

NYOS Charter School, Inc.

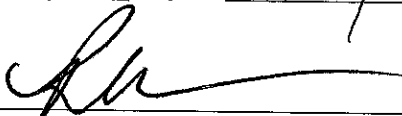
Financial Statements

June 30, 2010

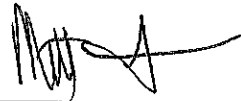
**(With Independent Auditors'
Report Thereon)**

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, 2010, at a meeting of the governing body of the charter holder on the 8 day of February, 2010.



Signature of Board Secretary

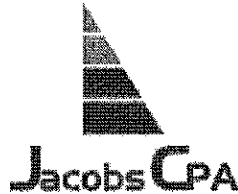


Signature of Board President

NYOS Charter School, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Governing Council of
NYOS Charter School, Inc.

We have audited the accompanying statement of financial position of NYOS Charter School (a nonprofit organization) as of June 30, 2010, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYOS Charter School as of June 30, 2010, and the changes 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 December 20, 2010, on our consideration of NYOS Charter School'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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of NYOS Charter School taken as a whole. The supplementary information presented on pages 11 through 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. In addition, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has also been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Pearland, TX
December 20, 2010

NYOS Charter School, Inc.
Statement of Financial Position
As of June 30, 2010

ASSETS

Current Assets

Cash and Cash equivalents	\$	105,489
Due from State (Note 5)		908,825
Due from Federal Agencies (Note 5)		96,562
Miscellaneous Accounts Receivable		10,014
Fixed Assets, net of depreciation (Note 1)		4,230,345
Other Assests		
Security Deposits		1,178
Capitalized Bond Issuance Costs, net		177,449

Restricted Assets

Cash and Cash equivalents (Note 7)		415,878
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Total Assets	\$	<u>5,945,740</u>
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LIABILITIES and NET ASSETS

Current Liabilities

Accounts Payable	\$	213,251
Payroll Deductions Payable		90,372
Accrued Payroll		209,788
Interest Payable		1,014
Loan Payable (Note 2)		9,465
Bonds Payable - Current (Note 2)		135,000
Capital Leases Payable		4,698

Long Term Liabilities

Bonds Payable - Future Maturities (Note 2)		4,590,000
Premium and Discount on Bonds, net		(491,439)

Total Liabilities	\$	<u>4,762,149</u>
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Net Assets

Unrestricted	\$	1,183,591
Temporarily restricted		-

Total Net Assets	\$	<u>1,183,591</u>
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Total Liabilities and Net Assets	\$	<u>5,945,740</u>
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(The accompanying notes are an integral part of this financial statement)

NYOS Charter School, Inc.
Statement of Activities
For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Local Revenues			
Contributions	\$ 18,966	\$ -	\$ 18,966
Services Rendered to Other Schools	42,587	-	42,587
Interest	70	-	70
Food Service	73,545	-	73,545
Athletic Activities	14,374	-	14,374
Other Local Revenue	135,291	-	135,291
Total Local Revenues	284,833	-	284,833
State Program Revenues			
Foundation School Program	-	5,319,948	5,319,948
PreK	-	13,715	13,715
Technology Allotment	-	18,721	18,721
ARI/AMI	-	21,146	21,146
Capital Investment	-	28,863	28,863
Other State Revenues	-	937	937
Total State Program Revenues	-	5,403,330	5,403,330
Federal Program Revenues			
Title IV, Part A-Safe & Drug Free Schools	-	1,453	1,453
ESEA Title I, Part A	-	53,892	53,892
National Breakfast and Lunch Program	-	120,841	120,841
Title II, Part A	-	19,759	19,759
Title II, Part D-Enhancing Educ.	-	328	328
Title III	-	800	800
21st CCLC	-	318,508	318,508
Title XIV	-	95,600	95,600
Title II, Part D-Enhancing Educ.-ARRA	-	1,292	1,292
Title II, Part A-ARRA	-	56,626	56,626
IDEA B Formula	-	193,685	193,685
IDEA B PreSchool	-	4,465	4,465
IDEA B Formula-ARRA	-	128,865	128,865
Total Federal Program Revenues	-	996,114	996,114
Net Assets Released from Restrictions			
Satisfaction of Program Restrictions	6,399,444	(6,399,444)	-
Total Revenues and Other Support	\$ 6,684,277	\$ -	\$ 6,684,277
EXPENDITURES and OTHER LOSSES			
Program Services			
General School Operations	\$ 3,663,627	\$ -	\$ 3,663,627
Title IV, Part A-Safe & Drug Free Schools	1,453	-	1,453
ESEA Title I, Part A	53,892	-	53,892
National Breakfast and Lunch Program	206,257	-	206,257
Title II, Part A	19,759	-	19,759
Title II, Part D-Enhancing Educ.	328	-	328
Title III	800	-	800
21st CCLC	318,508	-	318,508
Title XIV	95,600	-	95,600
Title II, Part D-Enhancing Educ.-ARRA	1,292	-	1,292
Title II, Part A-ARRA	56,126	-	56,126
IDEA B Formula	193,685	-	193,685
IDEA B PreSchool	4,465	-	4,465
IDEA B Formula-ARRA	128,865	-	128,865
PreK	13,715	-	13,715
Technology Allotment	18,721	-	18,721
ARI/AMI	21,091	-	21,091
Capital Investment	28,863	-	28,863
Total Program Services	4,827,047	-	4,827,047
Support Services			
Administrative Support Services	310,210	-	310,210
Support Services - Non-Student Based	1,242,133	-	1,242,133
Support Services - Student (Pupil)	43,172	-	43,172
Fundraisers	42,053	-	42,053
Debt Service	31,328	-	31,328
Total Expenditures	\$ 6,495,943	\$ -	\$ 6,495,943
Change in Net Assets	188,334	-	188,334
Net Assets at Beginning of Year	966,210	-	966,210
Prior Period Adjustments	29,047	-	29,047
Net Assets at End of Year	\$ 1,183,591	\$ -	\$ 1,183,591

(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, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Foundation School Program payments	\$ 5,248,363
Grant payments	1,011,133
Contributions and fund-raising activities	291,503
Payments to vendors for goods and services rendered	(1,409,290)
Payments to charter school personnel for services rendered	(4,761,847)
Interest payments	<u>(235,626)</u>
Net Cash Provided by Operating Activities	<u>144,236</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net Cash Provided by Investing Activities	<u>-</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Series 2006B principal repayment	(125,000)
Capital Lease Payable	(3,368)
Loan Payable-Commerce Bank	<u>9,465</u>
Net Cash Provided by Financing Activities	<u>(118,903)</u>

Net (Decrease)/Increase in Cash and Cash Equivalents	25,333
Cash and Cash Equivalents at Beginning of Year	<u>496,034</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 521,367</u></u>

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

Change in Net Assets	\$ 188,334
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities	
Depreciation	126,297
Amortization	31,080
(Increase)Decrease in Current Assets	
Accounts Receivable	(134,292)
Increase(Decrease) in Operating Liabilities	
Accounts Payable	(7,531)
Interest Payable	1,014
Payroll Deductions Payable	(59,509)
Accrued Payroll	(1,157)
Net Cash Provided by Operating Activities	<u><u>\$ 144,236</u></u>

**NYOS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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 generally 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 decisions, 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 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 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 the Charter, NYOS Charter School [The "School"] opened 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.

Net assets and revenues, expenditures, 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 released from restrictions (reclassified) and shown as unrestricted revenues. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

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 contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

NYOS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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 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.

Capital assets at June 30, 2010 were as follows:

Land	\$ 406,480
Buildings and Improvements	4,632,113
Vehicles	54,968
Furniture and Equipment	61,102
Library Books and Media	36,907
Equipment under Capital Lease	<u>9,999</u>
Total	5,201,568
Accumulated Depreciation	<u>971,223</u>
Capital Assets, Net	<u>\$4,230,345</u>

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 is identified on the Schedule of Capital Assets (page 13 of this report).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration

Although it is not likely that a severe impact will occur in the near term, there is a concentration in revenue of 96% from the Texas Education Agency and the U.S. Department of Education at the financial statement date.

Note 2: Debt

The Corporation issued 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 major 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 the 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

NYOS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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 the 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, 2010, a total of \$31,080 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>
2011	135,000	222,794	357,794
2012	145,000	216,844	361,844
2013	150,000	210,575	360,575
2014	155,000	204,094	359,094
2015	160,000	197,400	357,400
2016-2020	930,000	867,664	1,797,664
2021-2025	1,185,000	614,559	1,799,559
2026-2030	1,515,000	284,453	1,799,453
2031	<u>350,000</u>	<u>8,750</u>	<u>358,750</u>
Total	<u>\$4,725,000</u>	<u>\$2,827,133</u>	<u>\$7,552,133</u>

In addition, the Corporation has an a Line of Credit at Commerce National Bank. At June 30, 2010 the outstanding amount of the loan payable was \$9,465 which subsequent to the financial statement date has been paid in full.

Note 3: 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, 100 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- under the TRS publications heading.

NYOS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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, 2010 were \$243,516. Others contributions made from Federal and private grants and from the School for salaries above the statutory minimum for fiscal year ending June 30, 2010 were \$22,768 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, 2010 are not recorded in the accompanying financial statements.

Note 4: Health Care Cover

During the year ended June 30, 2010, 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 a portion of the premium cost per employee and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

Note 5: Due from Federal/State Agencies

At June 30, 2010, the School had the following amounts due from other governments:

Foundation School Program	\$908,825
Capital Investment	3,767
Title I, Part A	8,969
Title II, Part A	458
Title III	300
Title XIV	15,708
IDEA B Formula	12,255
IDEA B Formula-ARRA	17,313
Title VI, Part B-21 st Century Community Learning Center	<u>37,792</u>
Total	<u>\$1,005,387</u>

Note 6: 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, 2010 the Corporation had no temporarily restricted net assets.

Note 7: Restricted Assets

As noted in Note 2 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 \$150,371 in the Debt Service Escrow Account and \$265,507 in an Unrestricted Liquid Asset Fund Account, both of which are interest bearing.

**NYOS CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Note 8: Commitments and Contingencies

Texas Charter Schools receive 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. Expenditures 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.

Note 9: Operating Leases

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 1607 Kramer Lane, Austin, Texas. The term of this lease is for a period of 10 years that began July 1, 2007 and ends on August 31, 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 per month. On January 1, 2009, the lessee was 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 a greater of the minimum rent or the pupil rent, but not both. The minimum rent and the pupil rent will increase 3% annually beginning September 1, 2009. For 2009-2010, the School paid a total of \$164,100 pursuant to the terms of this lease.

Future lease payments under this operating lease is as follows:

Year Ending June 30	
2011	143,160
2012	147,454
2013	151,878
2014	156,434
2015	161,128
Thereafter	\$ 336,902

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 of \$1,115 and are a non-cancellable. During 2009-2010, the School paid a total of \$16,386 in accordance with the terms of this lease.

Year Ending June 30	
2011	13,380
2013-2016	0

Note 10: 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, 2010, NYOS Charter School was paid a total of \$5,193,043 of State Foundation Program Funds, all of which was earned before any possible TEA enrollment and attendance audit.

**NYOS CHARTER SCHOOL, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010**

Note 11: Shared Service Arrangements

The school is the fiscal agent for a Shared Service Arrangement [“SSA”] which provides legally required special education and related services to eligible students with disabilities and an after school program 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, IDEA B ARRA and 21st Century grant funds to the fiscal agent. The School 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 IDEA-B</u>	<u>Expenditures IDEA B-ARRA</u>
Cedars International Academy	\$ 24,593	\$27,234
NYOS Charter School	84,493	62,516
Texas Empowerment	26,552	1,324
Austin Discovery School	26,981	20,194
Eden Park Academy	<u>35,532</u>	<u>17,598</u>
	<u>\$198,151</u>	<u>\$128,866</u>
	<u>Expenditures 21st Century</u>	
Cedars International Academy	\$ 122,503	
NYOS Charter School	122,503	
Eden Park Academy	<u>73,502</u>	
	<u>\$ 318,508</u>	

Note 12: Related Parties

A parent representative on the Governing Council Roster wife is an occasional substitute teacher at NYOS Charter School.

Note 13: Charter School Operations

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

Note 14: Prior Period Adjustment

There has been prior period adjustments totaling \$29,047 to write-off an uncollectible receivable and to reclass accrued debt interest expense.

Note 15: Subsequent Event

Management reviewed transactions thru December 20, 2010 and determined there are no events subsequent to the statement of financial position date that would require disclosure in the financial statements, except as has been previously been noted.

NYOS Charter School, Inc.
Statement of Activities
For the Year Ended June 30, 2010

		Unrestricted	Temporarily Restricted	Total
REVENUES				
Local Revenues				
5720	Services Rendered	\$ 32,271	\$ -	32,271
5740	Other Revenues from Local Sources	152,979	-	152,979
5750	Co-Curricular Activities	99,583	-	99,583
State Program Revenues				
5810	Foundation School Program Revenues	-	5,348,811	5,348,811
5820	State Program Revenues Distributed by Texas Education Agency	-	40,804	40,804
5830	State Program Revenues Distributed by other than Texas Education Agency	-	13,715	13,715
Federal Program Revenues				
5920	Federal Revenues Distributed by the Texas Education Agency	-	995,314	995,314
5930	Federal Program Revenues Distributed by other than Texas Education Agency	-	800	800
Net Assets Released From Restrictions:				
Restrictions Satisfied by Payments		6,399,444	(6,399,444)	-
Total Revenues		\$ 6,684,277	\$ -	\$ 6,684,277
EXPENDITURES				
11	Instruction	3,840,284	-	3,840,284
12	Instructional Resources and Media Services	11,529	-	11,529
13	Curriculum Development and Instructional Staff Development	43,340	-	43,340
21	Instructional Leadership	174,419	-	174,419
23	School Leadership	447,636	-	447,636
31	Guidance, Counseling and Evaluation Services	92,907	-	92,907
32	Social Work Services	-	-	-
33	Health Services	102	-	102
34	Student Transportation	438	-	438
35	Food Service	206,408	-	206,408
36	Cocurricular/Extracurricular Activities	31,554	-	31,554
41	General Administration	316,507	-	316,507
51	Plant Maintenance and Operations	1,191,055	-	1,191,055
53	Data Processing Services	66,383	-	66,383
71	Debt Service	31,328	-	31,328
81	Fundraisers	42,053	-	42,053
Total Expenditures		\$ 6,495,943	\$ -	\$ 6,495,943
Change in Net Assets		188,334	-	188,334
Net Assets at Beginning of Year		966,210	-	966,210
Prior Period Adjustments		29,047	-	29,047
Net Assets at End of Year		\$ 1,183,591	\$ -	\$ 1,183,591

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

NYOS Charter School, Inc.
Schedule of Expenditures
For the Year Ended June 30, 2010

Expenditures			
6100	Payroll Costs	\$	4,701,181
6200	Professional and Contracted Services		916,397
6300	Supplies and Materials		361,090
6400	Other Operating Costs		250,569
6500	Interest Expense and Cost of Issuance of Debt		266,706
			<hr/>
	Total Expenditures	\$	<u>6,495,943</u>

NYOS Charter School, Inc.
Schedule of Capital Assets
For the Year Ended June 30, 2010

		Ownership Interest			
		Local	State	Federal	Total
1510	Land and Improvements	\$ -	\$ 406,480	\$ -	\$ 406,480
1520	Buildings and Improvements	88,665	3,580,865	962,583	4,632,113
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
	Total Capital Assets	<u>\$ 132,062</u>	<u>\$ 4,106,924</u>	<u>\$ 962,583</u>	<u>\$ 5,201,569</u>

NYOS Charter School, Inc.
Budgetary Comparison Schedule
For the Year Ended June 30, 2010

		Budgeted Amounts		Actual	Variance from
		Original	Final	Amounts	Final Budget
REVENUES and OTHER SUPPORT					
Local support					
5720	Services Rendered	\$ 230,175	\$ -	\$ 32,271	\$ 32,271
5740	Other Revenues from Local Sources	179,865	145,888	152,979	7,091
5750	Co-Curricular Activities	27,650	29,163	99,583	70,420
State Program Revenues					
5810	Foundation School Program Revenues	5,583,341	5,529,825	5,348,811	(181,014)
5820	State Program Revenues Distributed by Texas Education Agency	-	-	40,804	40,804
5830	State Program Revenues Distributed by other than Texas Education Agency	-	-	13,715	13,715
Federal Program Revenues					
5920	Federal Revenues Distributed by the Texas Education Agency	984,697	1,022,066	995,314	(26,752)
5930	Federal Program Revenues Distributed by Texas Education Agency	-	-	800	800
	Total Revenues	\$ 7,005,728	\$ 6,726,942	\$ 6,684,277	\$ (42,665)
EXPENDITURES					
11	Instruction	4,212,093	3,888,193	3,840,284	(47,909)
12	Instructional Resources and Media Services	26,701	27,167	11,529	(15,638)
13	Curriculum Development and Instructional Staff Development	-	-	43,340	(7,345)
21	Instructional Leadership	174,144	174,505	174,419	(86)
23	School Leadership	429,515	428,328	447,636	19,308
31	Guidance, Counseling and Evaluation Services	-	-	92,907	223
32	Social Work Services	-	-	-	-
33	Health Services	300	540	102	(438)
34	Student Transportation	-	-	438	438
35	Food Services	1,500	205,911	206,408	497
36	Cocurricular/Extracurricular Activities	27,650	29,281	31,554	2,273
41	General Administration	342,603	307,020	316,507	9,487
51	Plant Maintenance and Operations	1,022,483	1,347,652	1,191,055	(156,597)
53	Data Processing Services	62,692	66,582	66,383	(199)
71	Debt Service	-	-	31,328	31,328
81	Fundraising	59,000	42,054	42,053	(1)
	Total expenditures	\$ 6,528,491	\$ 6,660,602	\$ 6,495,943	\$ (164,659)
	Change in Net Assets	477,237	66,340	188,334	121,994
	Net Assets at Beginning of Year	-	-	966,210	966,210
	Prior Period Adjustments	-	-	29,047	29,047
	Net Assets at End of Year	\$ 477,237	\$ 66,340	\$ 1,183,591	\$ 1,117,251

(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 Governing Council of
NYOS Charter School

We have audited the financial statements of NYOS Charter School (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered NYOS Charter School'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 NYOS Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

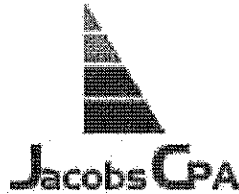
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NYOS Charter School'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-1.

This report is intended solely for the information and use of management, governing council, others within the entity, 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.

Pearland, TX
December 20, 2010



REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Governing Council of
NYOS Charter School, Inc.

Compliance

We have audited the compliance of NYOS Charter School (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. NYOS Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of NYOS Charter School's management. Our responsibility is to express an opinion on NYOS Charter School's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 NYOS Charter School'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. Our audit does not provide a legal determination of NYOS Charter School's compliance with those requirements.

In our opinion, NYOS Charter School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of NYOS Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered NYOS Charter School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 NYOS Charter School'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

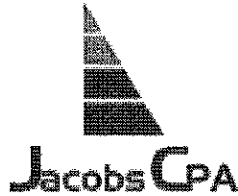
compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

NYOS Charter School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit NYOS Charter School's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, governing council, others within the entity, 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.

Pearland, TX
December 20, 2010



NYOS Charter School, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

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 noted.
- ii. Material weaknesses identified: None noted.

Noncompliance material to the financial statements: None noted.

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 noted.
- ii. Material weaknesses identified: None noted.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133: No.

Auditee qualified as low-risk auditee? Yes.

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010; 84.389	Title I, Part A & Title I, Part A-ARRA
84.027; 84.173; 84.391	IDEA B Formula, IDEA B Pre-School & IDEA B-ARRA

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

B. Findings related to the Financial Statements

The audit did not disclose any findings that are required to be reported.

C. Findings and Questioned Costs related to Federal Awards

2010-1:

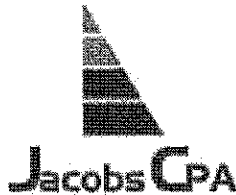
Condition: In an instance, the Organization was overdrawn on a federal ARRA grant by \$500.

Criteria: When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds and disbursement.

Effect: Funds were drawn in excess of the expenditures. Questioned cost is an improper receipt of \$500 on the Title I, Part A – ARRA grant.

Recommendation: The Organization should improve monthly monitoring of grant reimbursement requests.

Comment:



**NYOS Charter School, Inc.
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2009**

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 noted.
- ii. Material weaknesses identified: None noted.

Noncompliance material to the financial statements: None noted.

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 noted.
- ii. Material weaknesses identified: None noted.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133: No.

Auditee qualified as low-risk auditee? Yes.

Identification of major programs:

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

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

B. Findings related to the Financial Statements

The audit did not disclose any findings that are required to be reported.

C. Findings and Questioned Costs related to Federal Awards

The audit did not disclose any findings that are required to be reported.

NYOS CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Data Control Codes	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Pass Through Texas Education Agency:				
204	ESEA Title IV, Part A - Safe & Drug Free Schools & Communities	84.186A	10691001227804	\$ 1,453
211	ESEA Title I, Part A - Improving Basics Programs	84.010A	10610101227804	53,892
313	SSA IDEA B Formula	84.027A	1066000122780476600	193,685
314	SSA IDEA B PreSchool	84.173A	1066100122780476610	4,465
255	ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	10694501227804	19,759
265	ESEA IV, Part B - 21st Century Community Learning Centers	84.287	096950117110025	318,508
262	ESEA Title II, Part D - Enhancing Education Through Technology	84.318X	10630001227804	328
266	Title XIV -State Stablization	84.394A	10557001227804	95,600
279	ESEA Title II, Part D - Enhancing Education Through Technology - ARRA	84.386A	10553001227804	1,292
285	ESEA Title I, Part A - Improving Basics Programs - ARRA	84.389A	10551001227804	56,126
364	SSA IDEA B Formula -ARRA	84.391A	10554001227804	128,865
Pass Through Other than Texas Education Agency:				
263	Title III, Part A	84.365		800
Total U.S. Department of Education				<u>\$ 874,773</u>
U.S. DEPARTMENT OF AGRICULTURE				
Pass Through Texas Education Agency:				
240	School Breakfast Program*	10.553	71401001	18,327
240	National School Lunch Program*	10.555	71300901	187,930
Total U.S. Department of Agriculture				<u>\$ 206,257</u>
TOTAL EXPENDITURES OF FEDERAL EXPENDITURES				<u>\$ 1,081,030</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, 2010**

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of NYOS Charter School 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.