

NYOS CHARTER SCHOOL, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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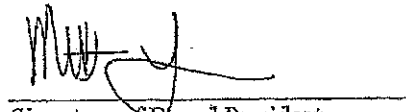
NYOS CHARTER SCHOOL, INC.
(Federal Employer Identification Number 74-2860628)
440-347

CERTIFICATION OF BOARD
JUNE 30, 2011

We, the undersigned, certify that the attached Annual Financial and Compliance Report of NYOS Charter School, Inc. was reviewed and X approved _____ disapproved for the year ended June 30, 2011, at a meeting of the governing body of said charter school on the 8 day of December, 2011.



Signature of Board Secretary



Signature of Board President

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
6750 W. LOOP SOUTH, SUITE 520
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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
NYOS Charter School, Inc.
Austin, Texas

We have audited the accompanying statement of financial position of NYOS Charter School, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of NYOS Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

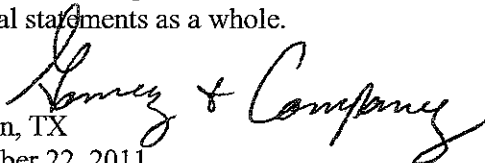
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011, 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 November 22, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The 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 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 basic 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 basic financial statements as a whole.

Houston, TX
November 22, 2011



NYOS CHARTER SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

ASSETS

Assets:

Cash	\$ 923,614
Grants Receivable	1,137,047
Land	406,480
Buildings and Improvements	4,927,905
Construction in Progress	14,649
Furniture and Equipment	162,976
Accumulated Depreciation	(1,097,520)
Other Assets	<u>482,820</u>
 Total Assets	 <u><u>\$ 6,957,971</u></u>

LIABILITIES AND
NET ASSETS

Liabilities:

Accounts Payable	\$ 109,954
Accrued Wages	237,528
Interest Payable	73,153
Accrued Liabilities	131,758
Payroll Taxes Payable	39,201
Notes Payable	280,000
Bond Payable Net of Discount	<u>4,539,027</u>
 Total Liabilities	 <u>5,410,622</u>

Net Assets:

Unrestricted	1,071,629
Temporarily Restricted	<u>475,719</u>
 Total Net Assets	 <u>1,547,348</u>
 Total Liabilities and Net Assets	 <u><u>\$ 6,957,971</u></u>

See accompanying notes to financial statements.

NYOS CHARTER SCHOOL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Local Support:			
5720 Local Revenues Resulting from Services Rendered to Other Schools	\$ 11,435		\$ 11,435
5740 Other Revenues from Local Sources	167,549		167,549
5750 Revenues from Cocurricular Activities	<u>99,530</u>		<u>99,530</u>
Total Local Support	<u>278,514</u>		<u>278,514</u>
State Program Revenues			
5810 Foundation School Program Act Revenues		5,697,892	5,697,892
5820 State Program Revenues Distributed by Texas Education Agency		<u>55,375</u>	<u>55,375</u>
Total State Program Revenues		<u>5,753,267</u>	<u>5,753,267</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency		<u>1,032,639</u>	<u>1,032,639</u>
Total Federal Program Revenues		<u>1,032,639</u>	<u>1,032,639</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>6,310,187</u>	<u>(6,310,187)</u>	
Total Revenues	<u>6,588,701</u>	<u>475,719</u>	<u>7,064,421</u>
EXPENSES			
11 Instruction	3,878,972		3,878,972
12 Instructional Resources and Media Services	26,101		26,101
13 Curriculum Development and Instructional Staff Development	53,782		53,782
21 Instructional Leadership	170,380		170,380
23 School Leadership	446,455		446,455
31 Guidance, Counseling, and Evaluation	89,641		89,641
33 Health Services	311		311
35 Food Services	180,470		180,470
36 Cocurricular/Extracurricular Activities	39,711		39,711
41 General Administration	380,102		380,102
51 Plant Maintenance and Operations	883,159		883,159
53 Data Processing Services	108,854		108,854
61 Community Services	2,361		2,361
71 Debt Services	298,490		298,490
81 Fund Raising	<u>29,912</u>		<u>29,912</u>
Total Expenses	<u>6,588,701</u>		<u>6,588,701</u>
Change in Net Assets		<u>475,719</u>	<u>475,719</u>
Net Assets, Beginning of Year as Restated	<u>1,071,629</u>		<u>1,071,629</u>
Net Assets, End of Year	<u>\$ 1,071,629</u>	<u>\$ 475,719</u>	<u>\$1,547,348</u>

See accompanying notes to financial statements.

NYOS CHARTER SCHOOL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities	
Increase (Decrease) in Net Assets	\$ 475,719
Adjustments to Reconcile Increase (Decrease) in Net Assets to net Cash Provided (Used) by Operating Activities	
Depreciation	126,297
(Increase) Decrease in Grants Receivables	(131,660)
(Increase) Decrease in Other Receivables	10,014
(Increase) Decrease in Other Assets	560
Increase (Decrease) in Accounts Payable	(103,297)
Increase (Decrease) in Accrued Liabilities	141,348
Increase (Decrease) in Accrued Wages Payable	27,740
Increase (Decrease) in Payroll Taxes	(51,171)
Increase (Decrease) in Interest Payable	<u>72,139</u>
Total Adjustments	<u>91,970</u>
Net Cash Provided (Used) by Operating Activities	<u>567,689</u>
Cash Flows from Investing Activities	
Purchase of Fixed Assets	<u>(310,442)</u>
Net Cash Provided (Used) by Investing Activities	<u>(310,442)</u>
Cash Flows from Financing Activities	
Proceeds from Debt	280,000
Repayment of Debt	<u>(135,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>145,000</u>
NET INCREASE (DECREASE) IN CASH	402,247
CASH AT BEGINNING OF YEAR	<u>521,367</u>
CASH AT END OF YEAR	<u>\$ 923,614</u>
Interest	<u>\$ 298,545</u>

See accompanying notes to financial statements.

NYOS CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

A. Organization:

The general-purpose financial statements of NYOS Charter, Inc. 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.

NYOS Charter, Inc. 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.

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 of 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.

B. Summary of Significant Accounting Policies:

BASIS OF PRESENTATION

The Organization reports its financial information based on the *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-205 Presentation of Financial Statements*. Under *FASB ASC 958-205*, an Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

SUPPORT AND REVENUE

Support and revenue are recorded based on the accrual method.

CASH DONATIONS AND DONATED SERVICES

Cash donations are considered to be available for unrestricted use unless specifically restricted by the donor. No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such donations. Nevertheless, a substantial number of volunteers have donated their time in connection with the program service and administration of the Organization.

NYOS CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

B. Summary of Significant Accounting Policies: (Continued)

CONTRIBUTIONS

In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-605 Revenue* Recognition, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

PROPERTY AND EQUIPMENT

Property and equipment purchased by NYOS Charter School, Inc. are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All purchases and donations in excess of \$5,000 are capitalized. Depreciation is provided on the straight-line method based upon estimated useful lives of three years for equipment, five years for furniture, fifteen years for building and land improvements, and thirty years for buildings. Gains or losses on retired or sold property and equipment are reflected in income for the period. The proceeds from such sales which are not legally required or expected to be reinvested in property and equipment are transferred to unrestricted net assets.

PLEDGES AND ACCOUNTS RECEIVABLE

Contributions are recognized when the donor makes a promise to give a contribution to NYOS Charter School, Inc. that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

No provision has been made for uncollectible promises to give and accounts receivable as of the statement of financial position date, given that none have been identified.

FUNCTIONAL EXPENSES

Expenses are charged to each program based on direct expenditures incurred. Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff, or other reasonable methods for allocating the Organization's multiple function expenditures.

INCOME TAXES

NYOS Charter School, Inc. qualifies as a tax-exempt Organization under section 501(c) (3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

NYOS CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

B. Summary of Significant Accounting Policies: (Continued)

CASH AND CASH EQUIVALENTS

NYOS Charter School, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in both interest bearing and non-interest bearing demand accounts at two financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation and the National Credit Union Administration up to currently enacted limits of \$250,000. Bank depository accounts, at times, exceeded federally insured limits.

ESTIMATES

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

C. Pension Plan:

The charter school contributes to the Teacher Retirement System of Texas (TRS), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805 respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 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.

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 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2010, 2009 and 2008, and a state contribution rate of 6.64% for fiscal year 2010, 6.58% for fiscal years 2009 and 2008. The charter school's employees' contributions to the system for the years ending June 30, 2011 were \$254,087 equal to the required contributions for the year. Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum for the year ending June 30, 2011 was \$-0-.

NYOS CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

D. 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.

E. Operating Lease Commitment:

NYOS Charter School, Inc. is currently leasing its equipment and facilities on a non-cancelable operating lease.

NYOS Charter School, Inc.'s minimum annual lease commitment is as follows:

<u>Twelve months ending June 30,</u>	<u>Amount</u>
2012	\$ 86,058
2013	67,584
2014	67,584
2015	66,408
2016	<u>54,000</u>
Total	<u>\$ 341,634</u>

Operating lease expense amounted to \$179,726 for the year ended June 30, 2011.

F. Note Payable:

The Organization's obligations under notes payable consists of the following:

Note payable to a Private Party. The note is dated June 30, 2011 and has a 10.0% interest rate and a face amount of \$280,000, secured by a tract of land. The note is payable in 180 installments of \$3,009 with the remaining unpaid balance due on July 1, 2026. The balance at June 30, 2011 is

	<u>\$ 280,000</u>
Total	<u>\$ 280,000</u>

Maturities of notes payable over the next five years are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2012	\$ 8,489
2013	9,378
2014	10,360
2015	11,444
Thereafter	<u>240,329</u>
Total	<u>\$ 280,000</u>

G. Revolving Line of Credit:

NYOS Charter School, Inc. has a \$50,000 revolving line of credit with a bank. All advances on the credit line are payable on demand and carry an interest rate of prime plus 2.50%. The credit line is unsecured. There were no draws outstanding at June 30, 2011.

NYOS CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

H. Bonds Payable:

The Organization 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 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 bonds are limited obligations of the issuer payable solely from revenues received by the issuer pursuant to a loan agreement between the issuer and the borrower. None of 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 bonds.

Bonds payable at June 30, 2011 consist of the following:

2006A Series Bonds, 4.25% interest; principle and interest due In semi-annual installments, commencing June 1, 2006; Maturity dates range from 2016 to 2031.	\$ 4,590,000
Total	<u>\$ 4,590,000</u>
Less unamortized discount	<u>(50,973)</u>
Amount of bond net of discount	<u>\$ 4,539,027</u>

Future maturities of long-term debt at June 30, 2011 are as follows:

<u>Year ending, June 30,</u>	<u>Amount</u>
2012	\$ 145,000
2013	150,000
2014	155,000
2015	160,000
2016	170,000
Thereafter	<u>3,810,000</u>
	4,590,000
Less unamortized discount	<u>(50,973)</u>
Amount of bond net of discount	<u>\$ 4,539,027</u>

NYOS Charter School, Inc. must maintain a debt service fund which is required to maintain a minimum balance for the 2006 series bonds in the amounts of \$346,651. At June 30, 2011, the debt service reserve fund had a balance of \$106,378 and the unrestricted liquid asset fund had a balance of \$261,083.

I. Health Care Coverage:

During the year ended August 31, 2011, employees of NYOS Charter School, Inc. were covered by a Health Insurance Plan (the Plan). The Organization contributed \$263 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers.

NYOS CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

J. Commitments and Contingencies:

The charter school 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, and it is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency. The school is economically dependent on these charter school funds.

K. Temporarily Restricted Net Assets:

Temporarily restricted net assets at June 30, 2011, are available for the following periods:

Periods after June 30, 2011	\$ 475,719
Total Restricted Fund	<u>\$ 475,719</u>

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

State Funds	\$ 4,999,034
Federal Funds	1,032,639
Local Revenue	278,514
Total Restricted Released	<u>\$ 6,310,187</u>

L. 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:

Member Districts	Expenditures IDEA-B	Expenditures IDEA B-ARRA	Expenditures 21 st Century
Cedars International Academy	\$ 40,091	\$ 10,844	\$ 95,984
NYOS Charter School	98,936	72,933	94,084
Texas Empowerment	41,798	9,028	
Austin Discovery School	40,339	21,436	
Eden Park Academy	<u>42,532</u>	<u>11,000</u>	<u>75,077</u>
	<u>\$ 263,696</u>	<u>\$ 125,241</u>	<u>\$ 265,145</u>

NYOS CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

M. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through November 22, 2011, the date which the financial statements were available to be issued.

N. Prior Period Adjustment:

During the audit, it was noted that the 2006B Series Bonds Cost of Issuance were not properly amortized over the life of the 2006B Series bond. The 2006B Series Bond matured February 15, 2010; therefore the issuance costs should have been fully amortized at that date. The remaining balance of \$111,963 was written off, which reduced other assets and decreased net assets at June 30, 2011.

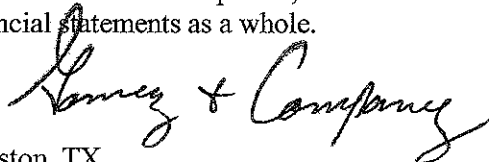
GOMEZ & COMPANY

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To The Board of Directors of
NYOS Charter School, Inc.
Austin, Texas

We have audited the financial statements of NYOS Charter School, Inc. as of June 30, 2011, and have issued our report thereon dated November 22, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedules for Individual Charter School are presented for purposes of additional analysis and are not a required part of the consolidated 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.



Houston, TX
November 22, 2011

NYOS CHARTER SCHOOL, INC.

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

Expenses	
6100 Payroll Costs	\$ 4,727,943
6200 Professional and Contracted Services	967,906
6300 Supplies and Materials	335,247
6400 Other Operating Costs	232,648
6500 Debt Service	<u>324,957</u>
 Total Expenses	 <u>\$ 6,588,701</u>

See accompanying notes to financial statements.

NYOS CHARTER SCHOOL, INC.

SCHEDULE OF CAPITAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Ownership Interest		
	Local	State	Federal
1110 Cash and Temporary Investments	\$	\$ 923,614	\$
1510 Land Purchase and Improvements		406,480	
1520 Buildings and Improvements	88,665	3,891,307	962,583
1531 Vehicles		54,968	
1539 Furniture and Equipment		61,102	
1550 Assets Purchased under Capital Lease		9,999	
1560 Library Books and Media	36,907		
Total Property and Equipment	<u>\$ 125,572</u>	<u>\$ 5,347,470</u>	<u>\$ 962,583</u>

See accompanying notes to financial statements.

NYOS CHARTER SCHOOL, INC.

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Local Support:				
5720 Local Revenues Resulting from Services				
Rendered to Other Schools	\$ 1,700	\$ 33,268	\$ 11,435	\$ (21,833)
5740 Other Revenues from Local Sources	202,279	136,097	167,549	31,452
5750 Revenues from Cocurricular Activities	105,575	97,530	99,530	2,000
Total Local Support	309,554	266,895	278,514	11,619
State Program Revenues:				
5810 Foundation School Program Act Revenues	5,597,980	5,730,766	5,697,892	(32,874)
5820 State Program Revenues Distributed by				
Texas Education Agency	33,011	56,268	55,375	(893)
Total State Program Revenues	5,630,991	5,787,034	5,753,267	(33,767)
Federal Program Revenues:				
5920 Federal Revenues Distributed by				
Texas Education Agency	907,037	1,061,224	1,032,639	(28,585)
Total Federal Program Revenues	907,037	1,061,224	1,032,639	(28,585)
Total Revenues	6,847,582	7,115,153	7,064,421	(50,732)
EXPENSES				
11 Instruction	3,968,713	3,928,442	3,878,972	49,470
12 Instructional Resources and Media Services	27,852	25,946	26,101	(155)
13 Curriculum Development and Instructional Staff Development	24,488	57,134	53,782	3,352
21 Instructional Leadership	171,618	172,438	170,380	2,058
23 School Leadership	441,731	445,765	446,455	(690)
31 Guidance, Counseling, and Evaluation Services	87,934	94,124	89,641	4,483
33 Health Services	200	311	311	
35 Food Service	196,137	181,385	180,470	915
36 Cocurricular/Extracurricular Activities	37,033	37,760	39,711	(1,951)
41 General Administration	337,724	373,093	380,102	(7,009)
51 Plant Maintenance and Operations	1,210,170	865,722	883,159	(17,437)
53 Data Processing Services	102,098	108,773	108,854	(81)
61 Community Services		2,400	2,361	39
71 Debt Services		225,563	298,490	(72,927)
81 Fund Raising	42,050	27,384	29,912	(2,528)
Total Expenses	6,647,748	6,546,240	6,588,701	(42,461)
Change in Net Assets	199,834	568,913	475,719	(93,194)
Net Assets, Beginning of Year as Restated	1,071,629	1,071,629	1,071,629	
Net Assets at End of Year	\$ 1,271,463	\$ 1,640,542	\$ 1,547,348	\$ (93,194)

See accompanying notes to financial statements.

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Board of Directors of
NYOS Charter School, Inc.
Austin, Texas

We have audited the financial statements of NYOS Charter School, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of NYOS Charter School, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered NYOS Charter School, Inc. 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, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NYOS Charter School, Inc.'s internal control over financial reporting.

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

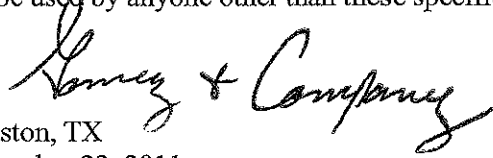
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NYOS Charter School, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of NYOS Charter School, Inc. in a separate letter dated November 22, 2011.

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

A handwritten signature in cursive script that reads "Honey & Company". The signature is written in black ink and is positioned above the typed text.

Houston, TX
November 22, 2011

GOMEZ & COMPANY

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To The Board of Directors of
NYOS Charter School, Inc.
Houston, Texas

Compliance

We have audited NYOS Charter School, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of NYOS Charter School, Inc.'s major federal programs for the year ended June 30, 2011. NYOS Charter School, Inc.'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, Inc.'s management. Our responsibility is to express an opinion on NYOS Charter School, Inc.'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, Inc.'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, Inc.'s compliance with those requirements.

In our opinion, NYOS Charter School, Inc. complied, in all material respects, with the 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, 2011.

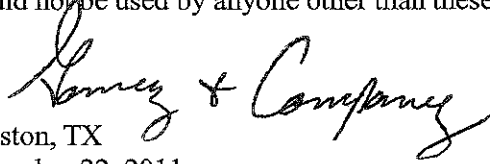
Internal Control Over Compliance

Management of NYOS Charter School, Inc. 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, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, Inc.'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.

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



Houston, TX
November 22, 2011

NYOS CHARTER SCHOOL, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011

Summary of Audit Results

1. Unqualified opinion issued on the financial statements.
2. No significant deficiencies or material weaknesses on internal control over financial statements.
3. No instances of noncompliance, which is material to the financial statements.
4. No significant deficiencies or material weaknesses on internal control over major federal award programs.
5. Unqualified opinion issued on compliance with major federal award programs.
6. The audit did not disclose any audit findings which are required to be reported under section .510 (a) of OMB A-133
7. Major programs:

U.S. Department of Education
 Passed – Through Texas Education Agency

IDEA B*	CFDA Number	84.027A
IDEA B – Preschool*	CFDA Number	84.173A
IDEA B ARRA*	CFDA Number	84.391A
IDEA B – Preschool ARRA*	CFDA Number	84.392A
21 st Century	CFDA Number	84.287C
Title XIV SFSF - ARRA	CFDA Number	84.394A

8. A \$ 300,000 threshold was used to distinguish between Type A and Type B programs as described in section .520 (b) of OMB A-133.
9. NYOS Charter School, Inc. does not qualify as a low-risk auditee.

<u>Current Year Findings</u>	<u>Questioned Cost</u>
No audit findings were noted as per governmental auditing standards and section .510 (a) of OMB A-133.	\$ -0-

* Denotes cluster

NYOS CHARTER SCHOOL, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

No audit findings were noted as per section .300 (f) of OMB A-133 for the year ended August 31, 2010.

\$ -0-

NYOS CHARTER SCHOOL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed - Through Texas Education Agency:			
Title I, Part A, School Improvement	84.010	10610101227804	\$ 28,177
Title I, Part A, School Improvement	84.010	11610101227804	64,317
Title I, Part A, ARRA	84.389	10551001227804	14,751
Title II, Part A, Teacher/Principal Training & Recruiting	84.367	10694501227804	3,705
Title II, Part A, Teacher/Principal Training & Recruiting	84.367	11694501227804	26,388
Title II, Part D, Enhancing Education through Technology	84.318	10630001227804	1,011
Title II, Part D, Technology ARRA	84.386	10553001227804	938
Title III, PART A-LEP	84.365	11671001227804	6,160
Title IV, Part A, Safe & Drug Free 21st Century Community Learning Centers Summer School LEP	84.186	10691001227804	324
Texas Reading First Initiative for Grades K-3	84.287	106950117110025	265,145
Title XIV, SFSE, ARRA	84.394	10557001227804	14,368
Title XIV, SFSE, ARRA	84.394	11557001227804	98,236
Idea - B Preschool	84.173	106610012278046000	1,114
Idea - B Preschool	84.173	116610012278046000	3,357
Idea - B Preschool ARRA	84.392	10555001227804	1,349
Idea - B Formula	84.027	106600012278046000	29,529
Idea - B Formula	84.027	116600012278046000	230,434
Idea - B Formula ARRA	84.391	10554001227804	123,892
Total U.S. Department of Education			<u>913,195</u>
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
School Breakfast	10.553	71401001	4,194
School Breakfast	10.553	71401101	14,692
National School Lunch	10.555	71301001	22,624
National School Lunch	10.555	71301101	77,934
Total U.S. Department of Agriculture			<u>119,444</u>
Total Expenditures of Federal Awards			<u>\$ 1,032,639</u>

NYOS CHARTER SCHOOL, INC.

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of federal, state and local awards is prepared on the 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.