

**LA ACADEMIA DE ESTRELLAS**

Financial Statements

August 31, 2009

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**LA ACADEMIA DE ESTRELLAS (Charter Holder)  
(Federal Employer Identification Number 20-0733852)**

**CERTIFICATE OF BOARD**

We, the undersigned, certify that the attached annual Financial and Compliance Report of the above La Academia de Estrellas (Charter Holder) was reviewed and ( ) approved ( ) disapproved for the year ended August 31, 2009, at a meeting of the governing body of the charter holder on the \_\_\_\_ day of \_\_\_\_\_, 2009.

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

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

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**PINGLETON, HOWARD & COMPANY, P. C.**

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors

**La Academia de Estrellas**

Dallas, Texas

We have audited the accompanying financial statements of La Academia de Estrellas (Charter Holder) as of and for the year ended August 31, 2009. These financial statements are the responsibility of the management of La Academia de Estrellas. 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 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 La Academia de Estrellas as of August 31, 2009, 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 October 14, 2009, on our consideration of La Academia de Estrellas's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and 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 made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

October 14, 2009

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## **FINANCIAL STATEMENTS**

**LA ACADEMIA DE ESTRELLAS**  
Statement of Financial Position  
As of August 31, 2009  
(With Comparative Amounts as of August 31, 2008)

**ASSETS**

	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 1,058,591	855,103
Due from state	147,964	101,684
Prepaid expenses	<u>18,780</u>	<u>2,363</u>
Total current assets	<u>\$ 1,225,335</u>	<u>959,150</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	\$ 29,791	35,177
Accrued liabilities	<u>194,242</u>	<u>124,438</u>
Total current liabilities	<u>224,033</u>	<u>159,615</u>
Net assets:		
Unrestricted	992,539	794,005
Temporarily restricted	<u>8,763</u>	<u>5,530</u>
Total net assets	<u>1,001,302</u>	<u>799,535</u>
Total liabilities and net assets	<u>\$ 1,225,335</u>	<u>959,150</u>

The notes to the financial statements are an integral part of this statement.

**LA ACADEMIA DE ESTRELLAS**  
Statement of Activities  
For the Year Ended August 31, 2009  
(With Comparative Totals for the Year Ended August 31, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2009</u>	<u>2008</u>
<b>REVENUES</b>				
Local support:				
(5740) Other revenue from local sources	\$ 13,654		13,654	19,424
(5750) Food service activity	<u>8,580</u>		<u>8,580</u>	<u>8,533</u>
Total local support	<u>22,234</u>		<u>22,234</u>	<u>27,957</u>
State program revenues:				
(5810) Foundation School Program Act Revenues	2,820,073		2,820,073	2,211,622
(5820) State program revenues distributed by Texas Education Agency	43,423	9,285	52,708	21,506
(5830) State revenue from State of Texas Agencies	<u>122,514</u>	<u>          </u>	<u>122,514</u>	<u>83,035</u>
Total state program revenues	<u>2,986,010</u>	<u>9,285</u>	<u>2,995,295</u>	<u>2,316,163</u>
(5920) Federal program revenues:				
Title V, Part B				87,563
Title III, Part A		6,709	6,709	26,500
ESEA, Title I, Part A		130,979	130,979	106,138
ESEA, Title I, Part A, ARRA		4,393	4,393	
Title V, Part A				344
IDEA - Part B, Formula		61,816	61,816	44,889
IDEA, Part B, Formula, ARRA		5,209	5,209	
ESEA, Title IV		1,829	1,829	
National School Lunch Program		194,877	194,877	133,839
ESEA, Title II, Part A		20,655	20,655	14,986
Title II, Part D		2,081	2,081	1,246
Summer School LEP		<u>1,103</u>	<u>1,103</u>	<u>2,311</u>
Total federal program revenues		<u>429,651</u>	<u>429,651</u>	<u>417,816</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>435,703</u>	<u>(435,703)</u>		
Total revenues	\$ <u>3,443,947</u>	<u>3,233</u>	<u>3,447,180</u>	<u>2,761,936</u>

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**LA ACADEMIA DE ESTRELLAS**  
Statement of Activities  
For the Year Ended August 31, 2009  
(With Comparative Totals for the Year Ended August 31, 2008)  
-continued-

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2009</u>	<u>2008</u>
<b>EXPENSES</b>				
(11) Instruction	\$ 1,970,416		1,970,416	1,514,443
(12) Instructional resources and media services	73,278		73,278	24,977
(13) Curriculum development and instructional staff development	102,709		102,709	27,864
(21) Instructional leadership	71,601		71,601	5,787
(23) School leadership	221,580		221,580	162,353
(31) Guidance, counseling and evaluation services	61,790		61,790	56,732
(33) Health service	20,893		20,893	3,544
(35) Food service	218,724		218,724	164,584
(36) Extracurricular activities	6,774		6,774	
(41) General administrative	145,868		145,868	80,650
(51) Facilities maintenance and operations	312,637		312,637	275,507
(52) Security and monitoring service	120		120	
(53) Data processing	38,005		38,005	34,480
(61) Community services	<u>1,018</u>		<u>1,018</u>	
Total expenses	<u>3,245,413</u>		<u>3,245,413</u>	<u>2,350,921</u>
 Change in net assets	 198,534	 3,233	 201,767	 411,015
Net assets at beginning of year	<u>794,005</u>	<u>5,530</u>	<u>799,535</u>	<u>388,520</u>
Net assets at end of year	<u>\$ 992,539</u>	<u>8,763</u>	<u>1,001,302</u>	<u>799,535</u>

**LA ACADEMIA DE ESTRELLAS**  
Statement of Cash Flows  
For the Year Ended August 31, 2009  
(With Comparative Amounts for the Year Ended August 31, 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Foundation school program payments	\$ 2,797,282	2,211,114
Federal program revenue	408,123	417,816
Other state program revenues	173,261	104,541
Local support	22,234	27,957
Cash paid to employees	(2,003,559)	(1,374,526)
Cash paid to suppliers	(1,193,853)	(904,847)
Net cash provided by operating activities	<u>203,488</u>	<u>482,055</u>
Cash flows from capital and related financing activities:		
Funds held for student and parent groups		<u>(1,386)</u>
Net cash provided by capital and related financing activities		<u>(1,386)</u>
Net increase in cash and cash equivalents	203,488	480,669
Cash and equivalents at beginning of year	<u>855,103</u>	<u>374,434</u>
Cash and equivalents at end of year	<u>\$ 1,058,591</u>	<u>855,103</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 201,767	411,015
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Due from state	(46,280)	(508)
Prepaid expenses	(16,417)	528
Accrued liabilities	69,804	46,913
Accounts payable	(5,386)	24,107
Net cash provided by operating activities	<u>\$ 203,488</u>	<u>482,055</u>

The notes to the financial statements are an integral part of this statement.

**LA ACADEMIA DE ESTRELLAS**  
Notes to Financial Statements  
For the Year Ended August 31, 2009

**(A) BACKGROUND**

La Academia de Estrellas (Charter Holder) is a non-profit Texas corporation formed in 2006. The Charter Holder operated a single charter school and did not conduct any other charter or non-charter activities. The School was established to provide innovative learning opportunities for students, by honoring diverse cultures, languages, backgrounds and academic abilities. The School accepts students in grades kindergarten through fifth and is located at 125 Sunset Avenue in the North Oak Cliff section of Dallas, Texas.

**(B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the School conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant policies.

1. Basis of Accounting

The financial statements of the School were prepared using the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Encumbrances representing outstanding purchase orders and other commitments for materials or services not yet received are not liabilities as of the reporting date.

2. Basis of Presentation

In order to comply with accounting principles generally accepted in the United States of America, the School must prepare its external financial statements in accordance with statements issued by the Financial Accounting Standard Board as described in the AICPA Audit and Accounting Guide for not for profit organizations.

The Audit Guide requires classification of the School's net assets and its revenues, expenses, gains, and losses based on the existence or absences of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

*Unrestricted* - net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted* - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the corporation, the charter school and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted* - net assets required to be maintained in perpetuity with only the income to be used for the charter school's activities due to donor-imposed restrictions. The School has no permanently restricted funds.

**LA ACADEMIA DE ESTRELLAS**  
Notes to Financial Statements  
For the Year Ended August 31, 2009  
-continued-

**(B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

3. Estimates

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

4. Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and equivalents include cash on hand and short term investments with original maturities of three months or less.

5. Income Tax Status

The School is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Code.

6. Contributions

The School has adopted Statement of Financial Accounting Standards (SFAS) No. 116 "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions are recognized when the donor makes a promise to give 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 fiscal 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 assets.

7. Donated Services and Property

During the year ended August 31, 2009, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, a substantial number of individuals have donated significant amounts of their time in La Academia de Estrellas's programs and supporting services. Donations of property and equipment are recorded at the estimated fair value as of the date the contribution is received.

8. Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are defined by the School as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to twenty years, using the straight-line method of depreciation. Expenditures for additions, major renewals and

**LA ACADEMIA DE ESTRELLAS**  
Notes to Financial Statements  
For the Year Ended August 31, 2009  
-continued-

**(B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

8. Capital Assets (continued)

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. The School, as of August 31, 2009, had no capital assets.

**(C) TEMPORARILY RESTRICTED ASSETS**

The School reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The School reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

State funded educational programs	\$ 6,052
Federally funded educational programs	<u>429,651</u>
Total	<u>\$ 435,703</u>

Temporarily restricted assets, as of August 31, 2009, consisted of the following:

Technology	\$ <u>8,763</u>
Total	<u>\$ 8,763</u>

**(D) DUE FROM STATE**

Amounts due from State consists of:

	<u>2009</u>
Revenue accrued for students starting prior to August 31, 2009	\$ 96,125
Federal grant revenue earned	38,114
Other earned state program revenue	<u>13,725</u>
Total	<u>\$ 147,964</u>

**LA ACADEMIA DE ESTRELLAS**  
Notes to Financial Statements  
For the Year Ended August 31, 2009  
-continued-

**(E) PENSION PLAN OBLIGATION**

Plan Description - The School contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the School, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

Funding Policy - Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary to TRS Retirement (pension) and another .65% to TRS-Care (which is similar to Medicare) and the State of Texas contributes an amount equal to 6.58% of the School's covered payroll to TRS Retirement and 1.00% to TRS-Care. The School's employees' contributions to the System for the year ended August 31, 2009 was \$124,901 for TRS Retirement and \$12,686 for TRS-Care, which is equal to the required contributions for the year. The Texas Education Agency paid \$122,514 for TRS Retirement on employees behalf.

**(F) COMMITMENTS and CONTINGENCIES**

The 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 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 School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

**(G) HEALTH CARE COVERAGE**

During the year ended August 31, 2009, employees of the School were covered by a Health Insurance Plan. The School contributed \$278 per month per employee to the Plan. Employees, at their option authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

**LA ACADEMIA DE ESTRELLAS**  
Notes to Financial Statements  
For the Year Ended August 31, 2009  
-continued-

**(H) MAINTENANCE OF EFFORT**

The amount paid by the Corporation for school employees for health care premiums was as follows:

Total annual premiums paid for health care	\$ 189,172
Subtract any non-medical expenditures:	
Dental, Life and Disability Insurance	<u>(19,482)</u>
Amount paid for health insurance	169,690
Less: TEA contribution	(26,025)
Employee contribution	<u>(46,998)</u>
Employer Cost	\$ <u>96,667</u>

**(I) LEASE**

The School has a one year lease agreement, starting August 1, 2009, with Cliff Temple Baptist Church. The School has an option to renegotiate the lease for a second year.

## **SUPPLEMENTAL INFORMATION**

**LA ACADEMIA DE ESTRELLAS**  
Schedule of Expenses  
For the Years Ended August 31, 2009 and 2008

<b>EXPENSES</b>	<u>2009</u>	<u>2008</u>
6100 Payroll cost	\$ 2,421,608	1,659,671
6200 Professional and contracted services	359,776	283,358
6300 Supplies and materials	386,243	354,894
6400 Other operating costs	<u>77,786</u>	<u>52,998</u>
	<u>\$ 3,245,413</u>	<u>2,350,921</u>

**LA ACADEMIA DE ESTRELLAS**  
Schedule of Capital Assets  
For the Year Ended August 31, 2009

		<u>Ownership Interest</u>		
		<u>Local</u>	<u>State</u>	<u>Federal</u>
1110	Cash		\$ <u>1,058,591</u>	

**LA ACADEMIA DE ESTRELLAS**  
 Budgetary Comparison Schedule  
 For the Year Ended August 31, 2009

<b>REVENUES</b>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>From Final</u>
				<u>Budget</u>
Local support:				
5740 Other revenue from local sources	\$ 17,550	13,750	13,654	(96)
5750 Food service activity	<u>24,697</u>	<u>8,634</u>	<u>8,580</u>	<u>(54)</u>
Total local support	<u>42,247</u>	<u>22,384</u>	<u>22,234</u>	<u>(150)</u>
State program revenues:				
5810 Foundation school program act revenues	2,640,000	2,819,576	2,820,073	497
5820 State program revenue distributed by				
Texas Education Agency	35,684	52,625	52,708	83
5830 State revenue from State of Texas Agencies	<u>119,308</u>	<u>119,308</u>	<u>122,514</u>	<u>3,206</u>
Total State program revenues	<u>2,794,992</u>	<u>2,991,509</u>	<u>2,995,295</u>	<u>3,786</u>
Federal program revenue:				
5920 Federal revenue distributed by				
Texas Education Agency	<u>433,697</u>	<u>429,141</u>	<u>429,651</u>	<u>510</u>
Total Federal program revenue	<u>433,697</u>	<u>429,141</u>	<u>429,651</u>	<u>510</u>
Total revenues	<u>3,270,936</u>	<u>3,443,034</u>	<u>3,447,180</u>	<u>4,146</u>
<b>EXPENSES</b>				
11 Instruction	1,846,782	1,977,566	1,970,416	7,150
12 Instructional resources and media services	68,295	73,680	73,278	402
13 Curriculum development and				
instructional staff development	81,393	101,033	102,709	(1,676)
21 Instructional leadership	74,177	67,382	71,601	(4,219)
23 School leadership	213,158	217,984	221,580	(3,596)
31 Guidance, counseling and evaluation services	57,996	61,772	61,790	(18)
33 Health services	21,194	22,250	20,893	1,357
35 Food service	227,076	220,222	218,724	1,498
36 Extracurricular activities		6,694	6,774	(80)
41 General administration	99,371	143,469	145,868	(2,399)
51 Facilities maintenance and operations	297,199	313,279	312,637	642
52 Security and monitoring services	400	400	120	280
53 Data processing	36,845	37,955	38,005	(50)
61 Community services			<u>1,018</u>	<u>(1,018)</u>
Total expenses	<u>3,023,886</u>	<u>3,243,686</u>	<u>3,245,413</u>	<u>(1,727)</u>
Change in net assets	247,050	199,348	201,767	2,419
Net assets, beginning	<u>799,535</u>	<u>799,535</u>	<u>799,535</u>	<u>—</u>
Net assets, ending	<u>\$ 1,046,585</u>	<u>998,883</u>	<u>1,001,302</u>	<u>2,419</u>

## **COMPLIANCE AND INTERNAL CONTROLS SECTION**

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

Board of Directors  
**La Academia de Estrellas** (Charter Holder)  
Dallas, Texas

We have audited the basic financial statements of La Academia de Estrellas (Charter Holder) as of and for the year ended August 31, 2009, and have issued our report thereon dated October 14, 2009. 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 La Academia de Estrellas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of La Academia de Estrellas' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether La Academia de Estrellas' 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Directors, management, others within the entity, and the Texas Education Agency and other 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.

October 14, 2009