



Required Auditor Disclosure Letter

December 19, 2016

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 year ended August 31, 2016, and have issued our report thereon dated December 19, 2016. Professional standards require that we provide the Board of Directors (the "governing body") with the following information related to our audit.

I. Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 12, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the governing body or management of its responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

II. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the governing body in our engagement letter dated February 12, 2016.

III. Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

- A. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Holder are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Charter Holder during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

- B. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of capital assets as based on industry standards relating to capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

- C. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in the financial statements is significant to financial statement users because it discloses the Charter Holder's long-term financial obligations.

2. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes both material and immaterial misstatements detected as a result of our audit procedures.

4. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 19, 2016.

6. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Charter Holder's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Holder's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

IV. Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the governing body and management of the Charter Holder 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

Client: Cedars Academy
 Engagement: 41 - Cedars Academy 08/31/16
 Period Ending: 8/31/2016
 Trial Balance: 2.2.01 - TB
 Workpaper: 2.5.06 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust FSP receivable to tie to adjusted allocation per near final state payment ledger				
		C.01		
420-00-1241-000-00	Due from State		1,108.00	
420-00-5812-000-00	420-State FSP-00-State FSP - :			1,108.00
Total			<u>1,108.00</u>	<u>1,108.00</u>
Adjusting Journal Entries JE # 2				
To adjust capital asset accounts to tie to detailed schedule				
		H.01		
240-35-6449-101-99	Depreciation Expense		466.57	
420-00-1573-000-00	420-State FSP-Accumulated Depreciation - Furniture and Equipment - :		1,246.01	
420-51-6449-101-99	420-State FSP-Depreciation Expense - Undistributed		6,967.95	
240-00-1573-000-00	Accum. Depreciation - Furniture & Equipment			466.57
420-00-1520-000-00	420-State FSP-Buildings and Improvements - :			3,787.39
420-00-1571-000-00	420-State FSP-Accumulated Depreciation - Buildings - :			4,426.57
Total			<u>8,680.53</u>	<u>8,680.53</u>
Adjusting Journal Entries JE # 3				
To reclass rent and utilities out of CIP account				
		H.01		
420-51-6259-101-99	420-State FSP-Utilities - Undistributed		2,402.75	
420-51-6269-101-99	420-State FSP-Rentals - Operating Leases - Undistributed		12,000.00	
420-00-1580-000-00	Construction in Progress - HS (Cedars)			14,402.75
Total			<u>14,402.75</u>	<u>14,402.75</u>
Adjusting Journal Entries JE # 4				
To recognize retainage payable				
		E.03		
420-00-1580-000-00	Construction in Progress - HS (Cedars)		117,152.70	
420-00-2110-000-00	420-State FSP-Accounts Payable - :			117,152.70
Total			<u>117,152.70</u>	<u>117,152.70</u>
Adjusting Journal Entries JE # 5				
To reclass food service supplies that did not meet criteria for capitalization				
		H.01b		
240-35-6349-101-99	240-NSLP (10.553 & 10.555) (Lunch Prgm)-Food Service Supplies - Undistributed		24,303.95	
240-00-1549-000-00	240-NSLP (10.553 & 10.555) (Lunch Prgm)-Furniture and Equipment - :			24,303.95
Total			<u>24,303.95</u>	<u>24,303.95</u>
Adjusting Journal Entries JE # 6				
To reclass food service supplies expenditures from fund 240 to recognize in fund 420 as fund 240 would have had a deficit equity balance				
240-00-1101-000-00	240-NSLP (10.553 & 10.555) (Lunch Prgm)-Regions Bank - :		13,639.96	
420-35-6349-101-99	Food Service Supplies		13,639.96	
240-35-6349-101-99	240-NSLP (10.553 & 10.555) (Lunch Prgm)-Food Service Supplies - Undistributed			13,639.96
420-00-1101-000-00	420-State FSP-Regions Bank - :			13,639.96
Total			<u>27,279.92</u>	<u>27,279.92</u>