

Audit Report

**CEDARS ACADEMY
DBA
CEDARS INTERNATIONAL ACADEMY
Austin, Texas**

***FOR THE YEAR ENDED
AUGUST 31, 2009***

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

**CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
AUSTIN, TEXAS
AUDIT FOR THE YEAR ENDED AUGUST 31, 2009**

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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 annual financial reports of the above named Charter Holder were reviewed and (check one) _____ approved _____ disapproved for the period ended August 31, 2009, at a meeting of the board of directors of such school district on the ____ day of _____, _____.

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

Unqualified Opinion on Financial Statements

Board of Directors
Cedars Academy
DBA Cedars International Academy
Austin, Texas

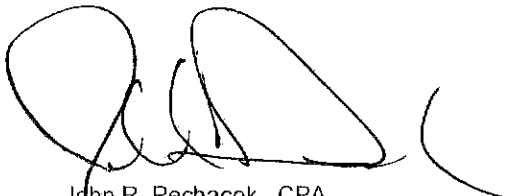
I have audited the accompanying statement of financial position of Cedars Academy DBA Cedars International Academy (a nonprofit organization) as of August 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Charter Holder's management. My responsibility is to express an opinion on these 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cedars Academy DBA Cedars International Academy as of August 31, 2009 and 2008, and the respective 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*, I have also issued my report dated December 14, 2009, on my consideration of Cedars Academy DBA Cedars International Academy's internal control over financial reporting and on my 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 my testing of internal control 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 my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The specific purpose financial statements and supplemental information on pages 14-18 are presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



John R. Pechacek, CPA
December 14, 2009

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
STATEMENT OF FINANCIAL POSITION
Fiscal Year Ended August 31, 2009

ASSETS	<u>2009</u>	<u>2008</u>
Current Assets -		
Cash on Hand and In Banks	\$ 215,201	\$ 129,093
Due from Texas Education Agency	73,414	41,467
Due from Fiscal Agent	10,477	1,940
Total Current Assets	<u>299,092</u>	<u>172,500</u>
Fixed Assets Net of Accumulated Depreciation	2,072,850	2,037,339
Total Assets	<u><u>2,371,942</u></u>	<u><u>2,209,839</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities -		
Accounts Payable	1,561	4,968
Deferred Revenue	-	-
Notes Payable - Current Maturities	84,235	-
Bond Payable - Current Maturities	73,730	69,458
Total Current Liabilities -	<u>159,526</u>	<u>74,426</u>
Long-Term Liabilities -		
Notes Payable - Future Maturities	-	-
Bond Payable - Future Maturities	1,628,454	1,706,871
Total Long-Term Liabilities	<u>1,628,454</u>	<u>1,706,871</u>
Total Liabilities	<u>1,787,980</u>	<u>1,781,297</u>
Net Assets -		
Unrestricted (Deficiency)	578,184	423,455
Temporarily Restricted (Deficiency)	5,778	5,086
Total Net Assets	<u>583,962</u>	<u>428,541</u>
Total Liabilities and Net Assets	<u><u>\$ 2,371,943</u></u>	<u><u>\$ 2,209,839</u></u>

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

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

STATEMENT OF ACTIVITIES

Fiscal Year Ended August 31, 2009

	2009			2008
	Unrestricted	Temporarily Restricted	Totals	
REVENUE AND OTHER SUPPORT				
Local Support				
5740 Other Revenue from Local Sources	\$ 11,602	\$ -	\$ 11,602	\$ 18,251
5750 Revenue from Occurr or Enterpr	16,732	13,204	29,936	25,353
Total Local Support	28,334	13,204	41,538	43,604
State Program Revenues				
5810 Foundation School Program	225,303	1,276,720	1,502,023	1,288,947
5812 Optioinal Extended Year	-	759	759	-
5820 State Matching Funds	-	652	652	709
5820 Accelerated Reading Program	-	16,045	16,045	18,666
5820 Intensive Math Initiative	-	16,751	16,751	-
5820 Technology Allotment	-	5,294	5,294	4,387
5820 Automated Defibrillator	-	2,900	2,900	-
Total State Program Revenues	225,303	1,319,121	1,544,424	1,312,709
Federal Program Revenues				
5920 ESEA Title IV, Safe and Drug Free	-	814	814	999
5920 ESEA Title I, Part A, Improve Year 8	-	-	-	66,549
5920 ESEA Title I, Part A, Improve Year 9	-	50,965	50,965	2,171
5920 ESEA Title I, Part A, Improve Year 10	-	1,177	1,177	-
5920 IDEA Part B, Formula	-	24,416	24,416	22,110
5920 IDEA Part B, Preschool	-	-	-	1,090
5920 Child Nutrition Program	-	79,420	79,420	65,054
5920 USDA Donated Commodities	-	4,935	4,935	5,358
5920 Title II, Part A, Teacher, Prin Year 8	-	-	-	13,089
5920 Title II, Part A, Teacher, Prin Year 9	-	11,063	11,063	388
5920 Title II, Part A, Teacher, Prin Year 10	-	545	545	-
5920 Title II, Part D, Enh Ed Thr Tech	-	906	906	1,338
5920 Title V, Part A, Innovative Programs	-	-	-	587
5920 Title I, ARRA Stimulus Grant Year 10	-	14,631	14,631	-
Total Federal Program Revenues	-	188,872	188,872	178,733
Interest and Other Income	612	-	612	1,748
Net Assets Released from Restrictions	1,520,505	(1,520,505)	-	-
Total Revenue and Other Support	1,774,753	692	1,775,445	1,536,793
EXPENSES AND OTHER LOSSES				
Program Services -				
10 Instruction and Instructional Rel Serv	996,921	-	996,921	958,935
20 Instructional School Leadership	38,712	-	38,712	62,935
Support Services -				
30 Support Services Student	171,792	-	171,792	179,024
40 Administrative Support Serv	206,107	-	206,107	140,811
50 Support Services Non Student	197,292	-	197,292	259,151
60 Ancillary Services	9,200	-	9,200	14,776
80 Fundraising	-	-	-	-
Total Expenses	1,620,025	-	1,620,025	1,615,632
Change in Net Assets	154,728	692	155,420	(78,839)
Net Assets (Deficiency), Beginning of Year	423,455	5,086	428,541	507,380
Net Assets (Deficiency), End of Year	\$ 578,184	\$ 5,778	\$ 583,962	\$ 428,541

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

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
STATEMENT OF CASH FLOWS
Fiscal Year Ended August 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2008</u>	<u>2008</u>
Foundation School Program Payments	\$ 1,485,237	\$ 1,282,549
Grant Payments	211,179	198,985
Contributions from Fundraising	-	9,616
Miscellaneous Sources	42,151	35,735
Cash Paid to Suppliers for Goods and Services	(497,224)	(462,988)
Cash Paid to Employees for Services	<u>(1,033,646)</u>	<u>(1,051,654)</u>
Net Cash Provided by Operating Activities	207,697	12,244
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	<u>(131,679)</u>	<u>(237,592)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Payments on) Note Payable	84,235	(21,993)
Proceeds from (Payments on) Bond Payable	<u>(74,145)</u>	<u>176,583</u>
Net Increase in Cash and Cash Equivalents	86,108	(70,759)
Cash and Cash Equivalents at Beginning of Year	<u>129,093</u>	<u>199,852</u>
Cash and Cash Equivalents at End of Year	<u>\$ 215,201</u>	<u>\$ 129,093</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	\$ 155,420	\$ (78,839)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	96,168	96,168
(Increase) Decrease in Net Assets-		
Due from Texas Education Agency	(39,824)	(5,581)
Due from Fiscal Agent	(660)	(145)
Increase (Decrease) in Operating Liabilities-		
Accounts Payable	(3,407)	4,968
Payroll Liabilities Payable	-	-
Accrued Salaries Payable	-	-
Due to State	-	-
Deferred Revenue	-	(4,327)
Net Cash Provided by Operating Activities	<u>\$ 207,697</u>	<u>\$ 12,244</u>

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

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
Notes to Financial Statements
Fiscal Year Ended August 31, 2009

Note 1: Summary of Significant Accounting Policies

The general-purpose financial statements of Cedars Academy DBA 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 seven 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-7 and the corporation's board of directors governs their programs, services, activities and functions.

Basis of Accounting and Presentation

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under those provisions, 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:

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

Notes to Financial Statements

Fiscal Year Ended August 31, 2009

Note 1: Summary of Significant Accounting Policies (continued)

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.

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 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.

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

Notes to Financial Statements

Fiscal Year Ended August 31, 2009

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.

Note 2: Capital Assets

As of August 31, 2009 and 2008, the Charter Holder's capital assets consisted of the following:

	<u>Cedars Academy</u>		<u>2009</u>		<u>2008</u>
Land		\$	-	\$	-
Buildings and Improvements			1,811,905		1,811,905
Furniture and Equipment			33,097		33,097
Construction in Progress			514,293		382,614
Total property and equipment			<u>2,359,296</u>		<u>2,227,616</u>
Less accumulated depreciation			<u>(286,446)</u>		<u>(190,277)</u>
Property and equipment, net		\$	<u>2,072,850</u>	\$	<u>2,037,339</u>

Capital assets acquired with public funds received by the corporation for the operation of Cedars 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: Notes Payable

As of August 31, 2009, Cedars Academy had an outstanding notes payable balance of \$84,235. On September 11, 2008, Cedars Academy entered into a loan agreement with Amegy Bank of Texas. The original loan amount was \$100,000 and the interest rate was 7.5%. Cedars Academy pays \$2,003.79 each month.

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

Notes to Financial Statements

Fiscal Year Ended August 31, 2009

Note 4: Bond Payable

As of August 31, 2009, Cedars Academy had two outstanding bonds with Amegy Bank of Texas originating on May 2, 2007. One bond payable with a 4.91% interest rate had a balance due on August 31, 2009 of \$1,567,849. One bond payable with a 6.75 % interest rate had a balance due on August 31, 2009 of \$134,335.

Future debt requirements are as follows:

<u>Fiscal Year Ending</u>		<u>Interest</u>		<u>Principal</u>		<u>Total</u>
2009-2010	\$	84,269	\$	73,737	\$	158,006
2010-2011		80,246		77,760		158,006
2011-2012		76,000		82,006		158,006
2012-2013		71,517		86,489		158,006
2013-2014		66,782		91,223		158,006
2014-2019		262,754		444,571		707,325
2019-2024		147,969		517,046		665,015
2024-2027		22,531		329,352		351,883
Total	\$	<u>812,070</u>	\$	<u>1,702,184</u>	\$	<u>2,514,252</u>

Note 5: 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 6.58% of the charter school's covered payroll. Cedars Academy employees' contributions to the System for the years ending August 31, 2009 2008 and 2007 were \$56,415, \$ 53,852 and \$52,035, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum for the years ending August 31, 2009, 2008 and 2007 were \$4,820, \$7,415 and \$4,479, respectively, equal to the required contributions for each year.

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
Notes to Financial Statements
Fiscal Year Ended August 31, 2009

Note 6: Health Care Coverage

During the year ended August 31, 2009, employees of Cedars Academy were covered by the TRS Active Employee Health Insurance Plan (the Plan). The Academy contributed \$225 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 7: Deferred Revenue

As of August 31, 2009, the Charter Holder had no deferred revenue.

Note 8: Due from State

As of August 31, 2009, the Charter Holder's due from State consisted of the following:

<u>Cedars Academy</u>		<u>2009</u>
Foundation School Program Year 2008-2009	\$	4,844
Foundation School Program Year 2009-2010		48,660
ESEA Title I, Part A, Improving Basic Program Year 2009-2010		1,177
ESEA Title II, Part A, Teacher, Prin Train Program Year 2009-2010		544
Title I, AARA Stimulus Grant Program Year 2009-2010		14,631
Intensive Math Initiative Program Year 2008-2009		1,952
Accelerated Reading Program Year 2008-2009		1,604
Total	\$	<u>73,414</u>

Note 9: Due to State

As of August 31, 2009, the Charter Holder had no due to State.

Note 10: Temporarily Restricted Net Assets

As of August 31, 2009, the Charter Holder's temporarily restricted net assets consisted of the following:

<u>Cedars Academy</u>		<u>2009</u>
Campus Activity Fund	\$	3,036
Technology Allotment		<u>2,743</u>
Total	\$	<u>5,778</u>

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

Notes to Financial Statements

Fiscal Year Ended August 31, 2009

Note 11: 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 12: Operating Leases

Cedars Academy has not current leases.

Note 13: 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, 2009, Cedars Academy was paid \$1,485,237 of State Foundation Program funds of which all was earned (before any possible TEA enrollment and attendance audit).

Cedars International Academy had 6 days of instruction in August, 2009. Based on the estimated State Foundation Program revenue for the 2009-2010 school year as provided by the Texas Education Agency, the Academy earned \$48,660 of State Foundation Program revenue for these days of instruction. This revenue has been accrued at August 31, 2009 and will be received after September 1, 2009.

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

Notes to Financial Statements

Fiscal Year Ended August 31, 2009

Note 14: Shared Services Arrangements

Cedars Academy DBA Cedars International Academy 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. Cedars Academy DBA Cedars International Academy does account for revenues and expenditures in this program and does disclose them in these financial statements. The Academy neither has joint ownership interest in fixed assets purchased by the fiscal agent or NYOS Charter School, Inc. The Academy 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 Academy.

Cedars Academy DBA Cedars International Academy participates as a member in the Austin Area Special Education Cooperative which is a shared services arrangement for special education services for IDEA B Stimulus Funding. The fiscal agent is NYOS Charter School, Inc. Cedars Academy DBA Cedars International Academy does not account for revenues and expenditures in this program and does not disclose them in these financial statements. Cedars Academy DBA Cedars International Academy received \$7,877 in services by being a member of this Cooperative.

Cedars Academy DBA Cedars International Academy 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. Cedars Academy DBA Cedars International Academy does not account for revenues and expenditures in this program and does not disclose them in these financial statements. Cedars Academy DBA Cedars International Academy received \$87,175 in services by being a member of this Cooperative.

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
Notes to Financial Statements
Fiscal Year Ended August 31, 2009

Note 15: Employee on School Board

Cedars Academy had one teacher who was also on the School Board.

Note 16: Charter Holder Operations

Cedars Academy is the Charter Holder. The Charter Holder only operated a single charter school named Cedars International Academy and did not conduct any other charter or non-charter activities

**SPECIFIC PURPOSE
FINANCIAL STATEMENTS**

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

STATEMENT OF ACTIVITIES

Fiscal Year Ended August 31, 2009

	2009			2008
	Unrestricted	Temporarily Restricted	Totals	
REVENUE AND OTHER SUPPORT				
Local Support				
5740 Other Revenue from Local Sources	\$ 11,602	\$ -	\$ 11,602	\$ 18,251
5750 Revenue from Cocurr or Enterpr	16,732	13,204	29,936	25,353
Total Local Support	28,334	13,204	41,538	43,604
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5920 ESEA Title I, Part A, Improve Year 9	-	50,965	50,965	2,171
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5920 IDEA Part B, Formula	-	24,416	24,416	22,110
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5920 Title II, Part A, Teacher, Prin Year 9	-	11,063	11,063	388
5920 Title II, Part A, Teacher, Prin Year 10	-	545	545	-
5920 Title II, Part D, Enh Ed Thr Tech	-	906	906	1,338
5920 Title V, Part A, Innovative Programs	-	-	-	587
5920 Title I, ARRA Stimulus Grant Year 10	-	14,631	14,631	-
Total Federal Program Revenues	-	188,872	188,872	178,733
Interest and Other Income	612	-	612	1,748
Net Assets Released from Restrictions	1,520,505	(1,520,505)	-	-
Total Revenue and Other Support	\$ 1,774,754	\$ 692	\$ 1,775,445	\$ 1,536,793

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY

STATEMENT OF ACTIVITIES

Fiscal Year Ended August 31, 2009

	2009			2008
	Unrestricted	Temporarily Restricted	Totals	
EXPENSES AND OTHER LOSSES				
11 Instruction	\$ 987,056	\$ -	\$ 987,056	\$ 956,435
12 Instructional Resources	484	-	484	500
13 Curr Development and Instr St Devel	9,382	-	9,382	2,000
23 School Leadership	38,712	-	38,712	62,935
31 Guidance, Counseling, Eval Services	32,079	-	32,079	49,340
33 School Health	3,037	-	3,037	700
35 Food Services	121,419	-	121,419	120,626
36 Extracurricular/Cocurricular Act	15,256	-	15,256	8,358
41 Administration	206,107	-	206,107	140,811
51 Plant Maintenance	181,554	-	181,554	243,411
52 Security	739	-	739	754
53 Data Processing	14,999	-	14,999	14,986
61 Community Services	9,200	-	9,200	14,776
Total Expenses	<u>1,620,025</u>	<u>-</u>	<u>1,620,025</u>	<u>1,615,632</u>
Change in Net Assets	154,728	692	155,420	(78,839)
Net Assets (Deficiency), Beginning of Year	423,455	5,086	428,541	507,380
Net Assets (Deficiency), End of Year	<u>\$ 578,184</u>	<u>\$ 5,778</u>	<u>\$ 583,962</u>	<u>\$ 428,541</u>

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

**SUPPLEMENTAL INFORMATION
FINANCIAL STATEMENTS**

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
SCHEDULE OF EXPENSES
Fiscal Year Ended August 31, 2009

EXPENSES	TOTALS	
	2009	2008
6100 Payroll	\$ 1,028,455	\$ 1,051,655
6200 Professional and Contracted Services	225,015	210,828
6300 Supplies and Materials	141,007	145,102
6400 Other Operating Costs	122,243	122,758
6500 Debt	103,306	85,290
Total Expenses	\$ 1,620,025	\$ 1,615,632

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
SCHEDULE OF CAPITAL ASSETS
Fiscal Year Ended August 31, 2009

	OWNERSHIP INTEREST		
	LOCAL	STATE	FEDERAL
1510 Land and Improvements	\$ -	\$ -	-
1520 Building Improvements	-	1,647,856	164,049
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	26,097	7,000
1580 Construction in Progress	-	514,294	-
Total Property and Equipment	\$ -	\$ 2,188,247	\$ 171,049

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND ONLY
Fiscal Year Ended August 31, 2009

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE AND OTHER SUPPORT				
Local Support				
5740 Other Revenue from Local Sources	\$ 14,503	\$ 14,503	\$ 12,215	\$ (2,288)
5750 Revenue from Cocurr or Enterpr	-	-	-	-
5760 Revenue from Intermed Sources	-	-	-	-
Total Local Support	<u>14,503</u>	<u>14,503</u>	<u>12,215</u>	<u>(2,288)</u>
State Program Revenues				
5810 Foundation School Prog Act Rev	1,442,750	1,433,876	1,502,023	68,147
5820 State Revenue Dist by TEA	-	-	-	-
5830 State Rev from State of Texas	-	-	-	-
Government Agencies				
Total State Program Revenues	<u>1,442,750</u>	<u>1,433,876</u>	<u>1,502,023</u>	<u>68,147</u>
Federal Program Revenues				
5920 Federal Revenue Dist by TEA	-	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interest and Other Income	-	-	-	-
Total Revenue and Other Support	<u>1,457,253</u>	<u>1,448,379</u>	<u>1,514,238</u>	<u>65,859</u>
EXPENSES AND OTHER LOSSES				
11 Instruction	883,214	865,690	854,037	11,653
12 Instructional Resources	500	500	484	16
13 Curr Development and Instr St Devel	9,437	9,437	9,382	55
23 School Leadership	41,650	41,650	38,712	2,938
31 Guidance, Counseling, Eval Services	40,000	34,911	22,545	12,366
33 School Health	770	420	137	283
35 Food Services	-	-	-	-
41 Administration	182,471	206,110	206,107	3
51 Plant Maintenance	114,213	97,908	87,318	10,590
52 Security	1,000	1,000	739	261
53 Data Processing	15,000	15,000	14,999	1
61 Community Services	13,903	14,003	9,200	4,803
71 Debt Service	138,436	138,436	-	138,436
Total Expenses	<u>1,440,594</u>	<u>1,425,065</u>	<u>1,243,661</u>	<u>181,404</u>
Change in Net Assets	16,659	23,314	270,577	247,263
Depreciation Expense	-	-	(96,168)	(96,168)
Transfer In (Out) to Food Services	(16,659)	(20,546)	(20,546)	-
Transfer In (Out) from Food Services	-	-	867	867
Prior Year Adjustment(See Note)	-	-	(97,035)	(97,035)
Net Assets (Deficiency), Beginning of Year	520,488	520,488	520,488	-
Net Assets (Deficiency), End of Year	<u>\$ 520,488</u>	<u>\$ 523,256</u>	<u>\$ 578,184</u>	<u>\$ 54,928</u>

Note: Prior year adjustment was required due to incorrect end of year balance on Budget Comparison Schedule in prior year audit.

**COMPLIANCE
AND
INTERNAL CONTROL**

John R. Pechacek
Certified Public Accountant

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**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***

Board of Directors
Cedars Academy
DBA Cedars International Academy
Austin, Texas

I have audited the financial statements of Cedars Academy DBA Cedars International Academy (a nonprofit organization) as of and for the years ended August 31, 2009 and 2008, and have issued my report thereon dated December 14, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Cedars Academy DBA Cedars International Academy's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cedars Academy DBA Cedars International Academy's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Charter Holder's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Charter Holder's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Charter Holder's financial statements that is more than inconsequential will not be prevented or detected by the Charter Holder's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs not to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Charter Holder's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

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

Page 2 of 2

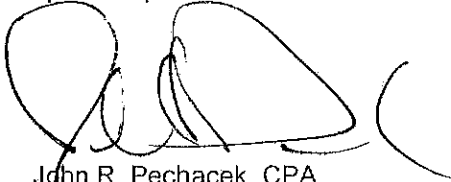
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedars Academy DBA Cedars International Academy's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2009-1.

I noted certain matters that I reported to management of Cedars Academy DBA Cedars International Academy in a separate letter dated December 14, 2009.

Cedars Academy DBA Cedars International Academy's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Cedars Academy DBA Cedars International Academy's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.



John R. Pechacek, CPA
December 14, 2009

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended August 31, 2009

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements of the auditee	Unqualified
2. Significant deficiencies in internal controls disclosed by the audit of the financial statements	No
a. Significant deficiencies 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. Findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards

Finding 2009-1

Criteria: Public charter schools are required to have school board members and administration officers receive training as is contained in TAC 100.1102-1108.

Condition: Cedars Academy did not have school board members complete all required training.

Lack of Action that caused Finding: Cedars Academy school board members did not participate in enough training programs during the year.

Effect: Required training was not accomplished.

Recommendation: Cedars Academy should contact their Regional Educational Service Center to schedule the appropriate number of hours training for all board members and administration officers.

Manager's Response: Mark Diaz, Superintendent is the contact person for Cedars Academy. The Academy encourages all of the board members and administrators to pursue professional development in as many different venues as possible. In addition, Cedars Academy will schedule professional development on their monthly board agendas to ensure compliance.

CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended August 31, 2009

III. Findings and questioned costs for state and federal awards
None identified

IV. Prior Year Findings

2008-1

Criteria: Public Charter schools are required to award a contract for construction, repair or renovation of a structure and if the contract requires the expenditure of more than \$25,000 from charter school funds, the contract must be bid as discussed in Subchapter B, Chapter 271 of the Local Government Code, as amended.

Condition: Cedars Academy awarded a contract for construction and did not bid the project that would have expended more than \$25,000 of charter school funds.

Lack of Action that Caused Finding: Cedars Academy did not adopt procedures which would identify transactions subject to the competitive bidding requirements.

Effect: Construction project performed without the benefit of competitive bids or written contract.

Recommendation: Cedars Academy should adopt procedures that identify transactions subject to written contract requirements and competitive bidding requirements and discuss the steps that staff must take to ensure compliance with applicable laws.

Status: Cedars Academy did accept bids and recorded such in the board minutes throughout the year for construction projects.

John R. Pechacek
Certified Public Accountant

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December 14, 2009

Management Letter

Board of Directors
Cedars Academy
DBA Cedars International Academy
Austin, Texas

Members of the Board of Directors:

In planning and performing my audit of the financial statements of Cedars Academy for the year ended August 31, 2009, I considered the Academy's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance over internal control.

During my audit, I noted certain matters involving the internal control and its operations that is presented for your consideration. This letter does not affect my report dated December 14, 2009, on the financial statements of Cedars Academy. My comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. I would be pleased to discuss this comment in further detail at your convenience, perform additional studies of this matter, or assist you in implementing the recommendation. My comment is summarized as follows:

Training

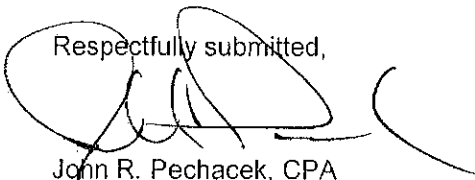
Cedars Academy did not participate in the required number of hours of training for their school board members. The Academy should contact their Regional Education Service Center for information regarding the requirements and seminars which they can attend.

Block Grants

Cedars Academy failed to spend 85% of the allocated Gifted and Talented Block Grant or the Bilingual Block Grant for the current year. However, the Academy did spend over 85% taking into account the average over the last 3 years. The Academy will need to establish a system of internal control policies that would ensure that the Block Grant expenses are properly coded and expensed. In the future, the Academy will need to spend the 85% or provide documentation of the 3 year average.

I believe the implementation of this recommendation will provide Cedars Academy with a stronger system of internal accounting control while also making its operations more efficient. This report is intended solely for the information and use of the Board of Directors, management and others within the Academy and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,


John R. Pechacek, CPA
December 14, 2009