

LA ACADEMIA DE ESTRELLAS

Financial Statements

August 31, 2013

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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, 2013, at a meeting of the governing body of the charter holder on the 16th day of January, 2014.


Signature of Board Secretary


Signature of Board President

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
La Academia de Estrellas
Dallas, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of La Academia de Estrellas (a nonprofit organization), which comprise the statement of financial position as of August 31, 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 La Academia de Estrellas as of August 31, 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*, and the Supplementary Information 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 January 6, 2014, on our consideration of La Academia de Estrellas' 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 La Academia de Estrellas' internal control over financial reporting and compliance.

Evans, Pingleton and Howard, PLLC

Evans, Pingleton and Howard, PLLC
January 6, 2014

FINANCIAL STATEMENTS

LA ACADEMIA DE ESTRELLAS
Statement of Financial Position
As of August 31, 2013
(With Comparative Totals as of August 31, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2013</u>	<u>2012</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 790,910	2,117,893	2,908,803	1,977,027
Due from State	260,327	231,365	491,692	313,356
Other Receivables	2,972	-	2,972	-
Prepaid Expenses	64,037	-	64,037	71,988
Loan Cost	76,074	-	76,074	617
Total Current Assets	<u>1,194,320</u>	<u>2,349,258</u>	<u>3,543,578</u>	<u>2,362,988</u>
Capital Assets, Net	<u>2,496,967</u>	<u>-</u>	<u>2,496,967</u>	<u>1,515,951</u>
Total Assets	<u>\$ 3,691,287</u>	<u>2,349,258</u>	<u>6,040,545</u>	<u>3,878,939</u>
 LIABILITIES & NET ASSETS				
Current Liabilities:				
Accounts Payable	\$ 162,942	-	162,942	97,204
Accrued Liabilities	344,073	25,629	369,702	341,345
Student Activity Accounts	3,768	-	3,768	1,525
Current Portion of Long-Term Debt	96,792	-	96,792	91,830
Total Current Liabilities	<u>607,575</u>	<u>25,629</u>	<u>633,204</u>	<u>531,904</u>
Long-Term Liabilities:				
Long-Term Portion of Note Payable	<u>1,875,547</u>	<u>-</u>	<u>1,875,547</u>	<u>683,415</u>
Total Long Term Liabilities	<u>1,875,547</u>	<u>-</u>	<u>1,875,547</u>	<u>683,415</u>
Total Liabilities	<u>2,483,122</u>	<u>25,629</u>	<u>2,508,751</u>	<u>1,215,319</u>
Net Assets:				
Unrestricted	1,208,165	-	1,208,165	1,162,603
Temporarily Restricted	<u>-</u>	<u>2,323,629</u>	<u>2,323,629</u>	<u>1,501,017</u>
Total Net Assets	<u>1,208,165</u>	<u>2,323,629</u>	<u>3,531,794</u>	<u>2,663,620</u>
Total Liabilities & Net Assets	<u>\$ 3,691,287</u>	<u>2,349,258</u>	<u>6,040,545</u>	<u>3,878,939</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, 2013
(With Comparative Totals for the Year Ended August 31, 2012)

	Unrestricted	Temporarily Restricted	Totals	
			2013	2012
REVENUES				
Local Support:				
Contributions	\$ 696		696	3,125
Cocurricular Activities	36,671		36,671	28,659
Other Income	10,426		10,426	21,662
Total Local Support	<u>47,793</u>	<u></u>	<u>47,793</u>	<u>53,446</u>
State Program Revenues:				
Foundation School Program	-	6,833,310	6,833,310	5,242,800
Other State Aid	42,512	-	42,512	77,155
Total State Program Revenues	<u>42,512</u>	<u>6,833,310</u>	<u>6,875,822</u>	<u>5,319,955</u>
(5920) Federal Program Revenues:				
Education Jobs Fund	-	2,539	2,539	91,315
ESEA, Title I, Part A, IBP	-	288,812	288,812	212,840
ESEA Title II, Part A	-	47,600	47,600	15,095
ESEA Title III, Part A	-	50,774	50,774	40,987
IDEA, Part B, Formula	-	126,675	126,675	113,704
IDEA Part B Preschool	-	6,159	6,159	1,508
IDEA, Part B, Formula, ARRA	-	-	-	1,672
National School Lunch/Breakfast Program	-	457,357	457,357	360,630
Total Federal Program Revenues	<u>-</u>	<u>979,916</u>	<u>979,916</u>	<u>837,751</u>
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	6,990,614	(6,990,614)	-	-
Total Revenues	<u>\$ 7,080,919</u>	<u>822,612</u>	<u>7,903,531</u>	<u>6,211,152</u>

LA ACADEMIA DE ESTRELLAS
Statement of Activities
For the Year Ended August 31, 2013
(With Comparative Totals for the Year Ended August 31, 2012)
continued

	Unrestricted	Temporarily Restricted	Totals	
			2013	2012
EXPENSES				
Program Services:				
11 Instruction	\$ 4,084,815		4,084,815	3,090,849
12 Instruction Resources & Media Services	85,185		85,185	84,601
13 Curriculum Development & Instructional Staff Developme:	164,872		164,872	152,098
21 Instructional Leadership	61,724		61,724	5,797
23 School Leadership	487,982		487,982	413,034
31 Guidance, Counseling & Evaluation Services	176,995		176,995	100,553
33 Health Services	62,310		62,310	36,666
35 Food Services	514,587		514,587	357,363
36 Extra Curricular Activities	83,240		83,240	62,322
Total Program Services	<u>5,721,710</u>		<u>5,721,710</u>	<u>4,303,283</u>
Support Services:				
41 General Administration	330,354		330,354	184,923
51 Facilities Maintenance and Operations	868,929		868,929	617,687
52 Security & Monitoring Service	9,870		9,870	8,719
53 Data Processing	6,363		6,363	2,060
61 Community Services	48,756		48,756	19,097
71 Debt Service	47,144		47,144	43,561
Total Support Services	<u>1,311,416</u>		<u>1,311,416</u>	<u>876,047</u>
Total Expenses	<u>7,033,126</u>		<u>7,033,126</u>	<u>5,179,330</u>
Change in Net Assets	47,793	822,612	870,405	1,031,822
Net Assets at Beginning of Year	<u>1,160,372</u>	<u>1,501,017</u>	<u>2,661,389</u>	<u>1,631,798</u>
Net Assets at End of Year	<u>\$ 1,208,165</u>	<u>2,323,629</u>	<u>3,531,794</u>	<u>2,663,620</u>

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

LA ACADEMIA DE ESTRELLAS
Statement of Cash Flows
For the Year Ended August 31 ,2013
(With Comparative Totals for the Year Ended August 31, 2012)

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Foundation School Program Payments	\$ 6,796,645	\$ 5,272,540
Other State Aid	16,273	77,155
Federal Program Revenues	863,484	966,622
Other Income	44,821	52,902
Payments to Vendors	(1,846,567)	(1,504,446)
Payments to Employees	(5,020,703)	(3,568,588)
Interest Payments	(47,144)	(34,621)
Net Cash Provided by Operating Activities	<u>806,809</u>	<u>1,261,564</u>
Cash Flows from Investing Activities:		
Purchase of Capital Assets	(998,913)	(249,329)
Loan Cost	(75,457)	-
Net Cash Provided by Investing Activities	<u>(1,074,370)</u>	<u>(249,329)</u>
Cash Flows from Financing Activities:		
Proceeds from Long-Term Debt	1,288,879	-
Payment on Long-Term Debt	(91,785)	(86,968)
Funds Held for Student Groups	2,243	1,430
Net Cash Provided by Financing Activities	<u>1,199,337</u>	<u>(85,538)</u>
Net Increase/Decrease in Cash	931,776	926,697
Cash at Beginning of Year	<u>1,977,027</u>	<u>1,050,330</u>
Cash at End of Year	<u>\$ 2,908,803</u>	<u>1,977,027</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Net Assets	\$ 870,405	1,031,822
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	17,897	16,341
(Increase)/Decrease in Assets:		
Due from State	(178,336)	158,323
Prepaid Expenses	7,951	(32,426)
Other Receivables	(2,972)	(617)
Increase/(Decrease) in Liabilities:		
Accounts Payable	65,738	33,970
Accrued Liabilities	28,357	54,151
Other Adjustment	(2,231)	-
Net Cash Provided by Operating Activities	<u>\$ 806,809</u>	<u>1,261,564</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, 2013

(A) BACKGROUND

La Academia de Estrellas (Charter Holder) is a non-profit Texas corporation formed in 2003. The Charter Holder was granted a charter in 2005 and began school operations 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 pre-kindergarten through eighth and is located at 111 S. Beckley 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, 2013

(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

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, 2013, 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' 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 betterments are capitalized, and maintenance and

LA ACADEMIA DE ESTRELLAS
Notes to Financial Statements
For the Year Ended August 31, 2013

(B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Capital Assets (continued)

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.

9. Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the period ended August 31, 2012, from which the summarized information was derived.

(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	\$ 6,010,698
Federally Funded Educational Programs	<u>979,916</u>
Total	<u><u>\$ 6,990,614</u></u>

Temporarily restricted assets, as of August 31, 2013, consisted of the following:

State Funded Educational Programs	\$ 2,323,629
Total	<u><u>\$ 2,323,629</u></u>

LA ACADEMIA DE ESTRELLAS
Notes to Financial Statements
For the Year Ended August 31, 2013

(D) DUE FROM STATE

Amounts due from State consist of:

	2013
Revenue Accrued for Students Starting Prior to August 31, 2013	\$ 247,628
National School Lunch/Breakfast Program	12,699
Federal Grant Revenue Earned	231,365
Total	\$ 491,692

(E) CAPITAL ASSETS

Capital assets are stated at cost or, if donated, at fair value on the date received. Assets with a cost of \$5,000 or more and a life expectancy of greater than three years are capitalized. Capital assets acquired with public funds constitute public property pursuant to Chapter 12 of the Texas Education Code.

A summary of changes in capital assets follows:

	Beginning Balance	Additions	Disposals and Transfers	Ending Balance	Accumulated Depreciation	Net Capital Assets
Land	\$ 684,880	850,000	-	1,534,880	-	1,534,880
Building & Improvements	857,190	130,514	-	987,704	52,073	935,631
Vehicles	9,400	-	-	9,400	1,343	8,057
Furniture & Equipment	-	18,399	-	18,399	-	18,399
Total	\$ 1,551,470	998,913	-	2,550,383	53,416	2,496,967

Assets are depreciated on the straight-line basis as follows:

Building and Improvements	15 - 40 years
Vehicles	7 years

For the period ended August 31, 2013, \$17,897 was charged to depreciation expense.

LA ACADEMIA DE ESTRELLAS
Notes to Financial Statements
For the Year Ended August 31, 2013

(F) LONG-TERM DEBT

A summary of changes in long-term debt follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bank of America Note	\$ 546,711	-	(58,566)	488,145	61,761
Compass Bank Note	228,534	-	(33,219)	195,315	35,031
Regions Equipment Finance Corp.	-	1,288,879	-	1,288,879	-
	<u>\$ 775,245</u>	<u>1,288,879</u>	<u>(91,785)</u>	<u>1,972,339</u>	<u>96,792</u>

Interest expense was \$47,144 and \$43,561 for fiscal years ended 2013 and 2012, respectively.

Long-term debt at August 31, 2013 consists of the following:

Note payable to Bank of America, 5.25 percent interest, principal and interest due monthly in installments of \$7,188. The final payment is due in May, 2020. The note is secured by a first lien on the land and building of the School.

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
08/31/14	\$ 61,761	24,493	86,254
08/31/15	65,131	21,123	86,254
08/31/16	68,633	17,621	86,254
08/31/17	72,427	13,827	86,254
08/31/18	76,377	9,877	86,254
08/31/19	80,543	5,711	86,254
08/31/20	<u>63,273</u>	<u>1,417</u>	<u>64,690</u>
	<u>\$488,145</u>	<u>94,069</u>	<u>582,214</u>

Note payable to Compass Bank, 5.25 percent interest, principal and interest due monthly in installments of \$3,715. The final payment is due in August, 2018. The note is secured by a first lien on the Kiest property.

<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
08/31/14	\$ 35,031	9,551	44,582
08/31/15	36,941	7,641	44,582
08/31/16	38,941	5,641	44,582
08/31/17	41,081	3,501	44,582
08/31/18	<u>43,321</u>	<u>1,261</u>	<u>44,582</u>
	<u>\$ 195,315</u>	<u>27,595</u>	<u>222,910</u>

Financing and loan agreement with Oglesby Education Facilities Corporation as issuer and Regions Equipment Finance Corporation as lender, dated August 1, 2013, with a \$9,200,000 maximum aggregate principal amount. The loan agreement is to finance real property acquisition and construction which will be collateralized. Interest accrued on the loan is payable on 9/16/13 and continuing each month until 3/16/15 at which time, and each month thereafter, through 1/16/25, monthly payments of principal and interest are required. The applicable interest is based upon an adjusted LIBOR rate. The balance outstanding on the loan agreement as of 8/31/13 was \$1,288,879.

LA ACADEMIA DE ESTRELLAS
Notes to Financial Statements
For the Year Ended August 31, 2013

(G) 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 1-800-223-8778, or by downloading from the system website www.trs.state.tx.us.

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% of the member's annual compensation and a state 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 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2013 and 2012, and a state contribution rate of 6.4% and 6.0% for fiscal years 2013 and 2012, respectively. The charter school's employees' contributions to the System for the years ending August 31, 2013 and 2012 were \$276,411 and \$204,375, respectively, equal to the required contributions for each year.

(H) 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.

(I) HEALTH CARE COVERAGE

During the year ended August 31, 2013, employees of the School were covered by a Health Insurance Plan. The School provides \$300 per month per employee for employee insurance or as a contribution to a flexible spending account. Employees, at their option, authorize 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, 2013

(J) LEASE

The School has a one year lease agreement, starting August 1, 2013, with Cliff Temple Baptist Church. The monthly lease payment is \$37,638, which includes utilities.

The School also has a two year lease with Oak Cliff United Methodist Church. The lease is from August 1, 2012 to July 31, 2014. This lease payment is \$10,833 per month and, in addition, the School pays a pro-rate share of utilities.

(K) EVALUATION OF SUBSEQUENT EVENTS

The School has evaluated subsequent events through January 6, 2014, the date which the financial statements were available to be issued.

T. E. A. REQUIRED SCHEDULES

LA ACADEMIA DE ESTRELLAS
Schedule of Expenses
For the Years Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
EXPENSES		
6100 Payroll Costs	\$ 5,049,059	\$ 3,622,730
6200 Professional and Contracted Services	866,652	613,596
6300 Supplies and Materials	859,352	769,401
6400 Other Operating Costs	210,919	133,492
6500 Debt Service	47,144	43,561
Total Expenses	<u>\$ 7,033,126</u>	<u>5,182,780</u>

LA ACADEMIA DE ESTRELLAS

Schedule of Capital Assets

As of August 31, 2013

<u>Description</u>	<u>Ownership Interest</u>		
	<u>Local</u>	<u>State</u>	<u>Federal</u>
1110 Cash	\$ 790,910	2,117,893	
1510 Land		1,534,880	
1520 Buildings and Improvements		987,704	
1531 Vehicles		9,400	
1530 Furniture & Equipment		18,399	
Total	<u>\$ 790,910</u>	<u>4,668,276</u>	<u>-</u>

LA ACADEMIA DE ESTRELLAS
 Budgetary Comparison Schedule
 For the Year Ended August 31, 2013

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance From Final Budget</u>
REVENUE & OTHER SUPPORT:			
Local Support:			
5740 Other Revenues from Local Sources	\$ 6,182	11,122	4,940
5750 Cocurricular Activities	<u>31,000</u>	<u>36,671</u>	<u>5,671</u>
Total Local Support	<u>37,182</u>	<u>47,793</u>	<u>10,611</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	6,780,000	6,833,310	53,310
5820 State Program Revenue Distributed by the Texas Education Agency	<u>25,024</u>	<u>42,512</u>	<u>17,488</u>
Total State Program Revenues	<u>6,805,024</u>	<u>6,875,822</u>	<u>70,798</u>
Federal Program Revenues:			
5920 Federal Revenue Distributed by Texas Education Agency	<u>1,113,121</u>	<u>979,916</u>	<u>(133,205)</u>
Total Federal Program Revenues	<u>1,113,121</u>	<u>979,916</u>	<u>(133,205)</u>
Total Revenues	<u>7,955,327</u>	<u>7,903,531</u>	<u>(51,796)</u>
EXPENSES:			
Program Services:			
11 Instruction	4,348,806	4,084,815	263,991
12 Instructional Resources & Media Services	88,237	85,185	3,052
13 Curriculum Development & Instructional Staff Development	182,332	164,872	17,460
21 Instructional Leadership	65,346	61,724	3,622
23 School Leadership	541,901	487,982	53,919
31 Guidance, Counseling & Evaluation Services	177,337	176,995	342
33 Health Services	65,228	62,310	2,918
35 Food Services	533,417	514,587	18,830
36 Extracurricular Activities	<u>102,955</u>	<u>83,240</u>	<u>19,715</u>
Total Program Services	<u>6,105,559</u>	<u>5,721,710</u>	<u>383,849</u>
Support Services:			
41 General Administration	303,934	330,354	(26,420)
51 Facilities Maintenance & Operations	895,275	868,929	26,346
52 Security & Monitoring Services	10,900	9,870	1,030
53 Data Processing	6,121	6,363	(242)
61 Community Services	52,576	48,756	3,820
71 Debt Service	<u>54,687</u>	<u>47,144</u>	<u>7,543</u>
Total Support Services	<u>1,323,493</u>	<u>1,311,416</u>	<u>12,077</u>
Total Expenses	<u>7,429,052</u>	<u>7,033,126</u>	<u>395,926</u>
Change in Net Assets	526,275	870,405	344,130
Net Assets, Beginning	<u>2,661,389</u>	<u>2,661,389</u>	<u>-</u>
Net Assets, Ending	<u>\$ 3,187,664</u>	<u>3,531,794</u>	<u>344,130</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, 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 La Academia de Estrellas (a nonprofit organization), which comprise the statement of financial position as of August 31, 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 January 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered La Academia de Estrellas' 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 La Academia de Estrellas' 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 La Academia de Estrellas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Evans, Pingleton and Howard, PLLC

Evans, Pingleton and Howard, PLLC
January 6, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited La Academia De Estrellas' 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 La Academia De Estrellas' major federal programs for the year ended August 31, 2013. La Academia De Estrellas' 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 La Academia De Estrellas' 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 La Academia De Estrellas' 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 Uplift Education's compliance.

Opinion on Each Major Federal Program

In our opinion, La Academia De Estrellas 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 August 31, 2013.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of La Academia De Estrellas 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 La Academia De Estrellas' 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 La Academia De Estrellas' 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.

Evans, Pingleton and Howard, PLLC

Evans, Pingleton and Howard, PLLC

January 6, 2014

LA ACADEMIA DE ESTRELLAS
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2013

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements of the auditee	Unmodified
2. Significant deficiencies in internal controls disclosed by the audit of the financial statements	None
a. Significant deficiencies that were material weaknesses	None
3. Noncompliance material to the financial statements of the auditee disclosed by the audit of the financial statements	None
4. Significant deficiencies in internal controls over major programs disclosed by the audit of the financial statements	None
a. Significant deficiencies that were material weaknesses	None
5. Type of auditor's report issued on compliance for major programs	Unmodified
6. Findings disclosed by the audit of the financial statements which the auditor is required to report	None
7. Major Programs: (as tested) ESEA Title I, Part A, IBP (CFDA 84.010A) National School Lunch Program (CFDA 10.555) National School Breakfast Program (CFDA 10.553)	
8. The dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
9. Auditee qualified as a low- risk auditee	Yes

II. Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards

None identified.

III. Findings and questioned costs for state and federal awards

None identified.

LA ACADEMIA DE ESTRELLAS
Schedule of Status of Prior Findings
For the Year Ended August 31, 2013

<u>Program</u>	<u>Status of Prior Year's Finding/ Noncompliance</u>
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- NONE -

LA ACADEMIA DE ESTRELLAS
Schedule of Expenditure of Federal Awards
For the Year Ended August 31, 2013

Grantor/Program Title

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identification Number</u>	<u>Federal Expenditures</u>
<u>United States Department of Education</u>			
<u>Passed Through Region X ESC:</u>			
ESEA, Title II, Part A, Discr.	84.367A	13694501057839	\$ 47,600
ESEA, Title III, Part A, LEP	84.365A	13671001057839	<u>50,774</u>
Total Passed Through Region X ESC			<u>98,374</u>
<u>Passed Through State Department of Education:</u>			
ESEA, Title I, Part A, IBP	81.010A	13610101057839	288,812
IDEA, Part B, Formula	84.027A	136600010578396000	126,675
IDEA, Part B, Preschool	84.173A	136610010578396000	6,159
Education Jobs Fund	84.410A	13550101057839	<u>2,539</u>
Total Passed Through State Dept. of Education			<u>424,185</u>
Total United States Department of Education			<u>522,559</u>
<u>United States Department of Agriculture</u>			
<u>Passed Through State Department of Agriculture</u>			
National School Lunch	10.555	71301301	326,170
School Breakfast Program	10.553	71401301	<u>124,807</u>
Total Passed Through State Dept. of Agriculture			<u>450,977</u>
<u>Passed Through Texas Department of Human Resources</u>			
Donated Commodities	10.550	N/A	<u>6,380</u>
Total Passed Through Texas Dept. of Human Resources			<u>6,380</u>
Total United States Dept. of Agriculture			<u>457,357</u>
Total Expenditures of Federal Awards			<u>\$ 979,916</u>

LA ACADEMIA DE ESTRELLAS
Notes to Schedule of Expenditures of Federal Awards
For Year Ended August 31, 2013

Note 1: Standard financial Accounting System

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