

Audit Report
**CEDARS INTERNATIONAL
ACADEMY
AUSTIN, TEXAS**
*FOR THE YEAR ENDED
AUGUST 31, 2004*

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

CEDARS INTERNATIONAL ACADEMY
AUSTIN, TEXAS
AUDIT FOR THE YEAR ENDED AUGUST 31, 2004

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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

Unqualified Opinion on Financial Statements

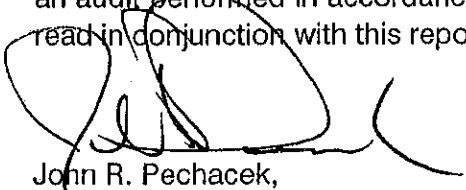
Board of Directors
Cedars International Academy
Austin, Texas

I have audited the accompanying statement of financial position of Cedars International Academy as of August 31, 2004 and 2003, 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 the Cedars International Academy as of August 31, 2004 and 2003, 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 January 21, 2005, on my consideration of Cedars International Academy's internal control over financial reporting and on 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,
January 21, 2005

**BASIC
FINANCIAL STATEMENTS**

CEDARS INTERNATIONAL ACADEMY

SCHEDULE OF EXPENSES

Fiscal Year Ended August 31, 2004

EXPENSES	TOTALS	
	2004	2003
6100 Payroll	\$ 660,240	\$ 445,638
6200 Professional and Contracted Services	130,229	169,957
6300 Supplies and Materials	54,098	91,660
6400 Other Operating Costs	37,336	24,211
6500 Debt	-	-
6600 Capital Outlay	-	25,815
Total Expenses	\$ 881,903	\$ 757,281

CEDARS INTERNATIONAL ACADEMY

SCHEDULE OF CAPITAL ASSETS

Fiscal Year Ended August 31, 2004

	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
1580 Construction in Progress	-	21,450	-
Total Property and Equipment	\$ -	\$ 84,543	\$ 171,049

CEDARS INTERNATIONAL ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND ONLY
Fiscal Year Ended August 31, 2004

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE AND OTHER SUPPORT				
Local Support				
5730 Tuition	\$ 19,810	\$ 23,310	\$ 35,050	\$ 11,740
5740 Other Revenue from Local	-	3,700	-	(3,700)
5750 Revenue from Cocurr/Enterprising	-	-	2,144	2,144
5760 Revenue from Intermed Sources	1,500	11,800	-	(11,800)
Total Local Support	21,310	38,810	37,194	(1,616)
State Program Revenues				
5810 Foundation School Prog Act Rev	785,000	758,100	771,904	13,804
5820 State Prog Rev Dist by the TEA	-	-	-	-
5830 State Rev from State of Texas	-	-	-	-
Government Agencies	-	-	-	-
Total State Program Revenues	785,000	758,100	771,904	13,804
Federal Program Revenues				
5920 Federal Revenues Dist by the TEA	-	-	-	-
Total Federal Program Revenues	-	-	-	-
Interest and other income				
	-	-	-	-
Total Revenue and Other Support	806,310	796,910	809,099	12,189
EXPENSES AND OTHER LOSSES				
11 Instruction	470,820	473,820	473,182	638
12 Instructional Resources and Media	-	-	-	-
13 Curriculum Development & Instructional Staff Development	6,000	7,400	7,044	356
21 Instructional Leadership	-	-	-	-
23 School Leadership	-	-	-	-
31 Guidance, Counseling & Eval Services	36,355	36,355	35,028	1,327
33 School Health Services	500	1,300	1,132	168
34 Transportation	-	-	-	-
41 General Administration	132,015	136,215	134,672	1,543
51 Plant Maintenance	114,445	116,045	114,786	1,259
52 Security	500	500	410	90
53 Data Processing	5,000	15,600	15,550	50
61 Community Service	19,810	23,110	21,521	1,589
81 Fund Raising	1,125	1,125	1,122	3
Total Expenses	786,570	811,470	804,446	7,024
Change in Net Assets	19,740	(14,560)	4,653	19,213
Net Assets (Deficiency), Beginning of Year	339,631	339,631	339,631	-
Net Assets (Deficiency), End of Year	\$ 359,371	\$ 325,071	\$ 344,284	\$ 19,213

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

**COMPLIANCE
AND
INTERNAL CONTROL**

John R. Pechacek
Certified Public Accountant

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**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 as of and for the year ended August 31, 2004, and have issued my report thereon dated January 21, 2005. 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.

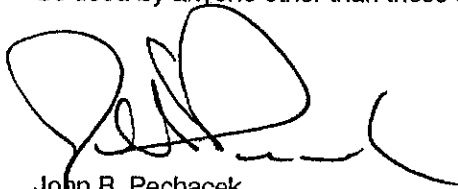
Compliance

As part of obtaining reasonable assurance about whether 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Cedars International Academy'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. However, I noted one matter involving internal control over financial reporting which I have reported to the management of Cedars International Academy in a separate letter dated January 21, 2005.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and 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.



John R. Pechacek
January 21, 2005

CEDARS INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended August 31, 2004

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 None

III. Financial Statement Findings None

John R. Pechacek

Certified Public Accountant

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January 21, 2005

Board of Directors
Cedars International Academy
Austin, Texas

Management Letter

Members of the Board:

In planning and performing my audit of the financial statements of Cedars International Academy for the year ended August 31, 2004, 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.

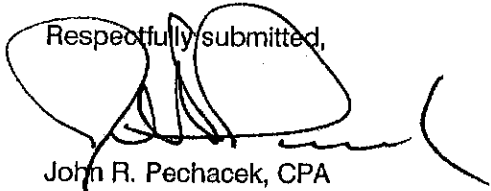
During my audit, I noted a certain matter involving the internal control and its operation that is presented for your consideration. This letter does not affect my report dated January 21, 2005 on the financial statements of Cedars International Academy. My comment and recommendation, which has been 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:

Unsecured Cash Balance

The November 30, 2003, Frost Bank bank statements had a combined balance of \$109,925. The balance secured by the FDIC was \$100,000. The amount not secured was \$9,925. The Academy should discuss with their depository having pledged securities to cover the excess deposits when needed.

I believe the implementation of this recommendation will provide Cedars International 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
January 21, 2005

CASTAGNA & GREGG, PC

CERTIFIED PUBLIC ACCOUNTANTS

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August 12, 2004

To John R. Pechacek, CPA

We have reviewed the system of quality control for the accounting and auditing practice of John R. Pechacek, CPA (the firm) in effect for the year ended April 30, 2004. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA). The design of the system and compliance with it are the responsibility of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with the system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the (AICPA). In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, We tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Because our review was based on selective tests, it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it.

Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of John R. Pechacek, CPA in effect for the year ended April 30, 2004, has been designed in to meet the requirements of the quality control standards for an auditing practice established by the AICPA and was complied with for the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

Castagna & Gregg
Castagna & Gregg, P.C.
Certified Public Accountants