



**NYOS Charter School, Inc.**

**Financial Statements**

**June 30, 2008**

**(With Independent Auditors'  
Report Thereon)**



November 14, 2008

To the Senior Management and  
The Board of Directors of  
NYOS Charter School, Inc.

In planning and performing our audit of the financial statements of NYOS Charter School, Inc. for the year ended June 30, 2008, we considered the Corporation's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit, we noticed the exceptional strength of the accounting department and the Corporation's internal controls and operating efficiency. This letter does not affect our report dated November 14, 2008, on the financial statements of NYOS Charter School, Inc.

We wish to thank the employees of the Corporation for their support and assistance during our audit.

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

Tammy Jacobs, CPA

NYOS Charter School, Inc.  
Federal Employer Identification Number: 74-2860628  
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of NYOS Charter School, Inc. was reviewed and (check one) \_\_\_\_\_approved \_\_\_\_\_disapproved for the year ended June 30, 2008, at a meeting of the governing body of the charter holder on the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

NYOS CHARTER SCHOOL, INC.

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### **Independent Auditors' Report**

To the Board of Directors of  
NYOS Charter School, Inc.

We have audited the accompanying statements of financial position of NYOS Charter School, Inc. (a nonprofit organization) as of June 30, 2008, and the related statement of activities and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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. Those standards require that we 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYOS Charter School, Inc. as of June 30, 2008, and the change in its net assets and its cash flows for the year 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 November 14, 2008, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, present fairly, in all material respects, in relation to the financial statements taken as a whole.

Tammy Jacobs, CPA

Pearland, Texas  
November 14, 2008

**NYOS Charter School, Inc.**  
**Statement of Financial Position**  
**As of June 30, 2008**

**ASSETS**

Current Assets

Cash and Cash equivalents	\$	136,736
Due from State (Note 7)		699,158
Due from Federal Agencies (Note 7)		41,672
Miscellaneous Accounts Receivable		69,798

Fixed Assets, net of depreciation (Note 2) 3,389,695

Other Assets

Security Deposits		1,178
Capitalized Bond Issuance Costs, net		194,234
Premium and Discount on Bonds, net		536,815

Restricted Assets

Cash and Cash equivalents (Note 9) 1,350,650

Total Assets \$ 6,419,936

**LIABILITIES and NET ASSETS**

Current Liabilities

Accounts Payable	\$	174,704
Accrued Interest Payable		142,425
Payroll Deductions Payroll		112,046
Accrued Payroll		184,000
Deferred Revenue		250
Bonds Payable - Current (Note 3)		122,917
Capital Leases Payable - Current (Note 3)		10,979

Long Term Liabilities

Bonds Payable - Future Maturities (Note 3) 4,777,084

Capital Leases Payable - Future Maturities (Note 3) 8,068

Total Liabilities \$ 5,532,473

Net Assets

Unrestricted \$ 887,463

Temporarily restricted -

Total Net Assets \$ 887,463

Total Liabilities and Net Assets \$ 6,419,936

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

**NYOS Charter School, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES and OTHER SUPPORT</b>			
Local Revenue			
Contributions	\$ 70,417	\$ -	\$ 70,417
Service Rendered to Other Schools	202,108	-	202,108
Interest	27,340	-	27,340
Rent	58,545	-	58,545
Food Service	104,700	-	104,700
Other Local Revenue	151,347	-	151,347
Total Local Revenue	<u>614,457</u>	<u>-</u>	<u>614,457</u>
State Program Revenues			
Foundation School Program	-	3,417,214	3,417,214
Technology Allotment	-	17,004	17,004
ARI/AMI	-	10,050	10,050
Other State Revenues	-	5,689	5,689
Total State Program Revenues	<u>-</u>	<u>3,449,957</u>	<u>3,449,957</u>
Federal Program Revenues			
Mentoring Program	-	200,117	200,117
Title IV, Part A-Safe & Drug Free Schools	-	1,232	1,232
ESEA Title I, Part A	-	28,459	28,459
National Breakfast & Lunch Program	-	70,188	70,188
Carl D. Perkins	-	2,916	2,916
Title II, Part A	-	14,875	14,875
Title II, Part D-Enhancing Educ.	-	929	929
21st CCLC	-	370,016	370,016
Title V, Part A-Innovative Programs	-	650	650
IDEA B Formula	-	152,063	152,063
IDEA B Pre-School	-	8,132	8,132
Total Federal Program Revenues	<u>-</u>	<u>849,577</u>	<u>849,577</u>
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	4,299,534	(4,299,534)	-
Total Revenues and Other Support	<u>\$ 4,913,991</u>	<u>\$ -</u>	<u>\$ 4,913,991</u>

**EXPENDITURES and OTHER LOSSES**

Program Services			
General School Operations	\$ 2,728,509	\$ -	\$ 2,728,509
Mentoring Program	200,107	-	200,107
Title IV, Part A-Safe & Drug Free Schools	1,232	-	1,232
ESEA Title I, Part A	28,453	-	28,453
National Breakfast & Lunch Program	249,468	-	249,468
Carl D. Perkins	2,916	-	2,916
Title II, Part A	14,875	-	14,875
Title II, Part D-Enhancing Educ.	929	-	929
21st CCLC	369,911	-	369,911
Title V, Part A-Innovative Programs	650	-	650
IDEA B Formula	151,934	-	151,934
IDEA B Pre-School	8,132	-	8,132
Technology Allotment	17,004	-	17,004
ARI/ARM	10,050	-	10,050
	<u>3,784,170</u>	<u>-</u>	<u>3,784,170</u>
Total Program Services			
Support Services			
Administrative Support Services	254,251	-	254,251
Ancillary Services	7,879	-	7,879
Support Services - Non-Student Based	976,807	-	976,807
Support Services - Student (Pupil)	81,314	-	81,314
Fundraisers	53,865	-	53,865
	<u>5,158,286</u>	<u>-</u>	<u>5,158,286</u>
Total Expenditures	\$	\$	\$
Change in Net Assets	(244,295)	-	(244,295)
Net Assets at Beginning of Year	1,131,758	-	1,131,758
Net Assets at End of Year	<u>\$ 887,463</u>	<u>\$ -</u>	<u>\$ 887,463</u>

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

**NYOS Charter School, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2008**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Foundation School Program payments	\$ 3,444,130
Grant payments	839,643
Contributions and fund-raising activities	544,659
Payments to vendors for goods and services rendered	(1,066,853)
Payments to charter school personnel for services rendered	(3,243,219)
Interest	<u>(275,019)</u>
Net Cash Provided by Operating Activities	<u>243,341</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Fixed Assets	<u>(7,612)</u>
Net Cash Provided by Investing Activities	<u>(7,612)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Net Debt Principal Received (Paid)	<u>(115,833)</u>
Net Cash Provided by Financing Activities	<u>(115,833)</u>

Net (Decrease)/Increase in Cash and Cash Equivalents	119,896
Cash and Cash Equivalents at Beginning of Year	<u>1,367,490</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ <u><u>1,487,386</u></u></b>

**Reconciliation of Change in Net Assets to Net Cash  
Provided By Operating Activities**

Change in Net Assets	\$ (244,295)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) By Operating Activities	
Depreciation	282,459
Amortization of Issuance Costs, Prem., & Disc on Bonds	25,900
(Increase)/Decrease in Current Assets	
Accounts Receivable	60,541
Deferred Expenditures	14,410
Increase(Decrease) in Operating Liabilities	
Accounts Payable	34,674
Accrued Interest Payable	125,181
Payroll Deductions Payable	(28,273)
Accrued Payroll	<u>(27,256)</u>
Net Cash Provided by Operating Activities	<b>\$ <u><u>243,341</u></u></b>

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

**NYOS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies**

The general-purpose financial statements of NYOS Charter School, Inc. [the “Corporation”] were prepared in conformity with accounting principles general accepted in the United States. The Financial Accounting Standards Board is the 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 December, 1997, and is exempt from federal income taxes pursuant to Section 501{c} {3} of the Internal Revenue Code. A Board of Directors comprised of ten members governs the Corporation. The Board of Directors is selected pursuant to the bylaws of the Corporation and has the authority to make decision, appoint the chief 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 December, 1997, the State Board of Education of the State of Texas granted the NYOS Charter School, Inc. 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, NYOS Charter School [the “School”] opened in for the academic year 1998-1999. The School provides educational services in grades Pre K through 12 and the Corporation’s Board of Directors governs their programs, services, activities and functions.

**Basis of Presentation**

The accompanying general purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management made certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Net assets and revenues, expenses, gains and losses are classified based on the existence 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 Corporation and changes therein are classified and reported as follows:

**NYOS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Unrestricted**

Net assets that are not subject to donor imposed stipulations.

**Temporarily Unrestricted**

Net assets subject to donor imposed stipulations that may or will be met by actions of the Corporation, the School and/ or the passage of time.

**Permanently restricted**

Net assets required to be maintained in perpetuity with only the income to be used for the School's activities due to donor imposed restrictions.

**Contributions**

The Corporation accounts for contributions in accordance with Statement of Financial Accounting Standards 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.

**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.

**Capital Assets**

Capital assets, which include 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 \$5,000 or more and with a useful life of three years or more. 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. 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 June 30, 2008 were as follows:

Land	\$ 406,480
Buildings and Improvements	3,604,267
Vehicles	54,968
Furniture & Equipment	61,102
Library Books and Media	36,907
Equipment under Capital Lease	<u>9,999</u>
Total	4,173,723
Accumulated Depreciation	<u>784,028</u>
Capital Assets, Net	<u>\$3,389,695</u>

**NYOS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2008**

**Note 2: Capital Assets (continued)**

Capital assets acquired with public funds received by the Corporation for the operation of NYOS Charter School, Inc., constitute public property pursuant to Chapter 12 of the Texas Education Code. The cost basis of these are identified on the Schedule of Capital Assets (page 15 of this report).

**Note 3: Debt**

The Corporation issued revenue bonds in the aggregate amount of \$4,725,000 designated “Orchard Higher Education Finance Corporation Education Revenue Bonds (NYOS Charter School, Inc.) Series 2006A (the “Series 2006A Bonds”), and its revenue bonds in the aggregate principal amount of \$355,000 designated “Orchard Higher Education Finance Corporation Taxable Education Revenue Bonds (NYOS Charter School, Inc.) Series 2006B (the “Series 2006B Bonds”) collectively, the “Series 2006 Bonds”. The proceeds of the Series 2006 Bonds were used to finance and refinance the cost of a project consisting of certain land, building, facilities and improvements on the campus of NYOS Charter School in The City of Austin, Texas, and to pay certain costs of issuing such bonds. The 2006 Bonds are secured by a pledge of all revenue and all amounts at any time deposited in the Construction Fund, Facilities Revenue Fund, Debt Service Fund, Debt Service Reserve Fund and Unlimited Liquid Assets Fund, and by a mortgage on the properties financed or refinanced from the proceeds of the Series 2006 Bonds, including all revenues thereon. The Series 2006A Bonds bear interest at the annual rate of 5.034% and are payable in monthly installments commencing July 28, 2006 (interest only through January 28, 2010) and with payments on principal commencing February 28, 2010 and final maturity on January 28, 2031. The Series 2006B Bonds bear interest at the annual rate of 6.9% and are payable in monthly installments commencing July 28, 2006 (interest only through January 28, 2007) with final maturity January 28, 2010.

The capitalized bond issuance cost and the discount on bonds as displayed as “Other Assets” on the statement of financial position are being amortized over the life of the bonds at a total of \$2,590 per month. For the year ending June 30, 2008, a total of \$25,900 was amortized with a charge to bond issuance expense.

Future bonded debt service requirements are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	122,917	235,725	358,642
2010	130,833	228,657	359,490
2011	140,833	225,663	366,496
2012	147,917	225,663	373,579
2013-2017	830,417	1,066,741	1,897,158
2018-2022	1,054,167	840,617	1,894,784
2023-2027	1,342,917	541,962	1,884,878
2028-2032	<u>1,130,000</u>	<u>271,625</u>	<u>1,401,625</u>
Total	<u>\$4,900,001</u>	<u>\$3,636,653</u>	<u>\$8,536,652</u>

**NYOS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2008**

**Note 3: Debt (continued)**

The Corporation has two capital leases outstanding at June 30, 2008. The details of which are as follows:

Item Leased	Telephone System		Air Conditioning System	
Capitalized Cost of Asset	\$ 9,999		\$ 18,002	
Date of Lease	7/09/2007		8/21/2007	
Term of Lease	36 Months		24 Months	
Monthly Payments	\$ 329.60		\$ 907.84	
Implied Interest Rate	11.50%		19.04%	
Payments Due- Year Ended June 30-	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$2,995	\$960	\$7,984	\$2,910
2010	3,557	398	4,185	355
2011	326	5	-	-
Total	<u>\$6,878</u>	<u>\$1,363</u>	<u>\$12,169</u>	<u>\$3,265</u>

**Note 4: Employee Retirement and Pension Plan Obligations**

Employees of the School are covered by the Teacher Retirement System of Texas. A description of this plan and its funding policies is as follows:

**Plan Description**

NYOS Charter School contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities and death and survivor benefit 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, Section 67 and the Texas Government Code, Title 8, Subtitle C. TRS also administers Proportional Retirement benefits and service credit transfer under the Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778 or by downloading the report from the TRS internet website- [www.trs.state.tx.us](http://www.trs.state.tx.us)- under the TRS publications heading.

**Funding Policy**

Under provisions of 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 6.0% of the corporation's covered payroll. The School's employees' contributions to the System for the fiscal year ending June 30, 2008 were \$180,324. Other contributions made from Federal and private grants and from the School for salaries above the statutory minimum for fiscal year ending June 30, 2008 were \$25,262 and were equal to the required contributions for the year. State contributions to TRS made on behalf of the School's employees for the year ended June 30, 2008 are not recorded in the accompanying financial statements.

**NYOS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2008**

**Note 5: Health Care Cover**

During the year ended June 30, 2008, employees of the School were covered by a health insurance plan with Humana, a carrier licensed to do business in the State of Texas. The School paid 100% of the premium cost per employee and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

**Note 6: Deferred Revenue**

At June 30, 2008 the School had \$250 of deferred revenue.

**Note 7: Due from Other Governments**

At June 30, 2008, the School had the following amounts due from other governments:

Foundation School Program	\$698,153
Accelerated Reading/Accelerated Math	1,005
Title IV, Part B- 21 <sup>st</sup> Century Community Learning Center	<u>41,672</u>
Total	<u>\$740,830</u>

**Note 8: Temporarily Restricted Net Assets**

Temporarily Restricted Net Assets occur as a result of the receipt of temporarily restricted funds which were not fully expended prior to the close of the fiscal period. At June 30, 2008 the Corporation had no temporarily restricted net assets.

**Note 9: Restricted Assets**

As noted in Note 3 above, the Corporation had a total of \$5,080,000 principal amount Series 2006 Bonds. The bond covenant required the establishment of certain restricted bank accounts, restricted to the payment of bond principal and interest to prevent default in case of reduced cash flow. The restricted assets as displayed in the Statement of Financial Position include \$832,783 in the Debt Service Escrow Account and \$349,769 in the Debt Service Reserve Account and are invested in interest bearing accounts.

**Note 10: Commitments and Contingencies**

Texas charter school receives funds through state and federal programs which 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 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 by the grantor agency.

**NYOS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2008**

Further, the parents of a former student have filed an action to obtain discovery and are seeking additional information about the circumstances surrounding a tragic accident. Although no damages are currently sought, it is reasonable to anticipate that a suit for damages may be filed in the future.

**Note 11: Operating Leases**

NYOS Charter School, Inc., entered into a lease agreement that began August 15, 2005 and ended July 31, 2008 for property located at 1033 La Calma Drive, Austin Texas. The lessor was Pacifica la Costa Green, Inc., Austin, Texas and the base monthly rent was \$1,230.

NYOS Charter School, Inc., acting as lessor, entered into lease agreements with various lessees for portions of building A, B and C at the Austin, Texas Yager campus site. During 2007-2008 the School collected a total of \$58,545 in rental fees.

NYOS Charter School, Inc. entered into a lease agreement with Grant A.M.E Worship Center for certain portions of building and grounds located at 8007 Kramer Lane, Austin, Texas which is to be used by the lessee as the McCullough Academy of Excellence. The leased space includes (1) an administrative building containing a library, teacher's areas, three administrative offices and nurse station; (2) ground area containing portable buildings; (3) Full court gymnasium with accompanying full commercial kitchen, excluding the second level containing six classrooms; and (4) vacant lot to be utilized as a playground. The term of this lease is for a period of 10 years that began July 1, 2007 and ends on August 1, 2017, unless sooner terminated, or extended in accordance with the provisions of this lease. This minimum rent for this space is \$4,500 per month. On January 1, 2009, the lessee will be required to pay an additional \$42.00 per month per pupil attending classes on the premises as calculated on the first of each month for which rent is to be paid. After January 1, 2009, the monthly rent will be the greater of the minimum rent or the per pupil rent, but not both. The minimum rent and the per pupil rent will increase 3% annually beginning September 1, 2009. For 2007-2008, the School paid a total of \$45,000 pursuant to the terms of this lease.

NYOS Charter School entered into two separate operating lease agreements dated September 1, 2006, for the use of CopyStar Digital copier systems. These leases are for a period of 60 months and require a monthly rental payment of \$ 1,115 and are non-cancellable. During 2007-2008, the School paid a total of \$11,150 in accordance with the terms of this lease.

**Note 12: 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 such audit. During the year ended June 30, 2008, NYOS Charter School was paid a total of \$3,459,545 of State Foundation Program Funds, all of which was earned before any possible TEA enrollment and attendance audit.

For the year ended June 30, 2008, the School had days of instruction for the 2007-2008 academic year in July and August, 2008. The School has accrued a total of \$698,153 for these days of instruction based upon the TEA projected daily reimbursement rate for 2008-2009.

**NYOS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2008**

**Note13: Shared Service Arrangements**

The school is the fiscal agent for a Shared Service Arrangement [“SSA”] which provides legally required special education and related service to eligible students with disabilities who are enrolled in the member schools listed below. All services are provided by the fiscal agent and the member schools provide funds through an assignment of IDEA-B, Formula and Preschool Grant funds to the fiscal agent. The School has provided each member school with its share of revenue and expense applicable to each program and only the revenues and expenses applicable to NYOS Charter School and McCullough Academy of Excellence are included in the accompanying financial statements. The expenses incurred on behalf of the member schools are as follows:

<u>Member Districts</u>	<u>Expenditures for IDEA-B</u>	
	<u>Formula</u>	<u>Preschool</u>
Cedars International Academy	\$22,110	\$1,090
Texas Empowerment Academy	22,775	-
NYOS Charter School	56,332	2,238
Austin Discovery School	20,931	1,977
Eden Park Academy	<u>29,914</u>	<u>2,827</u>
	<u>\$152,062</u>	<u>\$8,132</u>

**Note 14: Related Parties**

A parent representative on the Governing Council Roster wife is an occasional substitute teacher at NYOS Charter School. In addition, a business community representative on the Governing Council Roster is the lessor of a facility leased by NYOS Charter School.

**Note 15: Charter School Operations**

The charter holder, NYOS Charter School, Inc. operated one charter school-NYOS Charter School which had multiple locations- and had no any other charter or non charter activities.

**NYOS Charter School, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

		Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>				
Local Revenue				
5700	Other Revenues from Local Sources	\$ 614,457	-	\$ 614,457
State Program Revenues				
5810	Foundation School Program Revenues	-	3,417,214	3,417,214
5820	State Program Revenues Distributed by Texas Education Agency	-	32,743	32,743
Federal Program Revenues				
5920	Federal Revenues Distributed by the Texas Education Agency	-	849,577	849,577
Net Assets Released From Restrictions:				
	Restrictions Satisfied By Payments	4,299,534	(4,299,534)	-
	<b>Total Revenues</b>	<b>\$ 4,913,991</b>	<b>\$ -</b>	<b>\$ 4,913,991</b>
 <b>EXPENDITURES</b>				
11	Instruction	2,689,163	-	2,689,163
12	Instructional Resources and Media Service	2,168	-	2,168
13	Curriculum Development and Instructional Staff Development	135,270	-	135,270
21	Instructional Leadership	293,623	-	293,623
23	School Leadership	297,294	-	297,294
31	Guidance and Counseling	100,965	-	100,965
32	Social Work	8	-	8
33	Health Services	3,627	-	3,627
34	Student (Pupil Services)	13,817	-	13,817
35	Food Services	247,733	-	247,733
36	Cocurricular/Extracurricular Activities	31,522	-	31,522
41	General Administration	281,800	-	281,800
51	Plant Maintenance and Operations	981,791	-	981,791
53	Data Processing Services	17,761	-	17,761
61	Community Services	7,879	-	7,879
81	Fundraisers	53,865	-	53,865
	<b>Total Expenditures</b>	<b>\$ 5,158,286</b>	<b>\$ -</b>	<b>\$ 5,158,286</b>
Change in Net Assets		(244,295)	-	(244,295)
Net Assets at Beginning of Year		1,131,758	-	1,131,758
Net assets at End of Year		<b>\$ 887,463</b>	<b>\$ -</b>	<b>\$ 887,463</b>

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

**NYOS Charter School, Inc.**  
**Schedule of Expenditures**  
**For the Year Ended June 30, 2008**

**EXPENDITURES**

6100	Payroll Costs	\$ 3,539,265
6200	Professional and Contracted Services	624,627
6300	Supplies and Materials	351,333
6400	Other Operating Costs	373,540
6500	Interest Expense and Cost of Issuance of Debt	<u>269,521</u>
	Total Expenditures	<u><u>\$ 5,158,286</u></u>

**NYOS Charter School, Inc.**  
**Schedule of Capital Assets**  
**As of June 30, 2008**

		Ownership Interest			
		Local	State	Federal	Total
1510	Land and Improvements	\$ -	\$ 406,480	\$ -	\$ 406,480
1520	Buildings and Improvements	88,665	2,553,019	962,583	3,604,267
1531	Vehicles	-	54,968	-	54,968
1539	Furniture and Equipment	6,490	54,612	-	61,102
1559	Equipment Under Capital Lease	-	9,999	-	9,999
1569	Library Books and Media	36,907	-	-	36,907
	<b>Total Capital Assets</b>	<b>\$ 132,062</b>	<b>\$ 3,079,078</b>	<b>\$ 962,583</b>	<b>\$ 4,173,723</b>

**NYOS Charter School, Inc.**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance from</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES AND OTHER SUPPORT</b>				
Local support				
5740 Other Revenues from Local Sources	\$ 190,607	230,682	614,457	383,775
State Program Revenues				
5810 Foundation School Program Revenues	3,638,184	3,496,195	3,417,214	(78,981)
5820 State Program Revenues Distributed by Texas Education Agency	27,429	26,935	32,743	5,808
Federal Program Revenues				
5920 Federal Revenues Distributed by the Texas Education Agency	1,240,193	1,092,316	849,577	(242,739)
Total Revenues	<u>\$ 5,096,413</u>	<u>4,846,128</u>	<u>4,913,991</u>	<u>67,863</u>
<b>EXPENDITURES</b>				
11 Instruction	2,690,650	2,621,217	2,689,163	67,946
12 Instructional Resources and Media Ser	-	-	2,168	2,168
13 Curriculum Development and Instructional Staff Development	132,050	133,709	135,270	1,561
21 Instructional Leadership	374,253	353,688	293,623	(60,065)
23 School Leadership	314,725	308,108	297,294	(10,814)
31 Guidance, Counseling and Evaluation	103,523	102,719	100,965	(1,754)
32 Social Work	-	-	8	8
33 Health Services	-	12	3,627	3,615
34 Student Transportation	-	340	13,817	13,477
35 Food Services	373,759	273,053	247,733	(25,320)
36 Cocurricular/Extracurricular Activities	20,673	20,673	31,522	10,849
41 General Administration	219,972	239,187	281,800	42,613
51 Plant Maintenance and Operations	828,561	784,233	981,791	197,558
53 Data Processing Services	47,638	19,509	17,761	(1,748)
61 Community Services	-	-	7,879	7,879
81 Fund Raising	12,299	12,209	53,865	41,656
Total Expenditures	<u>\$ 5,118,103</u>	<u>4,868,657</u>	<u>5,158,286</u>	<u>289,629</u>
Change in Net Assets	(21,690)	(22,529)	(244,295)	(221,766)
Net Assets at Beginning of Year	-	-	1,131,758	1,131,758
Net Assets at End of Year	<u>\$ (21,690)</u>	<u>(22,529)</u>	<u>887,463</u>	<u>909,993</u>

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



**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***

To the Board of Directors of  
NYOS Charter School, Inc.

We have audited the financial statements of NYOS Charter School, Inc. (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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 Corporation'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 Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

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 Corporation's internal control.

Our consideration of 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 internal control that might be 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corporation'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 management, the audit committee, 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.

Tammy Jacobs, CPA

Pearland, Texas

November 14, 2008



**NYOS Charter School, Inc.  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified.

Internal control over financial reporting:

- i. Control deficiencies identified that are not considered to be material weaknesses: None.
- ii. Material weaknesses identified: None.

Noncompliance material to the financial statements: None.

2. Federal Awards

Type of auditor's report issued: Unqualified.

Internal control over major programs:

- i. Control deficiencies identified that are not considered to be material weaknesses: None.
- ii. Material weaknesses identified: None.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133: None.

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287C	Title IV, Part B, 21 <sup>st</sup> Century Community Learning Centers

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes.

B. Findings related to the Financial Statements

None.

C. Findings and Questioned Costs related to Federal Awards

None.

**NYOS CHARTER SCHOOL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<b>Data Control Codes</b>	<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>(1)</b>	<b>(2) Federal CFDA Number</b>	<b>(2A) Pass-Through Entity Identifying Number</b>	<b>(3) Federal Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>					
Direct Programs:					
203	Mentoring Program		84.184B	227-804	\$ 200,107
Total U.S. Department of Health & Human Services					<u>\$ 200,107</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
Pass Through Texas Education Agency:					
204	ESEA Title IV, Part A - Safe & Drug Free Schools & Communities		84.186A	08691001227804	\$ 1,232
211	ESEA Title I, Part A - Improving Basics Programs		84.010A	08610101227804	28,453
224	SSA IDEA B Formula		84.027	08685001227804	151,934
225	SSA IDEA B PreSchool		84.173A	0866000122780466	8,132
255	ESEA Title II, Part A - Teacher & Principal Training & Recruiting		84.367A	08694501227804	14,875
265	ESEA IV, Part B - 21st Century Community Learning Centers		84.287	227-804	369,911
262	ESEA Title II, Part D - Enhancing Education Through Technology		84.318X	08630001227804	929
269	ESEA Title V, Part A-Innovative Programs		84.298A		650
244	Carl D. Perkins		84.048A	08420006227804	2,916
Total U.S. Department of Education					<u>\$ 579,032</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
Pass Through Texas Education Agency:					
240	School Breakfast Program*		10.553	71400801	11,162
240	National School Lunch Program*		10.555	71300801	59,026
Total U.S. Department of Agriculture					<u>\$ 70,188</u>
<b>TOTAL EXPENDITURES OF FEDERAL EXPENDITURES</b>					<u><u>\$ 849,327</u></u>

\*Indicates clustered program under OMB Circular A-133 Compliance Supplement

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

**NYOS CHARTER SCHOOL, INC.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2008**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of NYOS Charter School, Inc. and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, and NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.