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

**FOR THE YEAR ENDED**  
**AUGUST 31, 2008**

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

**CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY**  
**AUSTIN, TEXAS**  
**AUDIT FOR THE YEAR ENDED AUGUST 31, 2008**

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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, 2008, at a meeting of the board of directors of such school district on the 22 day of JANUARY, 2009

  
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, 2008 and 2007, 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, 2008 and 2007, 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 November 24, 2008, 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 important for 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 supplemental information on pages 14-16 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  
November 24, 2008

**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

**CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY****STATEMENT OF FINANCIAL POSITION**

Fiscal Year Ended August 31, 2008

<b>ASSETS</b>	<u>2008</u>	<u>2007</u>
Current Assets -		
Cash on Hand and In Banks	\$ 129,093	\$ 199,852
Due from Texas Education Agency	41,467	35,886
Due from Fiscal Agent	1,940	1,794
Total Current Assets	<u>172,500</u>	<u>237,532</u>
Fixed Assets Net of Accumulated Depreciation	2,037,339	1,895,914
Total Assets	<u><u>2,209,839</u></u>	<u><u>2,133,446</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities -		
Accounts Payable	4,968	-
Deferred Revenue	-	4,327
Notes Payable - Current Maturities	-	21,993
Bond Payable - Current Maturities	69,458	78,263
Total Current Liabilities -	<u>74,426</u>	<u>104,583</u>
Long-Term Liabilities -		
Notes Payable - Future Maturities	-	-
Bond Payable - Future Maturities	1,706,871	1,521,483
Total Long-Term Liabilities	<u>1,706,871</u>	<u>1,521,483</u>
Total Liabilities	<u><u>1,781,297</u></u>	<u><u>1,626,066</u></u>
Net Assets -		
Unrestricted (Deficiency)	423,455	503,552
Temporarily Restricted (Deficiency)	5,086	3,828
Total Net Assets	<u>428,541</u>	<u>507,380</u>
Total Liabilities and Net Assets	<u><u>\$ 2,209,839</u></u>	<u><u>\$ 2,133,446</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, 2008

	2008			2007
	Unrestricted	Temporarily Restricted	Totals	
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support				
5740 Other Revenue from Local Sources	\$ 18,251	\$ -	\$ 18,251	\$ 27,595
5750 Revenue from Cocurr or Enterpr	15,736	9,616	25,353	22,228
Total Local Support	33,987	9,616	43,604	49,823
State Program Revenues				
5810 Foundation School Program	193,342	1,095,605	1,288,947	1,288,685
5820 State Matching Funds	-	709	709	625
5820 Accelerated Reading Program	-	18,666	18,666	12,386
5820 Technology Allotment	-	4,387	4,387	4,828
5830 TRS Supplemental Health Ins	-	-	-	-
Total State Program Revenues	193,342	1,119,367	1,312,709	1,306,524
Federal Program Revenues				
5920 ESEA Title IV, Safe and Drug Free	-	999	999	1,127
5920 ESEA Title I, Part A, Improve Basic	-	66,549	66,549	46,767
5920 ESEA Title I, Part A, Improve Year 9	-	2,171	2,171	-
5920 IDEA Part B, Formula Year 7	-	-	-	19,055
5920 IDEA Part B, Formula Year 8	-	22,110	22,110	4,609
5920 IDEA Part B, Preschool Year 7	-	-	-	126
5920 IDEA Part B, Preschool Year 8	-	1,090	1,090	-
5920 Child Nutrition Program	-	65,054	65,054	68,903
5920 USDA Donated Commodities	-	5,358	5,358	4,131
5920 Title II, Part A, Teacher, Prin Training	-	13,089	13,089	12,508
5920 Title II, Part A, Teacher, Prin Year 9	-	388	388	-
5920 Title II, Part D, Enh Ed Thr Tech	-	1,338	1,338	2,211
5920 Title V, Part A, Innovative Programs	-	587	587	-
Total Federal Program Revenues	-	178,733	178,733	159,437
Interest and Other Income	1,748	-	1,748	596
Net Assets Released from Restrictions	1,306,458	(1,306,458)	-	-
Total Revenue and Other Support	1,535,535	1,258	1,536,793	1,516,380
<b>EXPENSES AND OTHER LOSSES</b>				
Program Services -				
10 Instruction and Instructional Rel Serv	958,935	-	958,935	898,610
20 Instructional School Leadership	62,935	-	62,935	63,666
Support Services -				
30 Support Services Student	179,024	-	179,024	173,332
40 Administrative Support Serv	140,811	-	140,811	86,949
50 Support Services Non Student	259,151	-	259,151	180,933
60 Ancillary Services	14,776	-	14,776	11,627
80 Fundraising	-	-	-	-
Total Expenses	1,615,632	-	1,615,632	1,415,117
Change in Net Assets	(80,097)	1,258	(78,839)	101,263
Net Assets (Deficiency), Beginning of Year	503,552	3,828	507,380	406,117
Net Assets (Deficiency), End of Year	\$ 423,455	\$ 5,086	\$ 428,541	\$ 507,380

(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, 2008*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2008</u>	<u>2007</u>
Foundation School Program Payments	\$ 1,282,549	\$ 1,331,807
Grant Payments	198,985	174,891
Contributions from Fund-Raising	9,616	13,987
Miscellaneous Sources	35,735	34,639
Cash Paid to Suppliers for Goods and Services	(462,988)	(396,344)
Cash Paid to Employees for Services	<u>(1,051,654)</u>	<u>(992,060)</u>
Net Cash Provided by Operating Activities	12,244	166,919
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<u>(237,592)</u>	<u>(1,665,682)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (Payments on) Note Payable	(21,993)	(22,800)
Proceeds from (Payments on) Bond Payable	<u>176,583</u>	<u>1,599,747</u>
Net Increase in Cash and Cash Equivalents	(70,759)	78,184
Cash and Cash Equivalents at Beginning of Year	<u>199,852</u>	<u>121,668</u>
Cash and Cash Equivalents at End of Year	<u>\$ 129,093</u>	<u>\$ 199,852</u>
 <b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (78,839)	\$ 101,263
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	96,168	21,411
(Increase) Decrease in Net Assets-		
Due from Texas Education Agency	(5,581)	40,045
Due from Fiscal Agent	(145)	-
Increase (Decrease) in Operating Liabilities-		
Accounts Payable	4,968	-
Payroll Liabilities Payable	-	-
Accrued Salaries Payable	-	-
Due to State	-	(127)
Deferred Revenue	<u>(4,327)</u>	<u>4,327</u>
Net Cash Provided by Operating Activities	<u>\$ 12,244</u>	<u>\$ 166,919</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, 2008*

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 five 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 31,2008

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, 2008*

*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, 2008 and 2007, the Charter Holder's capital assets consisted of the following:

	<u>Cedars Academy</u>	<u>2008</u>	<u>2007</u>
Land	\$	-	\$ -
Buildings and Improvements		1,811,905	1,811,905
Furniture and Equipment		33,097	33,097
Construction in Progress		382,614	145,021
Total property and equipment		2,227,616	1,990,024
Less accumulated depreciation		(190,277)	94,110
Property and equipment, net	\$	<u>2,037,339</u>	\$ <u>1,895,914</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, 2008, Cedars Academy had no notes payable.

## **CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY**

### ***Notes to Financial Statements***

*Fiscal Year Ended August 31, 2008*

#### Note 4: Bond Payable

As of August 31, 2008, Cedars Academy had two outstanding bonds with Amegy Bank originating on May 2, 2007. One bond payable with a 4.91% interest rate had a balance due on August 31, 2008 of \$1,625,553. One bond payable with a 6.75 % interest rate had a balance due on August 31, 2008 of \$150,776.

Future debt requirements are as follows:

<u>Fiscal Year Ending</u>		<u>Interest</u>		<u>Principal</u>		<u>Total</u>
2008-2009	\$	88,542	\$	69,458	\$	158,000
2009-2010		84,526		73,473		158,000
2010-2011		80,519		77,480		157,999
2011-2012		76,288		81,710		157,999
2012-2013		71,822		86,177		157,999
2013-2018		287,107		446,994		734,101
2018-2023		174,248		490,732		664,979
2023-2027		43,165		450,305		493,470
Total	\$	<u>906,217</u>	\$	<u>1,776,329</u>	\$	<u>2,682,546</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, 2008, 2007 and 2006 were \$53,852, \$ 52,035 and \$44,695, 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, 2008, 2007 and 2006 were \$7,415, \$4,479 and \$3,331, respectively, equal to the required contributions for each year.

**CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY**  
**Notes to Financial Statements**  
*Fiscal Year Ended August 31, 2008*

Note 6: Health Care Coverage

During the year ended August 31, 2008, 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, 2008, the Charter Holder had no deferred revenue.

Note 8: Due from State

As of August 31, 2008, the Charter Holder's due from State consisted of the following:

<u>Cedars Academy</u>		<u>2008</u>
Foundation School Program Year 2008-2009	\$	36,718
ESEA Title I, Part A, Improving Basic Program Year 2008-2009		2,171
ESEA Title II, Part A, Teacher, Prin Train Program Year 2008-2009		387
Accelerated Reading Program Year 2007-2008		2,190
Total	\$	<u>41,467</u>

Note 9: Due to State

As of August 31, 2008, the Charter Holder had no due to State.

Note 10: Temporarily Restricted Net Assets

As of August 31, 2008, the Charter Holder's temporarily restricted net assets consisted of the following:

<u>Cedars Academy</u>		<u>2008</u>
Campus Activity Fund	\$	<u>5,086</u>
Total	\$	<u>5,086</u>

## **CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY**

### ***Notes to Financial Statements***

*Fiscal Year Ended August 31, 2008*

#### 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 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 \$5,500 from September 2005 through July 2006 and \$6,500 the subsequent months. Beginning in November 2007 through August 2008, the monthly rental payment decreased to \$1,000. The property is located at 1320 East 51<sup>st</sup> Street, Austin, Texas. This lease is continuing on a month to month basis, therefore, a future minimum annual rental schedule is not included.

#### 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, 2008, Cedars Academy was paid \$1,282,549 of State Foundation Program funds of which all was earned (before any possible TEA enrollment and attendance audit).

Cedars International Academy had 5 days of instruction in August, 2008. Based on the estimated State Foundation Program revenue for the 2008-2009 school year as provided by the Texas Education Agency, the Academy earned \$36,718 of State Foundation Program revenue for these days of instruction. This revenue has been accrued at August 31, 2008 and will be received after September 1, 2008.

## **CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY**

### ***Notes to Financial Statements***

*Fiscal Year Ended August 31, 2008*

#### 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 21<sup>st</sup> 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 \$110,446 in services by being a member of this Cooperative

#### Note 15: 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, 2008

	2008			2007
	Unrestricted	Temporarily Restricted	Totals	
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support				
5740 Other Revenue from Local Sources	\$ 18,251	\$ -	\$ 18,251	\$ 27,595
5750 Revenue from Cocurr or Enterpr	15,736	9,616	25,353	22,228
Total Local Support	33,987	9,616	43,604	49,823
State Program Revenues				
5810 Foundation School Program	193,342	1,095,605	1,288,947	1,288,685
5820 State Matching Funds	-	709	709	625
5820 Accelerated Reading Program	-	18,666	18,666	12,386
5820 Technology Allotment	-	4,387	4,387	4,828
Total State Program Revenues	193,342	1,119,367	1,312,709	1,306,524
Federal Program Revenues				
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5920 ESEA Title I, Part A, Improve Basic	-	66,549	66,549	46,767
5920 ESEA Title I, Part A, Improve Year 9	-	2,171	2,171	-
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5920 IDEA Part B, Preschool Year 7	-	-	-	126
5920 IDEA Part B, Preschool Year 8	-	1,090	1,090	-
5920 Child Nutrition Program	-	65,054	65,054	68,903
5920 USDA Donated Commodities	-	5,358	5,358	4,131
5920 Title II, Part A, Teacher, Prin Training	-	13,089	13,089	12,508
5920 Title II, Part A, Teacher, Prin Year 9	-	388	388	-
5920 Title II, Part D, Enh Ed Thr Tech	-	1,338	1,338	2,211
5920 Title V, Part A, Innovative Programs	-	587	587	-
Total Federal Program Revenues	-	178,733	178,733	159,437
Interest and Other Income	1,748	-	1,748	596
Net Assets Released from Restrictions	1,306,458	(1,306,458)	-	-
Total Revenue and Other Support	1,535,535	1,258	1,536,793	1,516,380
<b>EXPENSES AND OTHER LOSSES</b>				
11 Instruction	956,435	-	956,435	895,124
12 Instructional Resources	500	-	500	455
13 Curr Development and Instr St Devel	2,000	-	2,000	3,031
23 School Leadership	62,935	-	62,935	63,666
31 Guidance, Counseling, Eval Services	49,340	-	49,340	46,432
33 School Health	700	-	700	617
35 Food Services	120,626	-	120,626	113,099
36 Extracurricular/Cocurricular Act	8,358	-	8,358	13,184
41 Administration	140,811	-	140,811	86,949
51 Plant Maintenance	243,411	-	243,411	165,352
52 Security	754	-	754	584
53 Data Processing	14,986	-	14,986	14,997
61 Community Services	14,776	-	14,776	11,627
Total Expenses	1,615,632	-	1,615,632	1,415,117
Change in Net Assets	(80,097)	1,258	(78,839)	101,263
Net Assets (Deficiency), Beginning of Year	503,552	3,828	507,380	406,117
Net Assets (Deficiency), End of Year	\$ 423,455	\$ 5,086	\$ 428,541	\$ 507,380

(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, 2008*

EXPENSES	TOTALS	
	2008	2007
6100 Payroll	\$ 1,051,655	\$ 992,060
6200 Professional and Contracted Services	210,828	171,422
6300 Supplies and Materials	145,102	176,610
6400 Other Operating Costs	122,758	45,381
6500 Debt	85,290	29,645
Total Expenses	\$ 1,615,632	\$ 1,415,117

**CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY**  
**SCHEDULE OF CAPITAL ASSETS**  
*Fiscal Year Ended August 31, 2008*

	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	-	382,614	-
Total Property and Equipment	\$ -	\$ 2,056,567	\$ 171,049

**CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND ONLY**

Fiscal Year Ended August 31, 2008

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support				
5740 Other Revenue from Local Sources	\$ 12,310	\$ 19,020	\$ 19,999	\$ 979
5750 Revenue from Cocurr or Enterpr	-	-	-	-
5760 Revenue from Intermed Sources	-	-	-	-
Total Local Support	12,310	19,020	19,999	979
State Program Revenues				
5810 Foundation School Prog Act Rev	1,389,799	1,287,898	1,288,947	1,049
5820 State Revenue Dist by TEA	-	-	-	-
5830 State Rev from State of Texas	-	-	-	-
Government Agencies				
Total State Program Revenues	1,389,799	1,287,898	1,288,947	1,049
Federal Program Revenues				
5920 Federal Revenue Dist by TEA	-	-	-	-
Total Federal Program Revenues	-	-	-	-
Interest and Other Income	-	-	-	-
Total Revenue and Other Support	1,402,109	1,306,918	1,308,946	2,028
<b>EXPENSES AND OTHER LOSSES</b>				
11 Instruction	832,918	835,740	833,786	1,954
12 Instructional Resources	500	500	500	-
13 Curr Development and Instr St Devel	2,200	2,000	2,000	-
23 School Leadership	68,495	62,937	62,935	2
31 Guidance, Counseling, Eval Services	40,500	39,482	39,482	-
33 School Health	700	700	700	-
35 Food Services	30,000	32,904	32,902	2
41 Administration	120,786	148,144	140,811	7,333
51 Plant Maintenance	207,000	154,241	148,377	5,864
52 Security	700	754	754	-
53 Data Processing	15,000	15,000	14,986	14
61 Community Services	12,000	14,776	14,776	-
81 Fund Raising	-	-	-	-
Total Expenses	1,330,799	1,307,178	1,292,010	15,168
Change in Net Assets	71,310	(260)	16,936	17,195
Net Assets (Deficiency), Beginning of Year	503,552	503,552	503,552	-
Net Assets (Deficiency), End of Year	\$ 574,862	\$ 503,292	\$ 520,488	\$ 17,195

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

**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 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, 2008 and 2007, and have issued my report thereon dated November 24, 2008. 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 to be significant deficiencies in internal control over financial reporting. The finding reference number is 2008-1.

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

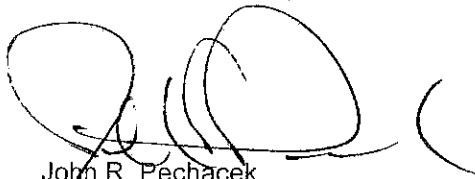
Compliance and Other Matters

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 2008-1.

I noted certain matters that I reported to management of Cedars Academy DBA Cedars International Academy in a separate letter dated November 24, 2008.

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  
November 24, 2008



**CEDARS ACADEMY DBA CEDARS INTERNATIONAL ACADEMY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Fiscal Year Ended August 31, 2008*

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	Yes
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	Yes
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 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 did not award 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.

**Management's Response:** Dr. Mark Diaz, Superintendent, is the contact person for the Academy. The timeline is immediate. Cedars International Academy did not formally (not noted on minutes, agenda or written contract) award a contract; though several persons were interviewed for the position. Dr. Mark Diaz, the new Superintendent for Cedars International Academy has been directed by the board to require bids and contracts as required by law.

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

IV. No prior year findings



# Cedars International Academy

8416 N. IH-35 ● Austin, TX 78753 ● (512) 419-1551

January 7, 2009

## Explanation of Budget Comparison differences +/- 10%

5740 budget was amended to reflect the amount of fundraising activities to defray some of the instructional expenses for the 0708 year. The budget to actual difference is due to meeting the expected fundraising amount.

Function 41 budget was amended to cover cost of new Director. Current director retired but was due total contract. New Director began in late June. New Director is contracted therefore increase is to 6200. Cedars also hired an outside agency to do the superintendent search which had not been originally budgeted for. This increase was also to 41-6200. Budget was also amended in 41-6500 to include an extra interest payment made on the loans for the new school building.

Function 51 was reduced due to overall reduced anticipated funds.

Function 61 was amended to cover cost incurred for additional children in the aftercare program.

Sincerely,

Dr. Mark Diaz  
Director, Cedars International Academy.

***John R. Pechacek***  
***Certified Public Accountant***

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

November 24, 2008

**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, 2008, 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 November 24, 2008, 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:

**Unsecured Cash Balance**

Cedars Academy's Frost Bank bank statements on September 30, 2007, had a combined balance of \$124,935. The balance secured by the FDIC was \$100,000. The amount not secured was \$24,935. The Academy should discuss with their depository having pledged securities to cover the excess deposits when needed.

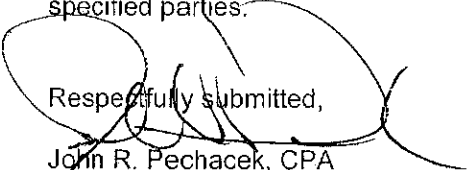
Cedars Academy's Amegy bank statements on September 30, 2007, had a combined balance of \$302,593. The balance secured by the FDIC was \$200,000. The amount not secured was \$102,593. The Academy should discuss with their depository having pledged securities to cover the excess deposits when needed

**Construction Project Competitive Bid and Contract**

Cedars Academy did not take competitive bids or have a written contract for a construction project that expended more than \$25,000 of the Charter's funds. The Academy should adopt procedures to identify transactions which require bids and contracts.

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  
November 24, 2008