

Audit Report

**CEDARS INTERNATIONAL
ACADEMY
AUSTIN, TEXAS**

***FOR THE YEAR ENDED
AUGUST 31, 2003***

**John R. Pechacek, CPA
Bellville, Texas**

CEDARS INTERNATIONAL ACADEMY

Austin, Texas

AUDIT FOR THE YEAR ENDED AUGUST 31, 2003

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CERTIFICATE OF BOARD

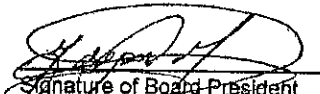
CEDARS INTERNATIONAL ACADEMY
Name of Charter School

TRAVIS
County

227-817
Co. -Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named charter school were reviewed and (check one) approved disapproved for the period ended August 31, 2003, at a meeting of the board of directors of such school district on the 11th day of March, 2004


Signature of Board Secretary


Signature of Board President

If the board of directors disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

John R. Pechacek

Certified Public Accountant

P.O. Box 549 • Bellville, Texas 77418-0549 • 979.865.3169 • Fax 979.865.9829

Independent Auditor's Report

Board of Directors
Cedars International Academy
Austin, Texas

I have audited the accompanying general-purpose financial statements of Cedars International Academy as of and for the year ended August 31, 2003. These general-purpose financial statements are the responsibility of the charter holder's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

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

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the charter holder, as of August 31, 2003, and the respective changes in net assets and cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 6, 2004, on my consideration of the charter holder's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



John R. Pechacek,
February 6, 2004

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

CEDARS INTERNATIONAL ACADEMY
STATEMENT OF FINANCIAL POSITION
Fiscal Year Ended August 31, 2003

ASSETS	<u>2003</u>	<u>2002</u>
Current Assets -		
Cash on Hand and In Banks	\$ 13,537	\$ 83,385
Due from Texas Education Agency	86,072	51,228
Accounts Receivable	-	-
Other Assets- Deposits	-	-
Total Current Assets	<u>99,609</u>	<u>134,613</u>
Fixed Assets Net of Accumulated Depreciation	<u>217,221</u>	<u>176,281</u>
Total Assets	<u><u>316,830</u></u>	<u><u>310,895</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities -		
Accounts Payable	3,332	464
Payroll Deductions Payable	(2,545)	-
Due to TRS	3,591	-
Accrued Salaries Payable	-	4,482
Due to State	36	-
Deferred Revenue	-	19,080
Notes Payable	-	5,000
Total Current Liabilities -	<u>4,414</u>	<u>29,026</u>
Long-Term Liabilities -		
Notes Payable	-	-
Total Long-Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	4,414	29,026
Net Assets -		
Unrestricted (Deficiency)	55,565	13,773
Temporarily Restricted (Deficiency)	<u>256,851</u>	<u>268,096</u>
Total Net Assets	<u>312,416</u>	<u>281,869</u>
Total Liabilities and Net Assets	<u><u>\$ 316,830</u></u>	<u><u>\$ 310,895</u></u>

(The accompanying notes are an integral part of this financial statement.)

CEDARS INTERNATIONAL ACADEMY

STATEMENT OF ACTIVITIES

Fiscal Year Ended August 31, 2003

	2003			2002
	Unrestricted	Temporarily Restricted	Totals	
REVENUE AND OTHER SUPPORT				
Local Support-				
5730 Revenue from Afterschool Program	\$ 20,010	\$ -	\$ 20,010	\$ -
5740 Other Revenue from Local Sources	1,356	-	1,356	16,523
5750 Revenue from Cocurr or Enterpr	16,975	-	16,975	1,505
5760 Revenue from Intermed Sources	3,451	-	3,451	-
Total Local Support	41,792	-	41,792	18,029
State Program Revenues-				
5810 Foundation School Program	-	599,592	599,592	342,315
5820 State Matching Funds	-	-	-	-
5820 Accelerated Reading Program	-	8,500	8,500	6,714
5820 Technology Allotment	-	2,773	2,773	1,352
5830 TRS Supplemental Health Ins	-	12,416	12,416	-
Total State Program Revenues	-	623,281	623,281	350,381
Federal Program Revenues-				
5920 ESEA Title II, Part B	-	-	-	114
5920 IDEA Part B, Formula	-	3,214	3,214	-
5920 IDEA Part B, Capacity	-	118	118	-
5920 ESEA Title VI, Innovative Ed Prog	-	-	-	191
5920 Child Nutrition Program	-	18,253	18,253	-
5920 ESEA Title VI, Class Size Reduction	-	-	-	777
5920 Start Up Grant	-	-	-	125,000
5920 Start Up Grant	-	101,170	101,170	298,830
Total Federal Program Revenues	-	122,755	122,755	424,912
Interest and Other Revenues	-	-	-	-
Net Assets Released from Restrictions	757,281	(757,281)	-	-
Total Revenue and Other Support	799,073	(11,245)	787,829	793,322
EXPENSES AND OTHER LOSSES				
Total Expenditures (*)				511,453
11 Instruction	403,263	-	403,263	
12 Instructional Resources	3,042	-	3,042	
13 Curr Development and Instr St Devel	2,315	-	2,315	
23 School Leadership	-	-	-	
31 Guidance, Couseling, Eval Services	15,676	-	15,676	
33 School Health	1,365	-	1,365	
35 Food Services	67,549	-	67,549	
36 Extracurricular/Cocurricular Act	329	-	329	
41 Administration	105,730	-	105,730	
51 Plant Maintenance	134,859	-	134,859	
52 Security	629	-	629	
53 Data Processing	4,400	-	4,400	
61 Communtiy Service	18,123	-	18,123	
Total Expenses	757,281	-	757,281	511,453
Change in Net Assets	41,792	(11,245)	30,547	281,869
Net Assets (Deficiency), Beginning of Year	13,773	268,096	281,869	-
Net Assets (Deficiency), End of Year	\$ 55,565	\$ 256,851	\$ 312,416	\$ 281,869

(The accompanying notes are an integral part of this financial statement.)

(*) - The format of the prior year report was different. The expenses in total per the 2002 audit are reported above.

CEDARS INTERNATIONAL ACADEMY

STATEMENT OF CASH FLOWS

Fiscal Year Ended August 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	2003	2002
Foundation School Program Payments	\$ 535,462	\$ 321,399
Grant Payments	157,776	407,582
Contributions from Fund-Raising	-	-
Miscellaneous Sources	41,792	18,029
Cash Paid to Suppliers for Goods and Services	(294,091)	(217,700)
Cash Paid to Employees for Services	(449,074)	(273,497)
Net Cash Provided by Operating Activities	(8,135)	255,813
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(56,713)	(177,429)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Payments on) Note Payable	(5,000)	5,000
Net Increase in Cash and Cash Equivalents	(69,848)	83,385
Cash and Cash Equivalents at Beginning of Year	83,385	-
Cash and Cash Equivalents at End of Year	\$ 13,537	\$ 83,385

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Change in Net Assets	\$ 30,547	\$ 281,869
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	15,774	1,148
(Increase) Decrease in Net Assets-		
Due from Texas Education Agency	(34,844)	(51,228)
Prepaid Expenses	-	-
Increase (Decrease) in Operating Liabilities-		
Accounts Payable	2,868	464
Payroll Deductions Payable	(2,545)	-
Accrued Salaries Payable	(4,482)	4,482
Due to TRS	3,591	-
Due to State	36	-
Deferred Revenue	(19,080)	19,078
Net Cash Provided by Operating Activities	\$ (8,135)	\$ 255,813

(The accompanying notes are an integral part of this financial statement.)

CEDARS INTERNATIONAL ACADEMY
SCHEDULE OF EXPENSES
Fiscal Year Ended August 31, 2003

EXPENSES

	TOTALS	
	2003	2002
6100 Payroll	\$ 445,638	\$ 292,141
6200 Professional and Contracted Services	169,957	97,891
6300 Supplies and Materials	91,660	118,039
6400 Other Operating Costs	24,211	3,383
6500 Debt	-	-
6600 Capital Outlay	25,816	-
Total Expenses	\$ 757,281	\$ 511,453

CEDARS INTERNATIONAL ACADEMY
SCHEDULE OF CAPITAL ASSETS
Fiscal Year Ended August 31, 2003

	OWNERSHIP INTEREST		
	LOCAL	STATE	FEDERAL
1110 Cash	\$ -	\$ -	\$ -
1510 Land and Improvements	-	-	-
1520 Building Improvements	-	36,996	164,049
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	26,097	7,000
Total Property and Equipment	\$ -	\$ 63,093	\$ 171,049

CEDARS INTERNATIONAL ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND ONLY
Fiscal Year Ended August 31, 2003

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE AND OTHER SUPPORT				
Local Support				
5730 Afterschool Program	\$ -	\$ -	\$ 20,010	\$ 20,010
5740 Other Revenue from Local	16,000	24,470	1,356	(23,114)
5750 Revenue from Cocurr/Enterprising	-	-	3,451	3,451
5760 Revenue from Int Sources	-	-	-	-
Total Local Support	16,000	24,470	24,817	347
State Program Revenues				
5810 Foundation School Prog Act Rev	553,495	548,000	599,592	51,592
5820 State Prog Rev Dist by the TEA	-	-	-	-
5830 State Rev from State of Texas Government Agencies	-	-	-	-
Total State Program Revenues	553,495	548,000	599,592	51,592
Federal Program Revenues				
5920 Federal Revenues Dist by the TEA	-	-	-	-
Total Federal Program Revenues	-	-	-	-
Interest and other income	-	-	-	-
Net Assets Released from Restrictions: Restrictions satisfied by payments	-	-	-	-
Total Revenue and Other Support	569,495	572,470	624,410	51,940
EXPENSES AND OTHER LOSSES				
11 Instruction	298,015	258,390	314,012	(55,622)
12 Instructional Resources and Media	-	3,100	269	2,831
13 Curriculum Development & Instructional Staff Development	4,000	2,380	2,315	65
21 Instructional Leadership	-	-	-	-
23 School Leadership	-	-	-	-
31 Guidance, Counseling & Eval Services	10,145	15,920	15,676	244
33 Health Services	400	1,375	1,365	10
36 Extracurricular/Cocurricular	-	345	329	16
34 Transportation	-	-	-	-
41 General Administration	96,700	77,215	83,918	(6,703)
51 Plant Maintenance	94,720	235,205	128,360	106,845
52 Security	1,000	575	629	(54)
53 Data Processing	5,000	4,400	4,400	-
61 Community Service	16,735	19,170	18,123	1,048
81 Fund Raising	-	-	-	-
Total Expenses	526,715	618,075	569,397	48,678
Change in Net Assets	42,780	(45,605)	55,013	100,618
Net Assets (Deficiency), Beginning of Year	281,869	281,869	281,869	-
Net Assets (Deficiency), End of Year	\$ 324,649	\$ 236,264	\$ 336,882	\$ 100,618

(The accompanying notes are an integral part of this financial statement.)

CEDARS INTERNATIONAL ACADEMY
Notes to Financial Statements
Fiscal Year Ended August 31, 2003

Note 1: Summary of Significant Accounting Policies

The general-purpose financial statements of Cedars International Academy (the corporation) were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

The corporation 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. A Board of Directors comprised of three members governs the corporation. The Board of Directors is selected pursuant to the bylaws of the corporation and has the authority to make decisions, appoint the chief executive officer of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the corporation.

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

Corporate Operations

In May 2000, the State Board of Education of the State of Texas granted the corporation 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 for the academic year 2001-2002. Cedars International Academy was organized to provide educational services to students in grades K-6 and the corporation's board of directors governs their programs, services, activities and functions.

Basis of Presentation

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management made certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Cedars International Academy
Notes to Financial Statements
Fiscal Year Ended August 31, 2003

Note 1: Summary of Significant Accounting Policies (continued)

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

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 corporation, the charter school and/or the passage of time. 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.

Permanently restricted -- net assets required to be maintained in perpetuity with only the income to be used for the charter school's activities due to donor-imposed restrictions.

Contributions

The corporation accounts for contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions 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 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 corporation 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 and specific-purpose financial statements. Capital assets are defined by the corporation 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 twenty 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.

Cedars International Academy
Notes to Financial Statements
Fiscal Year Ended August 31, 2003

Note 2: Capital Assets

Capital assets at August 31, 2003 and 2002 were as follows:

	<u>2003</u>	<u>2002</u>
Land	\$ -	\$ -
Buildings and improvements	201,045	164,049
Furniture and Equipment	33,097	13,380
	<hr/>	<hr/>
Total property and equipment	234,142	177,429
Less accumulated depreciation	16,921	1,148
Property and equipment, net	\$ <u>217,221</u>	\$ <u>176,281</u>

Capital assets acquired with public funds received by the corporation for the operation of Cedars International Academy constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

Note 3: Debt

As of August 31, 2003, Cedars International Academy had no debt.

Note 4: Pension Plan Obligations

Plan Description

The charter school contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System 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. The System'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.

Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the charter school's covered payroll. Cedars International Academy employees' contributions to the System for the year ending August 31, 2003 was \$ 21,537, equal to the required contributions for the year. Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum for the year ending August 31, 2003 was \$0. The required contribution for the year was \$3,590 and has been posted as due to TRS.

Cedars International Academy
Notes to Financial Statements
Fiscal Year Ended August 31, 2003

Note 5: Health Care Coverage

During the year ended August 31, 2003, employees of Cedars International Academy were covered by the TRS Active Employee Health Insurance Plan (the Plan). The charter school contributed \$83.33 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.

Note 6: Deferred Revenue

At August 31, 2003, there was no deferred revenue for the Charter Holder.

Note 7: Due from State

At August 31, 2003, the Charter Holder's due from State consisted of the following:

<u>Cedars International Academy</u>		<u>2003</u>
Foundation School Program Year 2003-2004	\$	37,609
Foundation School Program Year 2002-2003		42,465
IDEA Part B, Formula Year 2002-2003		3,214
IDEA Part B, Capacity Year 2002-2003		118
TRS Supplemental Insurance Year 2002-2003		2,666
Total	\$	<u>86,072</u>

Note 8: Temporarily Restricted Net Assets

Temporary restricted net assets for the year ending August 31, 2003 consisted of the following:

<u>Cedars International Academy</u>		<u>2003</u>
State Foundation Program	\$	284,066
Food Services		<u>(27,215)</u>
Total	\$	<u>256,851</u>

Cedars International Academy
Notes to Financial Statements
Fiscal Year Ended August 31, 2003

Note 9: Commitments and Contingencies

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

Note 10: Operating Leases

Cedars International Academy entered into a lease agreement with Eparchy of Our Lady of Lebanon of Los Angeles DBA Our Lady's Maronite Catholic Church on August 1, 2002 through July 31, 2006. The monthly rental payment was \$3,500. The property is located at 1320 East 51st Street, Austin, Texas.

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 Texas Education Agency and the amount of State Foundation Program earnings is calculated. The enrollment and attendance reports are subject to audit by the Texas Education Agency and final State Foundation Program earnings may be adjusted as a result of any such audit. During the year ended August 31, 2003, Cedars International Academy was paid \$535,462 of State Foundation Program funds of which all was earned (before any possible TEA enrollment and attendance audit).

Cedars International Academy had 9 days of instruction in August, 2003. Based on the estimated State Foundation Program revenue for the 2003-2004 school year as provided by the Texas Education Agency, the School earned \$37,609, of State Foundation Program revenue for these days of instruction. This revenue has been accrued at August 31, 2003 and will be received after September 1, 2003.

COMPLIANCE
AND
INTERNAL CONTROL

John R. Pechacek

Certified Public Accountant

P.O. Box 549 • Bellville, Texas 77418-0549 • 979.865.3169 • Fax 979.865.9829

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Cedars International Academy
Austin, Texas

Members of the Board of Directors:

I have audited the financial statements of Cedars International Academy (the corporation) as of and for the year ended August 31, 2003, and have issued my report thereon dated February 6, 2004. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the corporation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-1, 03-2 and 03-3.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the corporation's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.



John R. Pechacek
February 6, 2004

CEDARS INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended August 31, 2003

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements of the auditee	Unqualified
2. Reportable conditions in internal controls disclosed by the audit of the financial statements	None
a. Reportable conditions that were material weaknesses	None
3. Noncompliance material to the financial statements of the auditee disclosed by the audit of the financial statements	None
4. Auditee meets the requirements for Single Audit for Federal Awards	No

II. Financial Statement Findings

<u>Reference Number</u>	<u>Finding/Noncompliance</u>
03-1	Cedars International Academy failed to expend 85% of the Compensatory Education Block Grant which was allocated by the State.
03-2	Cedars International Academy had unfavorable budget variances.
03-3	Cedars International Academy failed to make contributions from federal or private grants or the general fund for 6.0% of any salaries from a federal or private grant. This contribution is the School's payment to TRS for those federal salaries that the State of Texas does not include in its on behalf calculation. The School did not make these contributions for the year.

CEDARS INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended August 31, 2003

III. Federal Award Findings and Questioned Costs

None

IV. Statement of Corrective Action

<u>Reference Number</u>	<u>Corrective Action</u>
03-1	The Academy will need to review their procedures for the allocation of the block grant named above and take action to maximize the allowable expenditures.
03-2	The Academy's final budget was over expended in one function category by more than 10%. The Academy did approve a final amended budget at the close of the 2002-2003 fiscal year. The school board has been reminded of their requirement to make appropriations prior to the expenditure of the Academy's funds.
03-3	The Academy will make appropriate contributions of 6.0% of federal or private grant salaries to TRS. This is the Academy's portion of the on behalf payments which the State of Texas does not contribute.