \$70,882, and \$65,167 respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the Charter Holder for salaries above the statutory minimum for the years ending August 31, 2012, 2011, and 2010 were \$11,784, \$7,514, and \$6,027, respectively, equal to the required contributions for each year.

NOTE 6 – HEALTH CARE COVERAGE

During the year ended August 31, 2012, employees of the Charter Holder were covered by TRS Active Employee Insurance Plan (the "Plan"). The Charter Holder contributed \$298 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

CEDARS ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2012 and 2011

NOTE 7 – DUE FROM STATE

As of August 31, 2012 and 2011, the Charter Holder’s due from State consisted of the following:

	2012	2011
ESEA Title I Part A – Improving Basic Programs	\$ 15,123	\$ -
ARRA, Title XIV, State Fiscal Stabilization Fund	-	7,207
National School Breakfast and Lunch Program	-	24,989
Total	\$ 15,123	\$ 32,196

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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

The last three years of informational tax returns, 2011, 2010, and 2009, filed with the IRS remain subject to examination.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

As of August 31, 2012 and 2011, the Charter Holder’s temporarily restricted net assets consisted of the following:

	2012	2011
State Foundation Program	\$ 589,843	\$ 359,046
National School Lunch and Breakfast Program	11,191	53,401
Campus Activity Fund	1,925	4,634
Total	\$ 602,959	\$ 417,081

NOTE 10 – CHANGE IN BEGINNING NET ASSETS

The Charter has restated beginning net assets in order to record depreciation for construction in progress completed in prior years.

	Net Assets
Prior year ending net assets as reported	\$ 1,041,403
Increase in accumulated depreciation	(149,924)
Restated beginning net assets	\$ 891,479

NOTE 11 – STATE FOUNDATION PROGRAM REVENUE

Charter schools in the State of Texas participate in the State foundation program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period and, at the close of the year, actual attendance is calculated by the TEA. The attendance reports are subject

CEDARS ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2012 and 2011

to audit by the TEA and final State foundation program earnings may be adjusted as a result of any such audit. During the period ended August 31, 2012, the Charter Holder was paid \$1,919,030 of State foundation program

NOTE 12 – SHARED SERVICE ARRANGEMENTS

The Charter Holder participates as a member in the Austin Area Special Education Cooperative, which is a shared services arrangement for special education services. The fiscal agent is NYOS Charter School, Inc. The Charter Holder does account for revenues and expenditures in this program and does disclose them in these financial statements. The Charter Holder neither has joint ownership interest in fixed assets purchased by the fiscal agent or NYOS Charter School, Inc. The Charter Holder does not have a net equity interest in the fiscal agent. The fiscal agent is not accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the Charter Holder. The Charter Holder received \$39,749 in services by being a member of this cooperative.

The Charter Holder participates as a member in the Austin Area 21st Century Community Learning Centers Cooperative which is a shared services arrangement for establishing or expanding community learning center services. The fiscal agent is NYOS Charter School, Inc. The Charter Holder does account for revenues and expenditures in this program and does disclose them in these financial statements. The Charter Holder neither has joint ownership interest in fixed assets purchased by the fiscal agent or NYOS Charter School, Inc. The Charter Holder does not have a net equity interest in the fiscal agent. The fiscal agent is not accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the Charter Holder. The Charter Holder received \$125,766 in services by being a member of this Cooperative.

NOTE 13 – CHARTER HOLDER OPERATIONS

The Charter Holder operated one charter school, Cedars International Academy, and did not conduct any other charter or non-charter activities.

NOTE-14 – SUBSEQUENT EVENTS

Disclosure of any subsequent events have been evaluated through the date of the independent auditor's report.

SUPPLEMENTAL INFORMATION

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CEDARS ACADEMY
SCHEDULES OF EXPENSES - EXHIBIT C-1
 For the Years Ended August 31, 2012 and 2011

Expenses	Totals	
	2012	2011
6100 Payroll costs	\$ 1,574,271	\$ 1,510,177
6200 Professional and contracted services	199,412	166,301
6300 Supplies and materials	178,770	136,295
6400 Other operating costs	196,584	292,347
6500 Debt	63,792	83,862
Total Expenses	\$ 2,212,829	\$ 2,188,982

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CEDARS ACADEMY

SCHEDULE OF CAPITAL ASSETS - EXHIBIT D-1

August 31, 2012

	Ownership Interest		
	Local	State	Federal
1520 Buildings and improvements	\$ -	\$ 2,507,675	\$ 164,799
1539 Furniture and equipment	-	26,097	54,977
Total Property and Equipment	\$ -	\$ 2,533,772	\$ 219,776

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CEDARS ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - EXHIBIT E-1
For the Year Ended August 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 18,000	\$ 19,500	\$ 22,793	\$ 3,293
5760 Revenue from immediate sources	-	-	15,330	15,330
Total Local Support	<u>18,000</u>	<u>19,500</u>	<u>38,123</u>	<u>18,623</u>
State program revenues				
5810 Foundation school program act revenues	<u>1,737,006</u>	<u>1,897,003</u>	<u>1,919,030</u>	<u>22,027</u>
Total Revenues	<u>1,755,006</u>	<u>1,916,503</u>	<u>1,957,153</u>	<u>40,650</u>
Expenses				
11 Instruction	1,034,287	1,033,948	1,005,851	28,097
13 Curriculum development and instructional staff development	12,711	12,541	9,264	3,277
23 School leadership	105,980	115,758	113,208	2,550
31 Guidance, counseling and evaluation services	40,000	39,939	33,849	6,090
33 Health services	300	300	165	135
41 General administration	150,184	160,470	158,559	1,911
51 Plant maintenance and operations	127,583	147,991	128,969	19,022
52 Security and monitoring services	1,600	1,600	1,289	311
53 Data processing services	28,309	28,897	28,896	1
61 Community services	18,000	19,000	17,861	1,139
71 Debt service	77,787	77,787	63,792	13,995
Total Expenses	<u>1,596,741</u>	<u>1,638,231</u>	<u>1,561,703</u>	<u>76,528</u>
Change in Net Assets	<u>\$ 158,265</u>	<u>\$ 278,272</u>	395,450	<u>\$ 117,178</u>
Reconciliation to Ending Net Assets				
Change in net assets due to activity in other funds			(171,449)	
Depreciation			(164,347)	
		Change in Net Assets (all funds)	<u>224,001</u>	
Beginning net assets			891,479	
		Ending Net Assets	<u>\$ 1,115,480</u>	

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OVERALL COMPLIANCE AND INTERNAL CONTROLS



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

To the Board of Directors of
Cedars Academy:

We have audited the financial statements of Cedars Academy (the "Charter Holder") dba Cedars International Academy (a nonprofit organization) as of and for the years ended August 31, 2012 and 2011, and have issued our report thereon dated November 2, 2012. 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.

Internal Control over Financial Reporting

Management of the Charter Holder is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Charter Holder's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Holder's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter Holder's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Holder's 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*.

This report is intended solely for the information and use of the Board of Directors, management, and the Texas Education Agency and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 2, 2012

CEDARS ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - EXHIBIT F-1

For the Year Ended August 31, 2012

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of audit report issued Unqualified

Internal control over financial reporting:

One or more material weakness(es) identified? No

One or more significant deficiency(ies) identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

II. FINANCIAL STATEMENT FINDINGS

None identified.

III. FINDINGS AND QUESTIONED COSTS FOR STATE AND FEDERAL AWARDS

None identified.

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CEDARS ACADEMY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - EXHIBIT G-1

For the Year Ended August 31, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

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