

ANNUAL FINANCIAL REPORT

of

CEDARS ACADEMY

DBA

*CEDARS INTERNATIONAL
ACADEMY*

For the Years Ended
August 31, 2011 and 2010

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CEDARS ACADEMY

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August 31, 2011 and 2010

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CEDARS ACADEMY
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 financial and compliance report of the above named Charter Holder were reviewed and (check one) approved disapproved for the year ended August 31, 2011, at a meeting of the governing body of the Charter Holder on the 15 day of December 2011.


Signature of Board Secretary


Signature of Board President

NOTE: If the governing body of the Charter Holder does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cedars Academy:

We have audited the accompanying statements of financial position of Cedars Academy (the "Charter Holder") dba Cedars International Academy (a nonprofit organization) as of August 31, 2011 and 2010, 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. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 we plan and perform the audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter Holder as of August 31, 2011 and 2010, and the 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*, we have also issued our report dated December 6, 2011, on our consideration of the Charter Holder's internal control over financial reporting and on our 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 our testing of internal controls 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 our audit.

Providing Governmental & Nonprofit Audits Sealed with Excellence

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial schedules noted as supplemental information in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
December 6, 2011

FINANCIAL STATEMENTS

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CEDARS ACADEMY

STATEMENT OF FINANCIAL POSITION - EXHIBIT A-1

August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 422,229	\$ 254,326
Due from Texas Education Agency	32,196	103,108
Total current assets	<u>454,425</u>	<u>357,434</u>
Property and equipment, net	2,141,016	2,204,618
Total non-current assets	<u>2,141,016</u>	<u>2,204,618</u>
Total Assets	\$ <u>2,595,441</u>	\$ <u>2,562,052</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 901	\$ 4,122
Current portion of long-term debt	73,808	97,733
Total current liabilities	<u>74,709</u>	<u>101,855</u>
Long-term liabilities:		
Bonds payable	1,479,329	1,574,862
Total long-term liabilities	<u>1,479,329</u>	<u>1,574,862</u>
Total Liabilities	<u>1,554,038</u>	<u>1,676,717</u>
Net Assets		
Unrestricted	624,322	607,177
Temporarily restricted	417,081	278,158
Total Net Assets	<u>1,041,403</u>	<u>885,335</u>
Total Liabilities and Net Assets	\$ <u>2,595,441</u>	\$ <u>2,562,052</u>

See Notes to Financial Statements.

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CEDARS ACADEMY
STATEMENT OF ACTIVITIES - EXHIBIT A-2
For the Years Ended August 31, 2011 and 2010

	Unrestricted	Temporarily Restricted	Totals	
			2011	2010
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 17,145	\$ -	\$ 17,145	\$ 18,993
5750 Revenue from cocurricular or enterprising	-	20,670	20,670	24,565
5742 Interest Revenue	-	-	-	49
Total local support	<u>17,145</u>	<u>20,670</u>	<u>37,815</u>	<u>43,607</u>
State program revenues				
5810 Foundation school program act revenues	-	1,739,325	1,739,325	1,778,715
5820 State program revenues distributed by Texas Education Agency	-	12,074	12,074	14,831
Total state program revenue	<u>-</u>	<u>1,751,399</u>	<u>1,751,399</u>	<u>1,793,546</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	331,835	331,835	305,425
Net assets released from restrictions:				
Restricted satisfied by payments	1,964,981	(1,964,981)	-	-
Total Revenues	<u>1,982,126</u>	<u>138,923</u>	<u>2,121,049</u>	<u>2,142,578</u>
Expenses				
11 Instruction	1,172,712	-	1,172,712	1,116,268
12 Instructional resources and media services	500	-	500	489
13 Curriculum development and instructional staff development	13,833	-	13,833	11,981
23 School leadership	99,214	-	99,214	85,547
31 Guidance, counseling and evaluation services	43,972	-	43,972	35,697
33 Health services	109	-	109	299
35 Food services	143,057	-	143,057	128,349
36 Co-curricular/extracurricular activities	16,442	-	16,442	12,967
41 General administration	143,302	-	143,302	112,898
51 Plant maintenance and operations	200,759	-	200,759	203,173
52 Security and monitoring services	1,785	-	1,785	912
53 Data processing services	28,199	-	28,199	15,084
61 Community services	17,235	-	17,235	19,880
71 Debt service	83,862	-	83,862	97,661
Total Expenses	<u>1,964,981</u>	<u>-</u>	<u>1,964,981</u>	<u>1,841,205</u>
Change in Net Assets	17,145	138,923	156,068	301,373
Beginning Net Assets	607,177	278,158	885,335	583,962
Ending Net Assets	<u>\$ 624,322</u>	<u>\$ 417,081</u>	<u>\$ 1,041,403</u>	<u>\$ 885,335</u>

See Notes to Financial Statements.

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CEDARS ACADEMY

STATEMENT OF CASH FLOWS - EXHIBIT A-3

For the Years Ended August 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Revenue from co-curricular or enterprising	\$ 20,670	\$ 35,042
Foundation school program payments	1,822,311	1,763,852
Grant payments	331,835	305,425
Miscellaneous sources	17,145	19,042
Payments to vendors for goods and services rendered	(345,506)	(171,187)
Payments to charter school personnel for services rendered	(1,442,666)	(1,187,182)
Interest Payments	(83,862)	(97,661)
Net Cash Provided in Operating Activities	319,927	667,331
Cash Flows from Investing Activities		
Payments for property and equipment	(32,566)	(514,382)
Net Cash (Used) in Investing Activities	(32,566)	(514,382)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(119,458)	(113,824)
Net Cash (Used) in Financing Activities	(119,458)	(113,824)
Net Change in Cash and Cash Equivalents	167,903	39,125
Beginning cash and cash equivalents	254,326	215,201
Ending cash and cash equivalents	\$ 422,229	\$ 254,326
Adjustments to Reconcile to Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in net assets	\$ 156,068	\$ 301,373
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) in operating activities:		
Depreciation	96,168	382,614
(Increase) decrease in:		
Due from Texas Education Agency	70,912	(29,694)
Other receivables	-	10,477
Increase (decrease) in:		
Accounts payable	(3,221)	2,561
Accrued salaries payable	-	-
Net Cash Provided in Operating Activities	\$ 319,927	\$ 667,331

See Notes to Financial Statements.

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CEDARS ACADEMY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended August 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of Cedars Academy (the “Charter Holder”) dba Cedars International Academy (a non-profit 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 Charter Holder 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. The Charter Holder is governed by a Board of Directors comprised of eight members. The Board of Directors is selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions, appoint the chief executive officer of the Charter Holder, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Charter Holder.

Since the Charter Holder 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 Charter Holder 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. Cedars International Academy was organized to provide educational services to “at risk” students. The Charter Holder’s board of directors governs their programs, services, activities and functions. For the school year 2010-2011, Cedars International Academy served grades pre-kindergarten through eighth grade.

Basis of Accounting and Presentation

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

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:

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 Charter Holder, 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 Holder’s activities due to donor-imposed restrictions.

CEDARS ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2011 and 2010

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 Charter Holder accounts for contributions 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 Charter Holder considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose financial statements. Capital assets are defined by the Charter Holder 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

Capital assets at August 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Buildings and improvements	\$ 1,812,655	\$ 1,812,655
Construction in process	774,046	741,480
Furniture and equipment	33,097	33,097
Total property and equipment	<u>2,619,798</u>	<u>2,587,232</u>
Less accumulated depreciation	(478,782)	(382,614)
Property and equipment, net	<u>\$ 2,141,016</u>	<u>\$ 2,204,618</u>

Capital assets acquired with public funds received by the Charter Holder for the operation of the charter school constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the schedule of capital assets.

CEDARS ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2011 and 2010

NOTE 3 – LONG-TERM DEBT

On September 11, 2008, the Charter Holder entered into a loan agreement with Amegy Bank of Texas. The original loan amount was \$100,000 and the interest rate was 7.5 percent. In August of 2011, the Charter Holder paid off the remaining balance of \$42,984 bringing the loan balance at Amergy Bank of Texas to zero.

The Charter Holder entered into a Tri-Party Loan Agreement in May of 2007 with the La Vernia Higher Education Finance Corporation (the "Corporation") and Amergy Bank to obtain financing for the building located at 8416 N. IH-35, Austin, TX. Financing was obtained in the form of two promissory notes. The Corporation has assigned its rights, title, and interest in these notes to Amergy Bank. These notes are referred to as the tax-exempt note in the principal amount of \$1,683,670 and the taxable note in the principal amount of \$176,330. The tax-exempt note currently carries an interest rate of 4.910 percent. On May 1, 2012 this rate will be adjusted to a fixed rate equal to sixty-five percent of the five year LIBOR Swap Rate plus one and sixty-five one hundredths percent (1.65%), and this rate will continue through maturity on May 1, 2017. The taxable note currently carries an interest rate of 6.750 percent. On May 1, 2012 this rate will be adjusted to a fixed rate equal to the sum of the five year LIBOR Swap Rate plus one and three quarters percent (1.75%) and this rate will continue through maturity on May 1, 2017.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Tax-Exempt Note	\$ 1,511,602	\$ -	\$ (59,035)	\$ 1,452,567
Taxable Note	118,010	-	(17,440)	100,570
Loan	42,984	-	42,984	-
	<u>\$ 1,672,596</u>	<u>\$ -</u>	<u>\$ (33,491)</u>	<u>\$ 1,553,137</u>

Future maturities of long-term debt at August 31, 2011 are as follows:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 73,808	\$ 71,031	\$ 144,839
2013	84,887	73,118	158,005
2014	89,604	68,403	158,007
2015	94,587	63,419	158,006
2016	94,717	58,335	153,052
2017	1,115,534	40,572	1,156,106
	<u>\$ 1,553,137</u>	<u>\$ 374,878</u>	<u>\$ 1,928,015</u>

CEDARS ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2011 and 2010

NOTE 4 – PENSION PLAN OBLIGATIONS

Plan Description

The Charter Holder contributes to the Teacher Retirement System of Texas (“TRS”), a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the Charter Holder, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, www.trs.state.tx.us.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas State legislature. The State funding policy is as follows: (1) the State constitution requires the legislature to establish a member contribution rate of not less than six percent of the member’s annual compensation and a State contribution rate of not less than six percent and not more than ten percent of the aggregate annual compensation of all members of the system; (2) State statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds one year, the period would be increased by such action. State law provides for a member contribution rate of 6.4 percent for fiscal year 2011, 2010, and 2009, and a state contribution rate of 6.64 percent for fiscal years 2011 and 2010 and 6.58 percent for fiscal year 2009. The Charter Holder’s employees’ contributions to the System for the years ending August 31, 2011, 2010, and 2009, were \$70,882, \$65,167, and \$56,415 respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the Charter Holder for salaries above the statutory minimum for the years ending August 31, 2011, 2010, and 2009, were \$7,514, \$6,027, and \$4,820, respectively, equal to the required contributions for each year.

NOTE 5 – HEALTH CARE COVERAGE

During the year ended August 31, 2011, employees of the Charter Holder were covered by TRS Active Employee Insurance Plan (the “Plan”). The Charter Holder 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.

CEDARS ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2011 and 2010

NOTE 6 – DUE FROM STATE

As of August 31, 2011 and 2010, the Charter Holder's due from State consisted of the following:

	<u>2011</u>	<u>2010</u>
State Foundation Program	\$ -	\$ 100,371
Intensive Math Initiative Program	-	67
Title I SIP Academy Grant – ARRA	-	1,594
ARRA, Title XIV, State Fiscal Stabilization Fund	7,207	-
Student Success Initiative	-	604
National School Breakfast and Lunch Program	24,989	-
ESEA Title II Part A – Teacher & Principal	-	62
Title II Part D – Enhancing Education	-	410
Total	<u>\$ 32,196</u>	<u>\$ 103,108</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Charter Holder receives 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 (“TEA”) 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 Holder have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by the TEA or the grantor agency.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

As of August 31, 2011 and 2010, the Charter Holder's temporarily restricted net assets consisted of the following:

	<u>2011</u>	<u>2010</u>
State Foundation Program	\$ 359,046	\$ 272,380
National School Lunch and Breakfast Program	53,401	-
Campus Activity Fund	4,634	3,036
Technology Allotment	-	2,742
Total	<u>\$ 417,081</u>	<u>\$ 278,158</u>

NOTE 9 – 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 TEA. The attendance reports are subject to audit by the TEA and final State foundation program earnings may be adjusted as a result of any such audit. During the period ended August 31, 2011, the Charter Holder was paid \$1,739,325 of State foundation program funds of which all was earned (before any possible TEA enrollment and attendance audit).

CEDARS ACADEMY
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Years Ended August 31, 2011 and 2010

NOTE 10 – SHARED SERVICE ARRANGEMENTS

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

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 \$23,332 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 \$83,053 in services by being a member of this Cooperative.

NOTE 11 – CHARTER HOLDER OPERATIONS

The Charter Holder operated one charter school, Cedars International Academy, and did not conduct any other charter or non-charter activities.

SUPPLEMENTAL INFORMATION

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CEDARS ACADEMY
SCHEDULE OF EXPENSES - EXHIBIT C-1
For the Years Ended August 31, 2011 and 2010

	Totals	
	2011	2010
Expenses		
6100 Payroll costs	\$ 1,442,666	\$ 1,187,182
6200 Professional and contracted services	164,252	261,358
6300 Supplies and materials	132,137	158,430
6400 Other operating costs	142,064	136,574
6500 Debt	83,862	97,661
Total Expenses	\$ 1,964,981	\$ 1,841,205

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CEDARS ACADEMY

SCHEDULE OF CAPITAL ASSETS - EXHIBIT D-1

August 31, 2011

	Ownership Interest		
	Local	State	Federal
1520 Buildings and improvements	\$ -	\$ 1,647,856	\$ 164,799
1539 Furniture and equipment	-	26,097	7,000
1580 Construction in process	-	774,046	-
Total Property and Equipment	\$ -	\$ 2,447,999	\$ 171,799

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CEDARS ACADEMY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - EXHIBIT E-1
For the Year Ended August 31, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget Positive (Negative)
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 18,000	\$ 18,000	\$ 17,145	\$ (855)
5750 Revenue from Cocurricular or Enterprising	10,504	8,500	8,884	384
Total Local Support	<u>28,504</u>	<u>26,500</u>	<u>26,029</u>	<u>(471)</u>
State program revenues				
5810 Foundation school program act revenues	1,816,583	1,804,207	1,739,325	(64,882)
5820 State program revenues distributed by Texas Education Agency	-	14,351	12,074	(2,277)
Total State Program Revenue	<u>1,816,583</u>	<u>1,818,558</u>	<u>1,751,399</u>	<u>(67,159)</u>
Federal program revenues				
5920 Federal Revenues distributed by Texas Education Agency	225,868	266,747	331,835	65,088
Total Revenues	<u>2,070,955</u>	<u>2,111,805</u>	<u>2,109,263</u>	<u>(2,542)</u>
Expenses				
11 Instruction	1,185,542	1,197,289	1,170,780	26,509
12 Instructional resources and media services	500	500	500	-
13 Curriculum development and instructional staff development	20,500	21,650	13,833	7,817 *
23 School leadership	101,917	101,917	99,214	2,703
31 Guidance, counseling and evaluation services	40,000	40,000	43,972	(3,972)
33 Health services	300	300	109	191 *
35 Food Services	132,188	147,010	143,057	3,953
41 General administration	133,200	149,290	143,302	5,988
51 Plant maintenance and operations	116,925	122,245	106,523	15,722 *
52 Security and monitoring services	1,300	1,800	1,785	15
53 Data processing services	28,188	28,199	28,199	-
61 Community services	19,145	19,145	17,235	1,910 *
71 Debt service	121,932	85,735	83,862	1,873
Total Expenses	<u>1,901,637</u>	<u>1,915,080</u>	<u>1,852,371</u>	<u>62,709</u>
Change in Net Assets	169,318	196,725	256,892	60,167
Beginning Net Assets	885,335	885,335	885,335	-
Ending Net Assets	<u>\$ 1,054,653</u>	<u>\$ 1,082,060</u>	<u>\$ 1,142,227</u>	<u>\$ 60,167</u>
Reconciliation to Ending Net Assets				
Change in Net Assets (Budget Basis)			256,892	
Less: Depreciation			<u>(96,168)</u>	
Change in Net Assets (Full Accrual)			160,724	
Beginning Net Assets			885,335	
Ending Net Assets			<u>\$ 1,046,059</u>	

Notes to Supplementary Information

* Expenditures exceeded appropriations

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OVERALL COMPLIANCE AND INTERNAL CONTROLS

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INDEPENDENT AUDITORS' 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*

December 6, 2011

To the Board of Directors of
Cedars Academy:

We have audited the financial statements of Cedars Academy (the "Charter Holder") as of and for the years ended August 31, 2011 and 2010, and have issued our report thereon dated December 6, 2011. We conducted our 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 our audit, we considered the Charter Holder's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Holder's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter Holder's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Providing Governmental & Nonprofit Audits Sealed with Excellence

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Holder's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and the Texas Education Agency and other 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

CEDARS ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - EXHIBIT F-1

For the Year Ended August 31, 2011

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of audit report issued Unqualified

Internal control over financial reporting:

One or more material weakness(es) identified? No

One or more significant deficiency(ies) identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

II. FINANCIAL STATEMENT FINDINGS

None identified.

III. FINDINGS AND QUESTIONED COSTS FOR STATE AND FEDERAL AWARDS

None identified.

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CEDARS ACADEMY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - EXHIBIT G-1

For the Year Ended August 31, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

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