

*ANNUAL FINANCIAL REPORT*

of the

**NYOS CHARTER SCHOOL, INC.**

For the Years Ended  
June 30, 2016 and 2015

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# NYOS CHARTER SCHOOL, INC.

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June 30, 2016 and 2015

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**NYOS CHARTER SCHOOL, INC.**  
**CERTIFICATE OF BOARD**

NYOS Charter School, Inc.  
Name of Charter Holder


74-2860628  
Federal Employer ID Number

NYOS Charter School, Inc.  
Name of Charter School

Travis  
County

227-804  
Co. Dist. Number

We, the undersigned, certify that the attached financial and compliance report of the above named Charter Holder was reviewed and (check one)  approved  disapproved for the year ended June 30, 2016 at a meeting of the governing body of the Charter Holder on the 17 day of November, 2016.

  
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  
NYOS Charter School, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of NYOS Charter School, Inc. (the "Charter Holder") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter Holder's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter Holder's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

---

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter Holder as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial schedules noted as supplementary information in the table of contents are presented for purposes of additional analysis and are not required parts of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Holder's internal control over financial reporting and compliance.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
October 14, 2016



***FINANCIAL STATEMENTS***

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**NYOS CHARTER SCHOOL, INC.**  
**STATEMENTS OF FINANCIAL POSITION - EXHIBIT A-1**  
June 30, 2016 and 2015

	2016	2015
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 1,097,235	\$ 840,686
Restricted cash	559,733	565,033
Due from other governments	1,300,642	1,255,655
Other receivables	32	1,846
Total current assets	2,957,642	2,663,220
Non-current assets:		
Deferred charges	367,157	391,635
Property and equipment, net	5,137,135	5,224,591
Total non-current assets	5,504,292	5,616,226
<b>Total Assets</b>	<b>\$ 8,461,934</b>	<b>\$ 8,279,446</b>
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable	\$ 20,813	\$ 18,489
Accrued wages payable	317,593	319,297
Payroll deductions and withholdings payable	207,257	173,743
Accrued liabilities	98,311	66,684
Interest payable	42,880	49,739
Deferred revenue	30,192	27,944
Current portion of capital lease payable	6,071	24,062
Current portion of note payable	30,041	20,804
Current portion of bonds payable	175,000	170,000
Total current liabilities	928,158	870,762
Non-current liabilities:		
Capital leases payable, net of current portion	6,071	12,142
Note payable, net of current portion	508,747	517,062
Bonds payable, net of discount and current portion	3,596,952	3,769,416
Total non-current liabilities	4,111,770	4,298,620
<b>Total Liabilities</b>	<b>5,039,928</b>	<b>5,169,382</b>
Net assets:		
Unrestricted	3,421,789	3,109,847
Temporarily restricted	217	217
<b>Total Net Assets</b>	<b>3,422,006</b>	<b>3,110,064</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,461,934</b>	<b>\$ 8,279,446</b>

See Notes to Financial Statements.

# NYOS CHARTER SCHOOL, INC.

## STATEMENTS OF ACTIVITIES - EXHIBIT A-2

For the Years Ended June 30, 2016 and 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Unrestricted
<b><u>Revenues</u></b>				
Local support:				
5720 Local revenue resulting from services rendered to other schools	\$ -	\$ -	\$ -	\$ 100
5740 Other revenues from local sources	179,524	-	179,524	230,092
5750 Revenues from co-curricular activities	119,118	-	119,118	152,668
Total local support	298,642	-	298,642	382,860
State program revenues:				
5810 Foundation school program act revenues	-	7,560,897	7,560,897	-
5820 State program revenues distributed by Texas Education Agency	-	80,842	80,842	-
Total state program revenue	-	7,641,739	7,641,739	-
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	-	1,022,959	1,022,959	-
Total federal program revenue	-	1,022,959	1,022,959	-
Net assets released from restrictions:				
Restricted satisfied by payments	8,664,698	(8,664,698)	-	8,442,948
<b>Total Revenues</b>	8,963,340	-	8,963,340	8,825,808
<b><u>Expenses</u></b>				
11 Instruction	5,270,863	-	5,270,863	5,038,295
12 Instructional resources and media services	16,802	-	16,802	12,266
13 Curriculum development and instructional staff development	86,501	-	86,501	43,798
21 Instructional leadership	353,454	-	353,454	326,463
23 School leadership	490,796	-	490,796	485,811
31 Guidance, counseling, and evaluation services	167,289	-	167,289	187,457
33 Health services	2,020	-	2,020	617
34 Student (pupil) transportation	30,010	-	30,010	20,486
35 Food services	249,862	-	249,862	271,970
36 Co-curricular/extracurricular activities	59,343	-	59,343	60,961
41 General administration	420,356	-	420,356	515,304
51 Plant maintenance and operations	990,462	-	990,462	988,543
53 Data processing services	205,528	-	205,528	184,304
71 Debt service	236,950	-	236,950	225,631
81 Fundraising	71,162	-	71,162	50,703
<b>Total Expenses</b>	8,651,398	-	8,651,398	8,412,609
<b>Change in Net Assets</b>	311,942	-	311,942	413,199
Beginning net assets	3,109,847	217	3,110,064	2,696,648
<b>Ending Net Assets</b>	\$ 3,421,789	\$ 217	\$ 3,422,006	\$ 3,109,847

See Notes to Financial Statements.

**2015**

<u>Temporarily Restricted</u>	<u>Total</u>
\$ -	\$ 100
-	230,092
-	152,668
-	<u>382,860</u>
7,326,966	7,326,966
81,789	81,789
<u>7,408,755</u>	<u>7,408,755</u>
1,022,231	1,022,231
<u>1,022,231</u>	<u>1,022,231</u>
(8,442,948)	-
<u>(11,962)</u>	<u>8,813,846</u>
-	5,038,295
-	12,266
-	43,798
-	326,463
-	485,811
-	187,457
-	617
-	20,486
-	271,970
-	60,961
-	515,304
-	988,543
-	184,304
-	225,631
-	50,703
-	<u>8,412,609</u>
(11,962)	401,237
12,179	2,708,827
<u>\$ 217</u>	<u>\$ 3,110,064</u>

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# NYOS CHARTER SCHOOL, INC.

## STATEMENTS OF CASH FLOWS - EXHIBIT A-3

For the Years Ended June 30, 2016 and 2015

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Revenue from co-curricular or enterprising	\$ 119,118	\$ 152,668
Foundation school program payments	7,598,566	7,444,748
Grant payments	1,022,959	1,022,231
Miscellaneous sources	179,524	230,192
Payments to vendors for goods and services rendered	(1,980,189)	(1,980,432)
Payments to charter school personnel for services rendered	(6,407,505)	(6,282,436)
<b>Net Cash Provided by Operating Activities</b>	532,473	586,971
<b>Cash Flows from Investing Activities</b>		
Purchase of capital assets, net of disposals	(115,098)	(17,687)
<b>Net Cash (Used) by Investing Activities</b>	(115,098)	(17,687)
<b>Cash Flows from Financing Activities:</b>		
Issuance of long-term debt	25,567	20,599
Repayment of debt, net	(191,693)	(178,545)
<b>Net Cash (Used) by Financing Activities</b>	(166,126)	(157,946)
<b>Net Change in Cash and Cash Equivalents</b>	251,249	411,338
Beginning cash and cash equivalents	1,405,719	994,381
<b>Ending Cash and Cash Equivalents</b>	\$ 1,656,968	\$ 1,405,719
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:</b>		
Change in net assets	\$ 311,942	\$ 401,237
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	202,554	200,435
(Increase) decrease in current assets:		
Due from other governments	(44,987)	34,911
Prepaid expenses	-	1,178
Other receivables	1,814	1,082
Increase (decrease) in current liabilities:		
Accounts payable	2,324	(39,368)
Accrued liabilities	31,627	(4,753)
Accrued wages payable	(1,704)	718
Accrued payroll deductions and withholdings payable	33,514	15,821
Interest payable	(6,859)	(26,373)
Deferred revenue	2,248	2,083
<b>Net Cash Provided by Operating Activities</b>	\$ 532,473	\$ 586,971

See Notes to Financial Statements.

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# **NYOS CHARTER SCHOOL, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2016 and 2015**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements of NYOS Charter School, Inc. (the “Charter Holder”) (a nonprofit organization) were prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board (FASB) 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 1997 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 eleven 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 receives 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 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, NYOS Charter School, Inc. was opened for the academic year 1998-1999. The Charter Holder was organized to provide educational services to students in pre-kindergarten through twelfth grade. The Charter Holder’s Board of Directors governs its 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.

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 school activities due to donor-imposed restrictions.

**NYOS CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Years Ended June 30, 2016 and 2015

**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 land, construction in progress, buildings and improvements, vehicles, and furniture and equipment, 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 5 to 39 years, using the straight-line method of depreciation. Expenditures for additions, major renewals, and improvements 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.

**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.

**Income Taxes**

The Charter Holder qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

**Budget**

The official school budget is prepared for adoption for required governmental fund types. The annual budget is adopted on a basis consistent with generally accepted accounting principles and is formally adopted by the Board of Directors.

For the year ended June 30, 2016, the Charter Holder budgeted for a \$290,957 increase in net assets due to an increase in state foundation program funds. The actual increase in net assets for the year was \$311,942.

**Reclassifications**

Certain amounts in fiscal year 2015 have been reclassified to conform with the fiscal year 2016 presentation.

# NYOS CHARTER SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2016 and 2015

### NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents held as of June 30, 2016 were as follows:

	2016	
	Cost Basis	Market Value
Cash on hand and in financial institutions	\$ 882,128	\$ 882,128
Money market funds	769,030	774,840
<b>Total</b>	<b>\$ 1,651,158</b>	<b>\$ 1,656,968</b>

Cash and cash equivalents held as of June 30, 2015 were as follows:

	2015	
	Cost Basis	Market Value
Cash on hand and in financial institutions	\$ 627,002	\$ 627,002
Money market funds	773,802	778,717
<b>Total</b>	<b>\$ 1,400,804</b>	<b>\$ 1,405,719</b>

Cash is held in both interest bearing and non-interest bearing demand accounts at a financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limited amount of \$250,000. As of June 30, 2016, the Charter Holder's uninsured cash balances totaled \$665,201 and, as of June 30, 2015, the Charter Holder's uninsured cash balances totaled \$438,907.

### NOTE 3 – RESTRICTED CASH

Restricted cash and cash equivalents represent cash with the Charter Holder's Trustee, Wells Fargo, for the 2006A bonds. The Charter Holder must maintain a debt service fund which is required to maintain a minimum balance in the amount of \$350,000 for payment of these bonds. At June 30, 2016, the debt service reserve fund had a balance of \$120,592 and the unrestricted liquid asset fund had a balance of \$367,521. The Charter Holder also maintains a scholarship fund with Wells Fargo that had a balance of \$40,703 and a facility revenue account that had a balance of \$30,915 as of year end.

### NOTE 4 – CAPITAL ASSETS

Capital assets at June 30, 2016 and 2015 were as follows:

	2016	2015
Land	\$ 495,763	\$ 406,480
Buildings and improvements	5,939,829	5,914,014
Vehicles	59,060	59,060
Furniture and equipment	265,137	265,137
<b>Total</b>	<b>6,759,789</b>	<b>6,644,691</b>
Less accumulated depreciation	1,622,654	1,420,100
<b>Property and Equipment, Net</b>	<b>\$ 5,137,135</b>	<b>\$ 5,224,591</b>

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.

Depreciation expense for the 2016 and 2015 fiscal years was \$202,554 and \$200,435, respectively.

# **NYOS CHARTER SCHOOL, INC.**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Years Ended June 30, 2016 and 2015**

### **NOTE 5 – LONG-TERM DEBT**

#### **Bonds Payable**

The Charter Holder issued bonds in the aggregate amount of \$4,725,000, with an interest rate of 4.25 percent, designated as Orchard Higher Education Finance Corporation (NYOS Charter School, Inc.) Education Revenue Bonds Series 2006A (the “Series 2006A Bonds”), and its revenue bonds in the aggregate principal amount of \$355,000, with an interest rate of 5.75 percent, designated as Orchard Higher Education Finance Corporation (NYOS Charter School, Inc.) Taxable Education Revenue Bonds Series 2006B (the “Series 2006B Bonds”). The proceeds of the Series 2006 Bonds were used to finance and refinance the cost of a major project consisting of certain land, building, facilities, and improvements, and to pay certain costs of issuing such bonds. The bonds are limited obligations of the issuer payable solely from revenues received by the issuer pursuant to an agreement between the issuer and the borrower. The state, the city, nor any political corporation, subdivision, or agency of the state is pledged to the payment of the principal of premium or interest on the Series 2006A Bonds. The Series 2006A Bonds will mature on February 15, 2031. The Series 2006B Bonds matured on February 15, 2010.

#### **Notes Payable**

On February 28, 2013, the Charter Holder entered into a financing agreement with Commerce National Bank in the amount of \$582,250, with an interest rate of the lesser of prime rate plus one percent or 4.25 percent. The note is secured by a tract of land. It is payable in 126 installments of \$3,606, with the remaining unpaid balance due on August 28, 2023.

On November 27, 2015, the Charter Holder entered into a financing agreement with Frost Bank in the amount of \$25,567, with an interest rate of 4.548 percent. The note is payable in 36 installments of \$761 beginning on January 1, 2016.

#### **Capital Leases**

On June 1, 2011, the Charter Holder entered into a capital lease financing arrangement with GE Capital Corporation in the amount of \$21,927 for the acquisition of a modular building. The capital lease is payable in 48 installments of \$545 beginning September 1, 2011. The imputed interest rate is 8.9 percent.

On June 14, 2013, the Charter Holder entered into a capital lease financing arrangement with TCF Equipment Finance in the amount of \$47,260 for the acquisition of a school bus. The capital lease is payable in 36 installments of \$1,467 beginning July 14, 2013. The interest rate is 7.34 percent.

On May 15, 2015, the Charter Holder entered into a capital lease financing arrangement with Modular Space Corporation in the amount of \$20,599 for the acquisition of a modular building. The capital lease is payable in 36 installments of \$506 beginning July 4, 2015.

#### **Revolving Line of Credit**

The Charter Holder has a \$50,000 revolving line of credit with Commerce National Bank. All advances on the credit line are payable on demand and carry an interest rate of prime plus two percent. The credit line is unsecured. There were no draws outstanding as of June 30, 2016.

# NYOS CHARTER SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2016 and 2015

The following is a summary of changes in long-term liabilities of the Charter Holder for the year ended June 30, 2016.

	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Bonds payable, note payable, and capital leases:					
Series 2006A	\$ 3,980,000	\$ -	\$ (170,000)	\$ 3,810,000	\$ 175,000
Note payable	537,866	25,567	(24,645)	538,788	30,041
Capital leases	36,204	-	(24,062)	12,142	6,071
Other liabilities:					
Net issuance premium (discounts)	(40,584)	-	2,536	(38,048)	-
	\$ 4,513,486	\$ 25,567	\$ (216,171)	\$ 4,322,882	\$ 211,112
<b>Long-term liabilities due in more than one year</b>				<b>\$ 4,111,770</b>	

Future maturities of long-term debt at June 30, 2016 are as follows:

Year Ended June 30	Bonds Payable		
	Principal	Interest	Total
2017	\$ 175,000	\$ 186,504	\$ 361,504
2018	185,000	178,344	363,344
2019	195,000	169,556	364,556
2020	205,000	160,294	365,294
2021	215,000	150,489	365,489
2022-2026	1,245,000	584,944	1,829,944
2027-2031	1,590,000	250,101	1,840,101
	\$ 3,810,000	\$ 1,680,232	\$ 5,490,232

Estimated future debt service requirements for the note payable are as follows:

Year Ended June 30	Note Payable		
	Principal	Interest	Total
2017	\$ 30,041	\$ 22,358	\$ 52,399
2018	31,362	21,037	52,399
2019	28,102	19,700	47,802
2020	24,648	18,618	43,266
2021	25,716	17,550	43,266
2022-2024	398,919	34,137	433,056
	\$ 538,788	\$ 133,400	\$ 672,188

Future minimum payments to retire capital lease obligations are as follows:

Year Ended June 30	Capital Leases		
	Principal	Interest	Total
2017	\$ 6,071	\$ -	\$ 6,071
2018	6,071	-	6,071
	\$ 12,142	\$ -	\$ 12,142

The modular buildings and school bus acquired under capital lease obligations totaled \$101,586 and accumulated depreciation totaled \$43,844.

# **NYOS CHARTER SCHOOL, INC.**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Years Ended June 30, 2016 and 2015**

### **NOTE 6 – PENSION PLAN OBLIGATIONS**

#### **Plan Description**

The Charter Holder contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, 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. Based on FASB Statement No. 87, a multiemployer plan is a pension plan to which two or more unrelated employers contribute, usually pursuant to one or more collective-bargaining agreements. Although TRS has no collective bargaining agreements, the defined benefit pension plan is considered to be a multiemployer plan for the purposes of a not-for-profit charter holder due to various significant factors. These factors include: 1) charter holders are legally separate entities from the state and each other; 2) assets contributed by one participating entity may be used to provide benefits to employees of other participating employers since assets contributed by one entity are not segregated in a separate account or restricted to provide benefits only to employees of that entity; 3) upon withdrawal from the plan, the unfunded obligation or net pension liability of that entity will be passed along to the remaining other entities who contribute to the plan; and 4) there is not a withdrawal penalty for leaving the TRS system.

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](http://www.trs.state.tx.us), under the TRS Publication Heading.

#### **Funding Policy and Funded Status**

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 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 31 years, the period would be increased by such action.

As of August 31, 2015, TRS' total plan assets were \$128,538,706,212, accumulated benefit obligation (or total pension liability) was \$163,887,375,172, and the plan was 78.43 percent funded.

#### **Contributions**

State law provides for a member contribution rate of 7.2 percent for fiscal year 2016, 6.7 percent for fiscal year 2015, and 6.4 percent for fiscal year 2014, and a state contribution rate of 6.8 percent for fiscal years 2016, 2015, and 2014. In addition, state law provides for a member contribution rate of 7.7 percent for fiscal year 2017, while maintaining a state contribution rate of 6.8 percent for fiscal year 2017.

The Charter Holder's employees' contributions to TRS for the years ending June 30, 2016, 2015, and 2014 were \$372,884, \$345,039, and \$330,529, 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 June 30, 2016, 2015, and 2014 were \$20,253, \$21,867, and 24,989, respectively,

# **NYOS CHARTER SCHOOL, INC.**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

**For the Years Ended June 30, 2016 and 2015**

equal to the required contributions for each year. These contributions did not represent more than five percent of the total contributions to the plan.

In addition to the Charter Holder's contributions given above, when employing a new member to TRS, the Charter Holder is required to pay the state contribution for the new members in their first 90 days of employment. The Charter Holder's contribution for new members for fiscal year ending June 30, 2016 was \$6,920.

In addition to the Charter Holder's contributions given above, when employing a retiree of TRS, the Charter Holder is required to pay both the employee contribution and the state contribution as an employment after retirement surcharge. The Charter Holder's contribution for pension surcharge for fiscal years ending June 30, 2016 and 2015 was \$12,428 and \$11,826, respectively.

Effective for fiscal year 2015, the Charter Holder made contributions for the Non-Old Age Survivor and Disability Insurance (Non-OASDI) for certain employees. The total amount contributed for Non-OASDI for fiscal years ending June 30, 2016 and 2015 was \$78,579 and \$63,000, respectively.

### **NOTE 7 – RETIREE HEALTH CARE PLAN**

#### **Plan Description**

The Charter Holder contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us); by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701; or by calling 1-800-223-8778.

#### **Funding Policy**

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were one percent for fiscal years 2016, 2015, and 2014 and 0.65 percent of school payroll, with the Charter Holder contributing a percentage of payroll set at 0.55 percent for fiscal years 2016, 2015, and 2014. Per Texas Insurance Code, Chapter 1575, the school contribution may not be less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. For the years ended June 30, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$3,052, \$3,307, and \$3,688, respectively; the active member contributions were \$34,054, \$33,738, and \$33,569, respectively; and the Charter Holder's contributions were \$28,815, \$28,548, and \$28,405, respectively; which equaled the required contribution.

### **NOTE 8 – HEALTH CARE COVERAGE**

During the year ended June 30, 2016, employees of the Charter Holder were covered by TRS Active-Care (the "Plan") for health insurance benefits. The Charter Holder contributed \$325 per month per employee to the Plan, which meets the minimum requirement of \$225. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

# NYOS CHARTER SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2016 and 2015

### NOTE 9 – WORKERS’ COMPENSATION INSURANCE

During the year ended June 30, 2016, employees of the Charter Holder were covered by a Workers’ Compensation Plan (the “Plan”). The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreements.

The contract between the Charter Holder and the third-party administrator, Claims Administrative Services, Inc. (CAS), acting on behalf of the self-funded pool, is renewable on September 1 and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with State statutes, the Charter Holder was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through the Texas Educational Insurance Association and MidWest Employers Casualty Company, commercial insurers licensed or eligible to do business in the State of Texas in accordance with the Texas Insurance Code. The specific retention is \$1,000,000 and the aggregate limit is \$5,000,000. The aggregate stop loss coverage is \$43,771. According to CAS, the unfunded claim benefit obligation included \$53,926 in claims that were unpaid and \$54,657 in estimated claims incurred, but not reported. Other school districts and charter holders contributed to the self-funded pool which was operated under the contractual provisions of Article 4413(32c), Interlocal Cooperation Act.

The claim liability is based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims which have been incurred but not reported based on historical experience. Changes in the claims liability for workers’ compensation benefits for the current and prior fiscal year are summarized below.

	Fiscal Year	
	2016	2015
Claims liability at beginning of year	\$ 25,453	\$ 30,182
Current year claims and estimated changes	37,033	(1,158)
Claims payments	(8,560)	(3,571)
<b>Claims liability at year end</b>	<b>\$ 53,926</b>	<b>\$ 25,453</b>

### NOTE 10 – DUE FROM STATE

As of June 30, 2016 and 2015, the Charter Holder had earned the following revenues which were not received until after the fiscal year end:

	2016	2015
State Foundation Program	\$ 1,234,545	\$ 1,220,020
IDEA-B Formula	-	1,385
Title I, Part A - Improving Basic Programs	11,815	10,594
Title II, Part A - Teacher and Principal Training	3,250	571
Title III, Part A - LEP	708	353
21st Century Community Learning Center	35,030	20,744
Textbook Allotment	15,294	1,988
<b>Total</b>	<b>\$ 1,300,642</b>	<b>\$ 1,255,655</b>



# NYOS CHARTER SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2016 and 2015

### NOTE 11 – 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.

The last three years of informational tax returns, 2015, 2014, and 2013, filed with the IRS remain subject to examination.

### NOTE 12 – OPERATING LEASES

The Charter Holder entered into a lease agreement effective August 29, 2007 with Grant A.M.E. Worship Center for property located at 1605 Kramer Lane, Austin, Texas. The agreement term will end on August 31, 2017. The monthly rent payment varies annually based on the terms of the agreement. In addition to the minimum rent payment, the Charter Holder pays for 86 percent of the utilities charged to the tenant for electricity and gas usage. The leased space is used for classrooms for the Kramer Campus.

Estimated future annual rental payments as of June 30, 2016 are:

Year Ended	
June 30	Amount
2017	\$ 248,498
2018	41,571
	<u>\$ 290,069</u>

Operating lease expense for the 2016 and 2015 fiscal year ends was \$331,068 and \$327,518, respectively.

### 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 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 years ended June 30, 2016 and 2015, the Charter Holder was paid \$7,429,896 and \$7,107,057, respectively, of State Foundation Program funds of which all was earned (before any possible TEA enrollment and attendance audit).

### NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016 and 2015, the Charter Holder's temporarily restricted net assets consisted of the following:

	2016	2015
Student Success Initiative	\$ 11	\$ 11
State Funded Special Revenue Fund	206	206
<b>Total</b>	<u>\$ 217</u>	<u>\$ 217</u>

# NYOS CHARTER SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2016 and 2015

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2016</u>	<u>2015</u>
State funds	\$ 7,641,739	\$ 7,420,717
Federal funds	1,022,959	1,022,231
<b>Total</b>	<u>\$ 8,664,698</u>	<u>\$ 8,442,948</u>

### NOTE 15 – CHARTER HOLDER OPERATIONS

The Charter Holder operated one charter school, NYOS Charter School, Inc., and did not conduct any other charter or non-charter activities.

### NOTE 16 – SHARED SERVICE ARRANGEMENTS

The Charter Holder is the fiscal agent for a shared service arrangement (SSA), which provides an after-school program to students 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 21<sup>st</sup> Century grant funds to the fiscal agent. In addition to this fund, the Charter Holder was awarded \$22,755 as a part of the 21<sup>st</sup> Century grant to participate in the STAAR Pilot program for the fiscal year. The Charter Holder has provided each member school with its share of revenue and expenditures applicable to each program. The expenditures incurred on behalf of the member schools are as follows:

<u>Member Districts</u>	<u>Expenditures</u> <u>21st Century</u>
Cedars International Academy	\$ 169,274
NYOS Charter School	309,748
Wayside Schools	136,154
<b>Total</b>	<u>\$ 615,176</u>

### NOTE 17 – SUBSEQUENT EVENTS

#### Purchase of Property

On July 15, 2016, the Charter Holder entered into a real estate contract to purchase property in the amount of \$3,000,000.

#### Issuance of Debt

On July 15, 2016, the Charter Holder issued \$7,200,000 of Education Revenue and Refunding Bonds, Series 2016 for the purposes of refunding the outstanding balances in long-term debt issues in Education Revenue Bonds, Series 2006 and in the note payable with Commerce National Bank, as well as borrowing new funds to purchase property. The interest rate for the Series 2016 issuance is 2.51 percent and will mature July 15, 2041.

***SUPPLEMENTARY INFORMATION***

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# NYOS CHARTER SCHOOL, INC.

## SCHEDULE OF EXPENSES - EXHIBIT C-1

For the Years Ended June 30, 2016 and 2015

		Totals	
		2016	2015
<b>Expenses</b>			
6100	Payroll costs	\$ 6,439,315	\$ 6,298,975
6200	Professional and contracted services	1,282,639	1,149,153
6300	Supplies and materials	397,779	436,526
6400	Other operating costs	294,715	302,325
6500	Debt	236,950	225,630
	<b>Total Expenses</b>	<u>\$ 8,651,398</u>	<u>\$ 8,412,609</u>

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# NYOS CHARTER SCHOOL, INC.

## SCHEDULE OF CAPITAL ASSETS - EXHIBIT D-1

For the Year Ended June 30, 2016

		Ownership Interest		
		Local	State	Federal
1510	Land purchase and investments	\$ -	\$ 495,763	\$ -
1520	Buildings and improvements	-	5,939,829	-
1531	Vehicles	-	59,060	-
1538	Computer equipment	-	-	97,389
1539	Furniture and equipment	-	130,841	-
1560	Library books and media	36,907	-	-
<b>Total Property and Equipment</b>		<u>\$ 36,907</u>	<u>\$ 6,625,493</u>	<u>\$ 97,389</u>

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**NYOS CHARTER SCHOOL, INC.**  
**BUDGETARY COMPARISON SCHEDULE - EXHIBIT E-1**

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local support				
5720 Local revenues resulting from services	\$ 4,800	\$ -	\$ -	\$ -
5740 Other revenues from local sources	221,900	178,900	179,524	624
5750 Revenue from co-curricular or enterprising	144,952	119,122	119,118	(4)
Total local support	<u>371,652</u>	<u>298,022</u>	<u>298,642</u>	<u>620</u>
State program revenues				
5810 Foundation school program revenues	7,352,191	7,554,886	7,560,897	6,011
5820 State program revenues distributed by Texas Education Agency	84,124	80,842	80,842	-
Total state program revenue	<u>7,436,315</u>	<u>7,635,728</u>	<u>7,641,739</u>	<u>6,011</u>
Federal program revenues				
5920 Federal revenues distributed by Texas Education Agency	1,090,678	980,137	1,022,959	42,822
<b>Total Revenues</b>	<u>8,898,645</u>	<u>8,913,887</u>	<u>8,963,340</u>	<u>49,453</u>
<b>Expenses</b>				
11 Instruction	5,261,980	5,231,361	5,270,863	(39,502)
12 Instructional resources and media services	12,733	16,802	16,802	-
13 Curriculum development and instructional staff development	49,862	86,780	86,501	279
21 Instructional leadership	334,844	345,113	353,454	(8,341)
23 School leadership	425,861	490,905	490,796	109
31 Guidance, counseling, and evaluation services	189,712	167,093	167,289	(196)
33 Health services	1,975	2,020	2,020	-
34 Student (pupil) transportation	31,300	30,010	30,010	-
35 Food services	251,328	248,959	249,862	(903)
36 Co-curricular/extracurricular activities	60,618	59,345	59,343	2
41 General administration	562,360	434,746	420,356	14,390
51 Plant maintenance and operations	846,755	989,455	990,462	(1,007)
53 Data processing services	205,507	204,968	205,528	(560)
71 Debt	268,983	244,241	236,950	7,291
81 Fundraising	96,382	71,132	71,162	(30)
99 Other governmental charges	177,667	-	-	-
<b>Total Expenses</b>	<u>8,777,867</u>	<u>8,622,930</u>	<u>8,651,398</u>	<u>(28,468)</u>
<b>Change in Net Assets</b>	<u>\$ 120,778</u>	<u>\$ 290,957</u>	311,942	<u>\$ 20,985</u>
Beginning net assets			3,110,064	
<b>Ending Net Assets</b>			<u>\$ 3,422,006</u>	

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## ***COMPLIANCE***

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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**

October 14, 2016

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

We have audited, in accordance with the 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, the financial statements of NYOS Charter School, Inc. (the "Charter Holder") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter Holder's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Charter Holder's internal control.

*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 Charter Holder's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Holder's financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter Holder's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Holder's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BELT HARRIS PECHACEK, LLLP**

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

October 14, 2016

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

**Report on Compliance for Each Major Federal Program**

We have audited NYOS Charter School, Inc.'s (the "Charter Holder") (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Charter Holder's major federal programs for the year ended June 30, 2016. The Charter Holder's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Charter Holder's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Holder's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Charter Holder's compliance.

**Partners**

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## **Opinion on Each Major Federal Program**

In our opinion, the Charter Holder complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## **Report on Internal Control Over Compliance**

Management of the Charter Holder is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter Holder's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter Holder's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas



**NYOS CHARTER SCHOOL, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - EXHIBIT F-1**  
For the Year Ended June 30, 2016

**I. SUMMARY OF AUDIT RESULTS**

*Financial Statements*

Type of audit report issued	Unmodified
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

*Federal Awards*

Internal control over major programs:	
One or more material weakness(es) identified?	No
One or more significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of audit report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 500.516(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Program Title</u>
84.010	Title I, Part A
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**II. FINANCIAL STATEMENT FINDINGS**

*None identified.*

**III. FINDINGS AND QUESTIONED COSTS FOR STATE AND FEDERAL AWARDS**

*None identified.*

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# NYOS CHARTER SCHOOL, INC.

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

For the Year Ended June 30, 2016

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

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**NYOS CHARTER SCHOOL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT H-1**  
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Texas Education Agency:</i>			
Title I, Part A - Improving Basic Programs	84.010	15610101227804	\$ 13,280
Title I, Part A - Improving Basic Programs	84.010	16610101227804	118,749
Title II, Part A - Teacher/Principal Training and Recruitment	84.367	16694501227804	19,994
Title III, Part A - English Language Acquisition	84.365	15671001227804	10,400
Title III, Part A - English Language Acquisition	84.365	16671001227804	4,541
IDEA-B Formula*	84.027	166600012278046000	118,605
IDEA-B Preschool*	84.173	166610012278046000	903
21st Century Community Learning Centers	84.287	156950167110031	93,554
21st Century Community Learning Centers	84.287	166950167110031	502,144
Summer School LEP	84.369	69551502	2,226
	<b>Total U.S. Department of Education</b>		<b>884,396</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Texas Education Agency:</i>			
School Breakfast Program*	10.553	71401501	4,317
School Breakfast Program*	10.553	71401601	14,083
National School Lunch Program*	10.555	71301501	24,387
National School Lunch Program*	10.555	71301601	80,151
USDA Commodities	10.565	227804	15,625
	<b>Total U.S. Department of Agriculture</b>		<b>138,563</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,022,959</b>

\* Indicates cluster program under OMB Compliance Supplement

The accompanying notes are an integral part of this schedule.

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# NYOS CHARTER SCHOOL, INC.

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

### NOTE 1 – STANDARD FINANCIAL ACCOUNTING SYSTEM

For all federal programs, the Charter Holder used the net asset classes and codes specified by the TEA in the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.

### NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Holder and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

### NOTE 3 – SUBRECIPIENTS

Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipients. Of the expenditures presented in the schedule of expenditures of federal awards, the Charter Holder provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Expenditures</u>
84.287	21st Century Community Learning Centers	\$ 305,428

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