

**NYOS CHARTER SCHOOL, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**NYOS CHARTER SCHOOL, INC.**  
(Federal Employer Identification Number 74-2860628)  
227-804

**CERTIFICATION OF BOARD**  
JUNE 30, 2013

We, the undersigned, certify that the attached Annual Financial and Compliance Report of NYOS Charter School, Inc. was reviewed and  approved  disapproved for the year ended June 30, 2013, at a meeting of the governing body of said charter school on the 19 day of November, 2013.

Melissa White  
Signature of Board Secretary

[Signature]  
Signature of Board President

# GOMEZ & COMPANY

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## CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of NYOS Charter School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year 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.

### *Auditor's Responsibility*

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 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 auditor's 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 entity'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 entity'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.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NYOS Charter School, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year 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 accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 29, 2013, on our consideration of NYOS Charter School, Inc. 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 NYOS Charter School, Inc. internal control over financial reporting and compliance.

  
Houston, TX  
October 29, 2013

NYOS CHARTER SCHOOL, INC.  
 STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2013

ASSETS	<u>2013</u>
Current Assets:	
Cash	\$ 475,880
Restricted Cash	831,875
Grants Receivable	1,140,484
Other Receivables	<u>4,440</u>
Total Current Assets:	2,452,679
Property & Equipment:	
Land	406,480
Vehicles	54,968
Buildings and Improvements	4,918,726
Furniture and Equipment	240,558
Construction in Process	<u>934,211</u>
	6,554,943
Less: Accumulated Depreciation	<u>(1,076,020)</u>
	5,478,923
Other Assets:	
Bond Issuance Cost	431,790
Other Assets	<u>22,330</u>
Total Assets	<u>\$ 8,385,721</u>
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts Payable	\$ 209,512
Wages Payable	315,429
Payroll Taxes Payable	49,315
Accrued Liabilities	131,238
Interest Payable	68,452
Current Portion of Notes Payable	21,852
Current Portion of Bonds Payable	<u>155,000</u>
Total Current Liabilities	950,798
Long-term Liabilities:	
Notes Payable Net of Current Portion	557,925
Bonds Payable Net of Discount and Current Portion	<u>4,094,101</u>
Total Liabilities	<u>5,602,825</u>
Net Assets:	
Unrestricted	1,258,348
Temporarily Restricted	<u>1,524,548</u>
Total Net Assets	<u>2,782,896</u>
Total Liabilities and Net Assets	<u>\$ 8,385,721</u>

See accompanying notes to financial statements.

NYOS CHARTER SCHOOL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Local Support:			
5720 Local Revenues Resulting from Services Rendered to Other Schools	\$ 1,978	\$	\$ 1,978
5740 Other Revenues from Local Sources	641,330		641,330
5750 Revenues from Cocurricular Activities	<u>94,966</u>		<u>94,966</u>
Total Local Support	<u>738,274</u>		<u>738,274</u>
State Program Revenues			
5810 Foundation School Program Act Revenues		6,420,673	6,420,673
5820 State Program Revenues Distributed by Texas Education Agency		<u>57,738</u>	<u>57,738</u>
Total State Program Revenues		<u>6,478,411</u>	<u>6,478,411</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency		<u>1,287,897</u>	<u>1,287,897</u>
Total Federal Program Revenues		<u>1,287,897</u>	<u>1,287,897</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>7,328,445</u>	<u>(7,328,445)</u>	
Total Revenues	<u>8,066,719</u>	<u>437,863</u>	<u>8,504,582</u>
<b>EXPENSES</b>			
11 Instruction	4,803,937		4,803,937
12 Instructional Resources and Media Services	13,246		13,246
13 Curriculum Development and Instructional Staff Development	38,672		38,672
21 Instructional Leadership	340,979		340,979
23 School Leadership	473,281		473,281
31 Guidance, Counseling, and Evaluation	168,549		168,549
33 Health Services	1,511		1,511
35 Food Services	209,560		209,560
36 Cocurricular/Extracurricular Activities	37,732		37,732
41 General Administration	490,257		490,257
51 Plant Maintenance and Operations	988,968		988,968
53 Data Processing Services	168,455		168,455
61 Community Services	900		900
71 Debt Services	275,883		275,883
81 Fund Raising	<u>23,334</u>		<u>23,334</u>
Total Expenses	<u>8,035,263</u>		<u>8,035,263</u>
Change in Net Assets	<u>31,456</u>	<u>437,863</u>	<u>469,319</u>
Net Assets, Beginning of Year	<u>1,226,892</u>	<u>1,086,685</u>	<u>2,313,577</u>
Net Assets, End of Year	<u>\$ 1,258,348</u>	<u>\$ 1,524,548</u>	<u>\$ 2,782,896</u>

See accompanying notes to financial statements.

NYOS CHARTER SCHOOL, INC.  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities	
Increase (Decrease) in Net Assets	\$ 469,319
Adjustments to Reconcile Increase (Decrease) in Net Assets to net Cash Provided (Used) by Operating Activities	
Depreciation and Amortization	167,299
(Gain) Loss on Disposal of Assets	(34,879)
(Increase) Decrease in Grants Receivables	321,329
(Increase) Decrease in Other Receivables	(4,440)
(Increase) Decrease in Other Assets	23,875
Increase (Decrease) in Accounts Payable	171,240
Increase (Decrease) in Accrued Liabilities	(70,245)
Increase (Decrease) in Accrued Wages Payable	57,852
Increase (Decrease) in Payroll Taxes	6,237
Increase (Decrease) in Interest Payable	<u>(2,390)</u>
Total Adjustments	<u>635,878</u>
Net Cash Provided (Used) by Operating Activities	<u>1,105,197</u>
Cash Flows from Investing Activities	
Purchase of Fixed Assets	<u>(1,006,972)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,006,972)</u>
Cash Flows from Financing Activities	
Proceeds from Debt	567,171
Repayment of Debt	<u>(424,345)</u>
Net Cash Provided (Used) by Financing Activities	<u>142,826</u>
NET INCREASE ( DECREASE ) IN CASH	241,051
CASH AT BEGINNING OF YEAR	<u>1,066,704</u>
CASH AT END OF YEAR	<u>\$ 1,307,755</u>
Supplemental Disclosures of Cash Flow Information	
<u>Cash Paid During the Year for:</u>	
Interest	<u>\$ 257,666</u>

See accompanying notes to financial statements.



NYOS CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

The charter holder NYOS only operates a single charter school and does not conduct any other charter or non-charter activities.

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, 2013

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, 2013

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 an limited amount of \$250,000 through December 2013. As of June 30, 2013, some bank depository accounts may have 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](http://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 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2013, 2012 and 2011, and a state contribution rate of 6.0% for fiscal years 2013, 2012 and 6.644% for fiscal year 2011. The charter school's employee contributions to the system for the period ending June 30, 2013 were \$308,897 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, 2013 was \$0.

NYOS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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:

Twelve months ending June 30,	Amount
2014	\$ 263,292
2015	252,854
2016	241,269
2017	244,286
2018	39,910
Total	\$ 1,041,611

Operating lease expense amounted to \$285,605 for the year ended June 30, 2013.

F. Notes Payable:

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

Note payable to a bank. The note is dated February 28, 2013 and has an interest rate that is the lessor of Prime Rate plus 1% or 4.25%, and a face amount of \$582,250, secured by a tract of land. The note is payable in 126 installments of \$3,606 with the remaining unpaid balance due on August 28, 2023. The balance at June 30, 2013 is

\$ 566,941

Capital lease payable to a modular building leasing company for the acquisition of a modular building. The capital lease is payable in 48 installments of \$545, beginning September 1, 2011 through September 1, 2015; includes interest imputed at 8.9%. The balance at June 30, 2013 is

12,836

Total notes payable

579,777

Less current portion

(21,852)

Long term portion

557,925

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

Twelve months ending June 30,	Amount
2014	\$ 21,852
2015	27,469
2016	21,130
2017	22,046
2018	23,001
Thereafter	464,279
Total	\$ 579,777

NYOS CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013.

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, 2013 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.	<u>\$ 4,295,000</u>
Total	\$ 4,295,000
Less unamortized discount	(45,899)
Less current portion	(155,000)
Amount of bond net of discount	<u>\$ 4,094,101</u>

Future maturities of long-term debt at June 30, 2013 are as follows:

Year ending, June 30,	<u>Amount</u>
2014	\$ 155,000
2015	160,000
2016	170,000
2017	175,000
2018	185,000
Thereafter	3,450,000
Total	<u>4,295,000</u>

NYOS CHARTER SCHOOL, INC.  
 NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

H. Bonds Payable: (Continued)

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 \$350,000. At June 30, 2013, the debt service reserve fund had a balance of \$170,691 and the unrestricted liquid asset fund had a balance of \$367,512.

I. Health Care Coverage:

During the year ended June 30, 2013, employees of NYOS Charter School, Inc. were covered by a Health Insurance Plan (the Plan). The Organization contributed \$298 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.

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, 2013, are available for the following periods:

Periods after June 30, 2013	\$ 1,524,548
Total Restricted Fund	\$ 1,524,548

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	\$ 6,040,548
Federal Funds	1,287,897
Total Restricted Released	\$ 7,328,445

NYOS CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 21<sup>st</sup> Century grant funds to the fiscal agent. In addition to these funds, NYOS Charter School was awarded \$70,376 as a part of the 21<sup>st</sup> Century grant to participate in the STAAR Pilot Program for the 2012-2013 fiscal year. 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 21 <sup>st</sup> Century
Cedars International Academy	\$ 42,508	\$ 182,224
NYOS Charter School	109,700	363,415
Austin Discovery School	47,788	-
Wayside Schools	<u>48,608</u>	<u>188,773</u>
	<u>\$ 248,604</u>	<u>\$ 734,412</u>

M. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through October 29, 2013, the date which the financial statements were available to be issued.

# GOMEZ & COMPANY

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## CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TEXAS 77056

TEL: (713) 666-5900

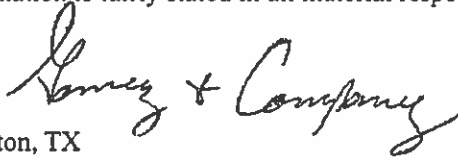
FAX: (713) 666-1049

<http://www.gomezandco.com>

## INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

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

We have audited the financial statements of NYOS Charter School, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated October 29, 2013, which contained an unmodified 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  
October 29, 2013



NYOS CHARTER SCHOOL, INC.  
SCHEDULE OF EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

<b>Expenses</b>	
6100 Payroll Costs	\$ 5,826,880
6200 Professional and Contracted Services	1,256,192
6300 Supplies and Materials	483,248
6400 Other Operating Costs	184,865
6500 Debt Service	<u>284,078</u>
Total Expenses	<u>\$ 8,035,263</u>

See accompanying notes to financial statements.

NYOS CHARTER SCHOOL, INC.  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Ownership Interest		
	Local	State	Federal
1110 Cash and Temporary Investments	\$	\$ 1,307,755	\$
1510 Land Purchase and Improvements		406,480	
1520 Buildings and Improvements	88,665	4,801,689	962,583
1531 Vehicles		54,968	
1539 Furniture and Equipment		203,651	
1560 Library Books and Media	36,907		
Total Property and Equipment	<u>\$ 125,572</u>	<u>\$ 6,774,543</u>	<u>\$ 962,583</u>

See accompanying notes to financial statements.

NYOS CHARTER SCHOOL, INC.  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Support:				
5720 Local Revenues Resulting from Services Rendered to Other Schools	\$ 18,400	\$ 1,978	\$ 1,978	\$
5740 Other Revenues from Local Sources	244,185	229,761	641,330	411,569
5750 Revenues from Cocurricular Activities	<u>108,357</u>	<u>99,460</u>	<u>94,966</u>	<u>(4,494)</u>
Total Local Support	370,942	331,199	738,274	407,075
State Program Revenues:				
5810 Foundation School Program Act Revenues	6,157,742	6,410,597	6,420,673	10,076
5820 State Program Revenues Distributed by Texas Education Agency	<u>42,041</u>	<u>60,371</u>	<u>57,738</u>	<u>(2,633)</u>
Total State Program Revenues	6,199,783	6,470,968	6,478,411	7,443
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	<u>1,048,647</u>	<u>1,223,465</u>	<u>1,287,897</u>	<u>64,432</u>
Total Federal Program Revenues	<u>1,048,647</u>	<u>1,223,465</u>	<u>1,287,897</u>	<u>64,432</u>
Total Revenues	<u>7,619,372</u>	<u>8,025,632</u>	<u>8,504,582</u>	<u>478,950</u>
<b>EXPENSES</b>				
11 Instruction	4,609,862	4,722,963	4,803,937	(80,974)
12 Instructional Resources and Media Services	14,349	12,328	13,246	(918)
13 Curriculum Development and Instructional Staff Development	13,084	39,248	38,672	576
21 Instructional Leadership	332,152	316,413	340,979	(24,566)
23 School Leadership	449,925	472,066	473,281	(1,215)
31 Guidance, Counseling, and Evaluation Services	145,525	168,549	168,549	
33 Health Services	400	1,511	1,511	
34 Student (Pupil) Transportation	500			
35 Food Service	213,557	209,560	209,560	
36 Cocurricular/Extracurricular Activities	36,701	37,364	37,732	(368)
41 General Administration	631,020	551,823	490,257	61,566
51 Plant Maintenance and Operations	893,120	1,048,832	988,968	59,864
53 Data Processing Services	142,241	168,516	168,455	61
61 Community Services	200	900	900	
71 Debt Services	256,743	249,471	275,883	(26,412)
81 Fund Raising	<u>26,900</u>	<u>31,668</u>	<u>23,334</u>	<u>8,334</u>
Total Expenses	<u>7,766,279</u>	<u>8,031,212</u>	<u>8,035,263</u>	<u>(4,051)</u>
Change in Net Assets	<u>(146,907)</u>	<u>(5,580)</u>	<u>469,319</u>	<u>474,899</u>
Net Assets, Beginning of Year	<u>2,313,577</u>	<u>2,313,577</u>	<u>2,313,577</u>	
Net Assets at End of Year	<u>\$ 2,166,670</u>	<u>\$ 2,307,997</u>	<u>\$ 2,782,896</u>	<u>\$ 474,899</u>

See accompanying notes to financial statements.

# GOMEZ & COMPANY

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## CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITOR'S 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, TX

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. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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 29, 2013.

#### **Internal Control Over Financial Reporting**

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

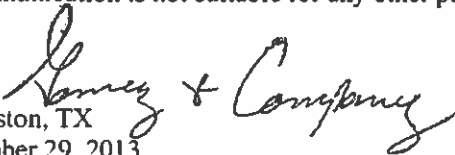
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 NYOS Charter School, Inc.'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*. We noted certain matters that we reported to management of NYOS Charter School, Inc. in a separate letter dated October 29, 2013.

**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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Houston, TX  
October 29, 2013

# GOMEZ & COMPANY

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

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

We have audited ABC Organization'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 (a nonprofit organization) major federal programs for the year ended June 30, 2013. 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.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of NYOS Charter School, Inc.'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 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 R 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 on compliance for each major federal program. However, our audit does not provide a legal determination of NYOS Charter School, Inc.'s compliance.

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

In our opinion, NYOS Charter School, Inc. 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, 2013.

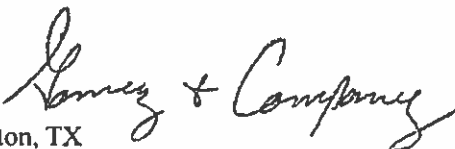
## Report on Internal Control Over Compliance

Management of NYOS Charter School, Inc. 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 NYOS Charter School, Inc.'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 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. *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Houston, TX  
October 29, 2013

NYOS CHARTER SCHOOL, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2013

Summary of Audit Results

1. Unmodified 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. Unmodified 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

21<sup>st</sup> Century

CFDA Number 84.287C

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 qualify as a low-risk auditee.

Current Year Findings

Questioned  
Cost

No audit findings were noted as per governmental auditing standards and section .510 (a) of OMB A-133.

\$ -0-



NYOS CHARTER SCHOOL, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013

No audit findings were noted as per section .300 (f) of OMB A-133 for the year ended  
June 30, 2012.

\$ -0-

NYOS CHARTER SCHOOL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

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	84.010A	13610101227804	\$ 96,725
Title I, Part A, School Improvement	84.010A	12610101227804	13,701
Title II, Part A, Teacher/Principal Training & Recruiting	84.367A	13694501227804	19,921
Title II, Part A, Teacher/Principal Training & Recruiting	84.367A	12694501227804	9,448
Title III, PART A-LEP	84.365A	13671001227804	9,722
Title III, PART A-LEP	84.365A	12671001227804	1,776
21st Century Community Learning Centers	84.287C	136950167110031	630,462
21st Century Community Learning Centers	84.287C	116950167110032	92,222
Idea - B Preschool	84.173A	136610012278046000	6,242
Idea - B Preschool	84.173A	126610012278046000	2,574
Idea - B Formula	84.027A	136600012278046000	215,221
Idea - B Formula	84.027A	126600012278046000	49,555
<b>Total U.S. Department of Education</b>			<u>1,147,568</u>
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
School Breakfast	10.553	71401301	17,719
School Breakfast	10.553	71401201	6,322
National School Lunch	10.555	71301301	86,045
National School Lunch	10.555	71301201	30,243
<b>Total U.S. Department of Agriculture</b>			<u>140,329</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,287,897</u>

NYOS CHARTER SCHOOL, INC.  
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying schedule of federal awards (the Schedule) includes federal grant activity of NYOS Charter School, Inc. under programs of the federal government for the period ended June 30, 2013. 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*. Because the Schedule presents only a selected portion of the operation of NYOS Charter School, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of NYOS Charter School, Inc.

***Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.