

**LIFESCHOOL OF DALLAS  
CHARTER HOLDER**

**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**

**AUGUST 31, 2010**

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**LIFESCHOOL OF DALLAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2010**

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**LIFESCHOOL OF DALLAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2010**

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LIFESCHOOL OF DALLAS

CERTIFICATE OF BOARD

AUGUST 31, 2010

LifeSchool of Dallas  
Name of Charter Holder  
Federal EIN: 75-2722521

Dallas  
County

057807  
Co.-Dist. Number

We, the undersigned, certify that the attached annual Financial and Compliance Report of the above-named charter holder was reviewed and (check one)  approved \_\_\_\_\_ disapproved for the year ended August 31, 2010, at a meeting of the governing body of the charter holder on the 12th day of January, 2011.

Original Signature on File With TEA  
Signature of Board Secretary

Original Signature on File With TEA  
Signature of Board President

If the governing body of the charter holder does not approve the independent auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

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**FREEMON, SHAPARD & STORY**  
CERTIFIED PUBLIC ACCOUNTANTS

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Windthorst, Texas 76389  
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H. Ted Neeb, CPA  
Donna Hoff, CPA  
Thea Neeb, CPA

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
LifeSchool of Dallas  
950 South I-35 E.  
Lancaster, TX 75146

Members of the Board of Directors:

We have audited the accompanying statements of financial position of LifeSchool of Dallas (the charter holder) as of August 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of LifeSchool of Dallas's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 audits 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 audits provide 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 LifeSchool of Dallas as of August 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years 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 January 11, 2011, on our consideration of LifeSchool of Dallas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script that reads "Freeman, Shapard & Story".

Freemon, Shapard, & Story  
January 11, 2011



# **General-Purpose Financial Statements**

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**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2010 and 2009**

	2010	2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,505,334	\$ 1,610,541
Due from TEA	2,272,899	1,828,261
Deferred expenses	55,672	44,524
Other current assets	160,473	15,000
Other receivables	78,445	123,839
<b>Total Current Assets</b>	<b>4,072,823</b>	<b>3,622,165</b>
<b>Property and Equipment</b>		
Land	3,663,708	505,774
Building and improvements	30,779,613	9,171,095
Furniture and equipment	711,990	652,831
Vehicles	398,965	308,345
Assets purchased under capital lease	155,221	82,028
Less accumulated depreciation	(2,097,155)	(1,422,323)
<b>Total Property and Equipment</b>	<b>33,612,342</b>	<b>9,297,750</b>
<b>Other Assets</b>	<b>1,000</b>	<b>1,000</b>
<b>Total Assets</b>	<b>\$ 37,686,165</b>	<b>\$ 12,920,915</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 267,677	\$ 417,127
Accrued wages payable	516,518	378,557
Payroll deductions and withholdings	169,931	345,656
Due to state government	341	213
Due to student groups	87,642	114,626
Accrued interest	33,320	18,288
Current portion of capital leases payable	51,712	26,126
Current portion of long-term debt	1,754,330	381,531
<b>Total Current Liabilities</b>	<b>2,881,471</b>	<b>1,682,124</b>
<b>Long Term Debt</b>		
Capital Leases Payable	49,398	51,337
Notes Payable	24,862,046	3,898,827
<b>Total Long-Term Debt</b>	<b>24,911,444</b>	<b>3,950,164</b>
<b>Total Liabilities</b>	<b>\$ 27,792,915</b>	<b>\$ 5,632,288</b>
<b>Net Assets</b>		
Unrestricted	644,224	535,283
Temporarily restricted	9,249,026	6,753,344
<b>Total Net Assets</b>	<b>\$ 9,893,250</b>	<b>\$ 7,288,627</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 37,686,165</b>	<b>\$ 12,920,915</b>

The accompanying notes are an integral part of these financial statements.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2010</u>
<b>Revenues</b>			
<b>Local Support:</b>			
Contributions	\$ 2,762	\$ -	\$ 2,762
Food Service Activity	173,730	-	173,730
Athletic Activities	76,119	-	76,119
Rent	14,450	-	14,450
Interest and Other Income	11,316	-	11,316
Other Revenues	149,870	-	149,870
<b>Total Local Support</b>	<u>428,247</u>	<u>-</u>	<u>428,247</u>
<b>State Program Revenues:</b>			
Foundation School Program	-	26,850,044	26,850,044
Student Success Initiative	-	60,753	60,753
Technology Allotment	-	97,527	97,527
Food Service	-	5,472	5,472
<b>Total State Program Revenues</b>	<u>-</u>	<u>27,013,796</u>	<u>27,013,796</u>
<b>Federal Program Revenues:</b>			
ESEA Title IV, Part A - Safe and Drug Free Schools	-	8,350	8,350
IDEA Part B, Formula	-	255,490	255,490
IDEA Part B, Preschool	-	487	487
ESEA Title I Part A - Improving Basic Programs	-	619,547	619,547
ESEA Title II Part A Teacher and Principal Training	-	123,341	123,341
National School Breakfast and Lunch Program	-	610,781	610,781
Reading First	-	3,043	3,043
Title II Part D - Enhancing Education Through Technology	-	3,936	3,936
Title III Part A - English Language Acquisition and Enhancement	-	13,822	13,822
ARRA Title XIV, State Fiscal Stabilization Fund	-	514,026	514,026
Title II Part D - Enhancing Education Through Technology ARRA	-	13,539	13,539
ARRA IDEA Part B, Formula	-	139,293	139,293
ARRA IDEA Part B, Preschool	-	1,900	1,900
ARRA ESEA Title I Part A Improving Basic Programs	-	345,358	345,358
<b>Total Federal Program Revenues</b>	<u>-</u>	<u>2,652,913</u>	<u>2,652,913</u>
<b>Net Assets Released from Restrictions:</b>			
Restrictions Satisfied by Payments	<u>27,171,027</u>	<u>(27,171,027)</u>	<u>-</u>
<b>Total Revenues</b>	<u>\$ 27,599,274</u>	<u>\$ 2,495,682</u>	<u>\$ 30,094,956</u>
<b>Expenses</b>			
<b>Program Services:</b>			
Instruction and Instructional-Related Services	13,094,603	-	13,094,603
Instructional and School Leadership	2,249,774	-	2,249,774
<b>Support Services:</b>			
Administrative Support Services	2,043,260	-	2,043,260
Support Services - Non-Student Based	7,045,674	-	7,045,674
Support Services - Student (Pupil)	2,131,729	-	2,131,729
Ancillary Services	90,373	-	90,373
Debt Service	706,702	-	706,702
Fundraising	84,300	-	84,300
<b>Total Expenses</b>	<u>\$ 27,446,415</u>	<u>\$ -</u>	<u>\$ 27,446,415</u>
<b>Gains and Losses</b>			
Gain on Sale of Real and Personal Property	<u>49,795</u>	<u>-</u>	<u>49,795</u>
<b>Total Gains and Losses</b>	<u>49,795</u>	<u>-</u>	<u>49,795</u>
<b>Change in Net Assets</b>	<u>202,654</u>	<u>2,495,682</u>	<u>2,698,336</u>
<b>Extraordinary Items</b>	<u>(93,713)</u>	<u>-</u>	<u>(93,713)</u>
<b>Net Assets, Beginning of Year</b>	<u>535,283</u>	<u>6,753,344</u>	<u>7,288,627</u>
<b>Net Assets, End of Year</b>	<u>\$ 644,224</u>	<u>\$ 9,249,026</u>	<u>\$ 9,893,250</u>

The accompanying notes are an integral part of these financial statements.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2009</u>
<b>Revenues</b>			
<b>Local Support:</b>			
Contributions	\$ 936,002	\$ -	\$ 936,002
Food Service Activity	171,947	-	171,947
Athletic Activities	88,469	-	88,469
Rent	20,070	-	20,070
Interest	3,708	-	3,708
Other Local Revenues	51,508	-	51,508
<b>Total Local Support</b>	<u>1,271,704</u>	<u>-</u>	<u>1,271,704</u>
<b>State Program Revenues:</b>			
Foundation School Program	-	22,614,758	22,614,758
Student Success Initiative	-	118,484	118,484
Technology Allotment	-	89,195	89,195
High School Allotment	-	116,808	116,808
Automated External Defibrillators	-	11,777	11,777
Food Service	-	5,338	5,338
<b>Total State Program Revenues</b>	<u>-</u>	<u>22,956,360</u>	<u>22,956,360</u>
<b>Federal Program Revenues:</b>			
ESEA Title IV, Part A - Safe and Drug Free Schools	-	8,979	8,979
IDEA Part B, Formula	-	338,618	338,618
IDEA Part B, Preschool	-	2,024	2,024
ESEA Title I Part A - Improving Basic Programs	-	521,713	521,713
National School Breakfast and Lunch Program	-	489,363	489,363
Reading First	-	67,205	67,205
Title II Part D - Enhancing Education Through Technology	-	4,287	4,287
Title III Part A - English Language Acquisition and Enhancement	-	19,076	19,076
ESEA Title II Part A- Teacher and Principal Training	-	120,804	120,804
Title I, Part A - ARRA Stimulus	-	5,788	5,788
Title V, Part A - Innovative Programs	-	-	-
<b>Total Federal Program Revenues</b>	<u>-</u>	<u>1,577,857</u>	<u>1,577,857</u>
<b>Net Assets Released from Restrictions:</b>			
Restrictions Satisfied by Payments	<u>22,072,373</u>	<u>(22,072,373)</u>	<u>-</u>
<b>Total Revenues</b>	<u>\$ 23,344,077</u>	<u>\$ 2,461,844</u>	<u>\$ 25,805,921</u>
<b>Expenses</b>			
<b>Program Services:</b>			
Instruction and Instructional-Related Services	11,040,926	-	11,040,926
Instructional and School Leadership	1,809,470	-	1,809,470
<b>Support Services:</b>			
Administrative Support Services	1,269,246	-	1,269,246
Support Services - Non-Student Based	7,027,891	-	7,027,891
Support Services - Student (Pupil)	1,861,678	-	1,861,678
Debt Service	324	-	324
Ancillary Services	139,576	-	139,576
Fundraising	101,732	-	101,732
<b>Total Expenses</b>	<u>\$ 23,250,843</u>	<u>\$ -</u>	<u>\$ 23,250,843</u>
<b>Gains and Losses</b>			
Loss on Sale of Real and Personal Property	(7,115)	-	(7,115)
Gain on Sale of Real and Personal Property	19,765	-	19,765
<b>Total Gains and Losses</b>	<u>12,650</u>	<u>-</u>	<u>12,650</u>
<b>Change in Net Assets</b>	<u>105,884</u>	<u>2,461,844</u>	<u>2,567,728</u>
<b>Net Assets, Beginning of Year</b>	<u>429,399</u>	<u>4,291,500</u>	<u>4,720,899</u>
<b>Net Assets, End of Year</b>	<u>\$ 535,283</u>	<u>\$ 6,753,344</u>	<u>\$ 7,288,627</u>

The accompanying notes are an integral part of these financial statements.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,604,623	\$ 2,567,728
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	674,832	331,580
(Increase) Decrease in Due from TEA	(444,638)	(551,429)
(Increase) Decrease in Deferred Expenses	(11,148)	(23,719)
(Increase) Decrease in Other Receivables	45,394	170,305
(Increase) Decrease in Other Current Assets	(145,473)	(15,000)
Increase (Decrease) in Accounts Payable	(149,451)	(80,389)
Increase (Decrease) in Accrued Wages Payable	137,961	78,201
Increase (Decrease) in Due to State Government	128	90
Increase (Decrease) in Due to Student Groups	(26,984)	42,318
Increase (Decrease) in Accrued Interest	15,032	18,288
Increase (Decrease) in Payroll Deductions and Withholdings	(175,725)	109,050
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>2,524,551</u>	<u>2,647,023</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Land, Buildings, and Equipment	(24,990,594)	(5,489,752)
Disposition of Land, Buildings, and Equipment	1,170	2,200
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(24,989,424)</u>	<u>(5,487,552)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of Debt	25,737,674	3,879,704
Principal Payments on Debt	(3,378,008)	(350,964)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>22,359,666</u>	<u>3,528,740</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(105,207)	688,211
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,610,541</u>	<u>922,330</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,505,334</u>	<u>\$ 1,610,541</u>
Interest Paid During the Period Ended August 31, 2010 and 2009	\$ 708,979	\$ 114,238
Income Taxes Paid During the Period Ended August 31, 2010 and 2009	None	None

The accompanying notes are an integral part of these financial statements.

# Notes to the Financial Statements

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of LifeSchool of Dallas (the corporation) were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

A. *Reporting Entity*

The corporation is a not-for-profit organization incorporated in the State of Texas in 1996 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The corporation is governed by a Board of Directors comprised of nine members. The Board of Directors is selected pursuant to the bylaws of the corporation and has the authority to make decisions, appoint the chief executive 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 received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

B. *Corporate Operations*

LifeSchool of Dallas is operating an open-enrollment charter school providing education from K through 12<sup>th</sup> grade students authorized under Chapter 12, Subchapter D of the Texas Education Code. The Texas State Board of Education issued the initial charter to the charter holder for a period of five years from August 1, 1998 to July 31, 2003. Subsequent to the awarding of the initial charter, the corporation applied for and received a second charter renewal in July 2003 extending the charter ten years to July 31, 2013. Maximum enrollment was increased from 2,000 to 3,000 in May 2005. In April 2008, maximum enrollment was again increased from 3,000 to 5,000 effective August 1, 2008. Maximum enrollment was increased from 5,000 to 10,000 students in August 2010. Approved campus locations are in Oak Cliff, Red Oak, Lancaster, and McKinney, Texas.

C. *Basis of Accounting and Presentation*

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

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



**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

**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 holder’s activities due to donor-imposed restrictions.

D. *Use of Estimates*

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

E. *Contributions*

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

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. 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.

No amounts have been reflected in the financial statements for donated materials or services since no objective basis is available to measure the value thereof; however, a substantial number of volunteers donate their time to the school program services and in fund-raising activities.

F. *Cash and Cash Equivalents*

For financial statement purposes, the corporation considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

G. *Capital Assets*

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the corporation as assets with an estimated useful life of more than one year and a cost of \$5,000 or more. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from two to thirty years, using the straight-line method of depreciation. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

H. *Personal Leave*

All employees of the school earn five days of local paid personal leave per year. The balance does not accumulate; therefore, there is no liability accrued on the financial statements.

Employees additionally earn five days of state paid personal and sick leave per year. There is no material liability for unpaid accumulated sick leave since the school does not have a policy to pay any amounts when the employees separate from service with the school, and any unused balance is transferable to other schools.

I. *Functional Allocation of Expenses*

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. CASH DEPOSITS

The corporation's funds are deposited and invested with depository banks. The depository banks should deposit for safekeeping and trust with the charter holder's agent banks approved pledged securities in an amount sufficient to protect corporate funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2010, the carrying amount of the charter holder's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,505,334, and the bank balance was \$2,834,738. The corporation's cash deposits at August 31, 2010, and during the year ended August 31, 2010, were not entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name.

At August 31, 2009, the carrying amount of the charter holder's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,610,541, and the bank balance was \$2,077,309. The corporation's cash deposits at August 31, 2009, and during the year ended August 31, 2009, were entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit at Vintage Bank during the year ended August 31, 2010:

- a. Depository: Vintage Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$3,000,000.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$3,474,327 and occurred during the month of August 2010.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit at Regions Bank during the year ended August 31, 2010:

- e. Depository: Regions Bank
- f. The market value of securities pledged as of the date of the highest combined balance on deposit was \$0.
- g. The highest combined balances of cash, savings, and time deposit accounts amounted to \$1,660,270 and occurred during the month of April 2010.
- h. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

**3. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS**

At August 31, 2010 and 2009, the charter holder had no material liability for accrued sick leave or vacation leave.

**4. PENSION PLAN OBLIGATIONS**

*A. Plan Description*

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.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

**B. *Funding Policy***

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's 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 2010 and 2009, and a state contribution rate of 6.644% for fiscal year 2010 and 6.58% for fiscal year 2009. In certain instances, the reporting school is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period September through December 2009 and increased to 6.644% for the period January through August 2010. The charter school's employees' contributions to the System for the years ending August 31, 2010 and 2009, were \$958,300 and \$854,035, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants for the years ending August 31, 2010 and 2009, were \$21,484 and \$23,428, respectively, equal to the required contributions for each year. For the years ending August 31, 2010 and 2009, the State of Texas contributed \$1,107,153 and \$854,429, respectively, on-behalf of the charter school.

**C. *Additional plans***

Certain employees of the charter holder are also provided with Social Security and Medicare coverage. Under provisions of federal law, covered employees contribute 6.2% (Social Security) and 1.45% (Medicare) of their annual covered salary, and the charter holder contributes matching amounts of the covered payroll.

**5. PUBLIC SCHOOL RETIREE HEALTH PLAN**

**A. *Plan Description***

The charter school contributes to the Texas Public School Retired Employees Group Insurance Program (TRS Care), a cost-sharing multiple employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

**B. *Funding Policy***

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with public schools contributing a percentage of payroll set at 0.55% for fiscal years 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2010 and 2009, the State's contributions to TRS Care were \$146,250 and \$129,608, respectively, the active member contributions were \$97,327 and \$86,718, respectively, and the charter school's contributions were \$82,354 and \$73,377, respectively, which equaled the required contributions each year.

**6. HEALTH CARE COVERAGE**

During the years ended August 31, 2010 and 2009, full-time employees of the charter school were covered by a health insurance plan (the Plan). For the years ended August 31, 2010 and 2009, the charter school contributed \$407 and \$383, respectively, 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.

**7. 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 is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agencies. 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 agencies. In the opinion of the charter school, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

8. CAPITAL ASSETS

Capital assets at August 31, 2010 were as follows:

	<u>Balance</u> <u>9/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2010</u>
Land	\$ 505,774	\$ 3,157,934	\$ -	\$ 3,663,708
Buildings and Improvements	9,171,095	21,609,688	(1,170)	30,779,613
Furniture and Equipment	652,831	59,159	-	711,990
Vehicles	308,345	90,620	-	398,965
Capital Lease	82,028	73,193	-	155,221
Accumulated Depreciation	<u>(1,422,323)</u>	<u>(674,832)</u>	<u>-</u>	<u>(2,097,155)</u>
	<u>\$ 9,297,750</u>	<u>\$24,315,762</u>	<u>\$ (1,170)</u>	<u>\$33,612,342</u>

Capital assets at August 31, 2009 were as follows:

	<u>Balance</u> <u>9/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2009</u>
Land	\$ -	\$ 505,774	\$ -	\$ 505,774
Buildings and Improvements	4,592,757	4,578,338	-	9,171,095
Furniture and Equipment	418,715	239,616	(5,500)	652,831
Vehicles	259,483	83,996	(35,134)	308,345
Capital Lease	-	82,028	-	82,028
Accumulated Depreciation	<u>(1,129,177)</u>	<u>(331,580)</u>	<u>38,434</u>	<u>(1,422,323)</u>
	<u>\$ 4,141,778</u>	<u>\$5,158,172</u>	<u>\$ (2,200)</u>	<u>\$ 9,297,750</u>

Capital assets acquired with public funds received by the corporation for the operation of LifeSchool Lancaster, LifeSchool Red Oak, LifeSchool Oak Cliff, and LifeSchool McKinney constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets for the charter school.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

9. ECONOMIC DEPENDENCY

During the years ended August 31, 2010 and 2009, the charter holder earned revenue of \$27,013,796 and \$22,956,360, respectively, from the Texas Education Agency (TEA). This constitutes approximately 89.76% and 88.96%, respectively, of total revenue earned. Any unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the charter school to continue to provide the current level of services to its students.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the years ending August 31, 2010 and 2009, consisted of the following:

	2010	2009
Foundation School Program	\$ 8,768,480	\$ 6,750,893
ARRA Title XIV, State Fiscal Stabilization	451,595	-
ARRA IDEA Part B, Formula	25,397	-
Technology Allotment	3,554	2,451
Total Temporarily Restricted Net Assets	\$ 9,249,026	\$ 6,753,344

11. LONG-TERM DEBT

Long-term debt at August 31, 2010 and 2009, consisted of the following:

	2010	2009
Note payable to Vintage Bank, 6.5% interest, principal and interest due monthly in installments of \$8,826, commencing August 14, 2005. Final payment is due July 14, 2010. The note is secured by equipment.	\$ -	\$ 93,554
Note payable to Vintage Bank, 6.9% interest, principal and interest due monthly in installments of \$14,854, commencing August 12, 2007. Final payment is due July 12, 2012. The note is secured by Lancaster leasehold improvements.	314,903	465,798
Note payable to Vintage Bank, 7.0% interest, principal and interest due monthly in installments of \$9,925, commencing July 18, 2010. Final payment is due June 18, 2015. The note is secured by equipment.	485,848	-
Note payable to Prologic, 4.13% interest, principal and interest due annually, commencing June 23, 2009. Final payment is due May 15, 2011. The note is secured by student information software.	61,980	123,960

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

Note payable to Regions Bank, adjustable interest rate. Final payment is due March 23, 2015. The note is secured by the Cedar Hill, Oak Cliff, and Lancaster property.	16,700,196	-
Note payable to Regions Bank, adjustable interest rate. Final payment is due March 23, 2015. The note is secured by the Cedar Hill property.	1,375,000	-
Note payable to Oaks Fellowship, 7.5% interest rate, principal and interest due monthly in installments of \$49,595, commencing April 23, 2010. Final payment is due March 23, 2018. The note is secured by the Oak Cliff and Lancaster property.	3,434,567	-
Note payable to Southwest Securities, 6.0% interest rate, commencing August 8, 2010. Final payment is due January 8, 2016. The note is secured by the Red Oak High School property located in Waxahachie.	627,959	-
Note payable to Southwest Securities, 7.39% interest, principal and interest due monthly in installments of \$21,650, commencing May 30, 2009. Final payment is due October 4, 2026. The note is secured by the Red Oak High School property located in Waxahachie.	2,448,032	2,523,876
Note payable to Southwest Securities, 6.0% interest, principal and interest due monthly in installments of \$8,612, commencing December 30, 2009. Final payment is due September 30, 2029. The note is secured by the Red Oak High School property located in Waxahachie.	<u>1,167,891</u>	<u>1,073,170</u>
Total debt	26,616,376	4,280,358
Less current portion of long-term debt	<u>(1,754,330)</u>	<u>(381,531)</u>
Total long-term debt	<u>\$24,862,046</u>	<u>\$ 3,898,827</u>

Future maturities of long-term debt at August 31, 2010, are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,754,330	\$ 832,294	\$ 2,586,624
2012	1,726,189	1,040,815	2,767,004
2013	1,617,975	955,551	2,573,526
2014	1,666,342	874,724	2,541,066
2015	1,288,645	604,790	1,893,435
Thereafter	<u>18,562,895</u>	<u>1,562,186</u>	<u>20,125,081</u>
	<u>\$ 26,616,376</u>	<u>\$ 5,870,360</u>	<u>\$32,486,736</u>



**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

12. RELATED PARTY TRANSACTIONS

The School leased facilities from The Oaks Fellowship, a not-for-profit organization with common employees, managers, and officers during the year ended August 31, 2009. During the year ended August 31, 2010, LifeSchool and The Oaks Fellowship are no longer related parties as there are no longer any common managers and officers. The Oaks Fellowship's facilities represented campuses located in Red Oak, Oak Cliff, and Lancaster, Texas. The charter holder purchased the property located in Lancaster and Oak Cliff on April 1, 2010. They are currently only renting the Red Oak property. This lease terminates in July 2017. The School paid monthly rental payments based on the square footage of the buildings used at rates ranging from \$.44 to \$1.00 per square foot per month. The following is a summary of amounts paid to The Oaks Fellowship during the years ended August 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Rent	\$ 1,846,579	\$ 2,602,969
Note payments	562,863	-
Maintenance, utilities, and office expenses	170,045	149,209
Leasehold improvements	<u>-</u>	<u>285,949</u>
	<u>\$ 2,579,487</u>	<u>\$ 3,038,127</u>

The School also began leasing facilities from Stonebridge Church, a not-for-profit organization with related employees, managers, and officers on July 15, 2008. The facilities represent a campus located in McKinney, Texas. This lease terminated in July 2010. The School pays monthly rental payments based on the square footage of the buildings used at rates ranging from \$1.00 to \$1.13 per square foot per month. The following is a summary of amounts paid to Stonebridge Church during the years ended August 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Rent	\$ 135,000	\$ 127,500
Maintenance, utilities, and office expense	<u>-</u>	<u>31,289</u>
	<u>\$ 135,000</u>	<u>\$ 158,789</u>

Future minimum payments under noncancelable operating leases as of August 31, 2010 are as follows:

2010-11	925,209
2011-12	925,209
2012-13	925,209
2013-14	925,209
2014-15	925,209
Thereafter	<u>1,850,418</u>
Total	<u>\$ 6,476,463</u>

Other receivables reflected on the Statement of Financial Position include \$77,221 and \$94,947 at August 31, 2010 and 2009, respectively, of amounts due from The Oaks Fellowship. These receivables represent maintenance payroll and expenses owed to the school by The Oaks Fellowship for their portion of shared expenses.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

13. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the corporation through financial statement issuance and has determined that the following subsequent event requires recognition or disclosure in the financial statements.

LifeSchool will be refinancing existing debt through a bond issue which is scheduled to be closed in the first quarter of 2011. The bond issue will also include funds to expand the Cedar Hill campus, purchase additional property and provide capital improvements at various campuses. The bond issuance will be for approximately \$38 million.

14. INCOME TAX

On December 30, 2008, FASB issued FASB Staff Position (FSP) FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises. There was no unrelated business income for the year ended August 31, 2010 and 2009, and as a result, there was no income tax liability.

15. CONTRIBUTIONS

Contributions Revenue for 2009 includes \$842,392 of value of Waxahachie property in excess of purchase price on property acquired in April 2009. Property acquired appraised at \$3,600,000 and was acquired at a cost of \$2,757,608 and a donation of \$842,392.

16. EXTRAORDINARY ITEMS

Extraordinary items booked for the period ended August 31, 2010 consist of a loss realized with a vendor that declared bankruptcy of \$77,713 on portable building purchase payments that were lost and the write-off of \$16,000 of receivables from a theft loss realized several years ago deemed uncollectible.

17. CAPITAL LEASES

LifeSchool of Dallas leases computers under capital leases which expire in July 2012 and August 2012.

Capital leases at August 31, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
Lease payable to Dell Financial Services, 7.28% interest, principal and interest due monthly in installments of \$2,444, commencing August 1, 2009. Final payment is due July 1, 2012. The lease is secured by computers.	\$ 51,588	\$ 77,463

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

Lease payable to Dell Financial Services, 4.90% interest, principal and interest due monthly in installments of \$2,181, commencing October 1, 2009. Final payment is due August 31, 2012. The lease is secured by computers.	49,522		-
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Total capital leases	101,110		77,463
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Less current portion of capital leases	(51,712)		(26,126)
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Total long-term capital leases	\$ 49,398		\$ 51,337
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Future maturities of capital leases at August 31, 2010, are as follows:

Year Ended August 31,	Principal	Interest	Total
2011	\$ 51,712	\$ 3,795	\$ 55,507
2012	49,398	1,219	50,617
	\$ 101,110	\$ 5,014	\$ 106,124

Property and equipment secured under a capital lease at August 31, 2010 and 2009, consisted of the following:

	2010	2009
Dell Computers	\$155,221	\$82,028
Less Accumulated Depreciation	(33,778)	(2,734)
Property and Equipment Under a Capital Lease, Net	\$121,443	\$79,294

Interest expense relating to this capital lease for the periods ended August 31, 2010 and 2009, total \$5,645 and \$324, respectively. Amortization of assets held under the capital leases is included with depreciation expense.

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# **Specific-Purpose Financial Statements**

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LIFE CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
AS OF AUGUST 31, 2010 and 2009

ASSETS	2010	2009
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,505,334	\$ 1,610,541
Due from TEA	2,272,899	1,828,261
Deferred expenses	55,672	44,524
Other current assets	160,473	15,000
Other receivables	78,445	123,839
Total Current Assets	4,072,823	3,622,165
<b>Property and Equipment</b>		
Land	3,663,708	505,774
Buildings and improvements	30,779,613	9,171,095
Furniture and equipment	711,990	652,831
Vehicles	398,965	308,345
Assets purchased under capital leases	155,221	82,028
Less accumulated depreciation	(2,097,155)	(1,422,323)
Total Property and Equipment	33,612,342	9,297,750
<b>Other Assets</b>		
	1,000	1,000
<b>Total Assets</b>	\$ 37,686,165	\$ 12,920,915
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 267,677	\$ 417,127
Accrued wages payable	516,518	378,557
Payroll deductions and withholdings	169,931	345,656
Due to state government	341	213
Due to student groups	87,642	114,626
Accrued interest	33,320	18,288
Current portion of capital leases payable	51,712	26,126
Current portion of long-term debt	1,754,330	381,531
Total Current Liabilities	2,881,471	1,682,124
<b>Long Term Debt</b>		
Capital Leases Payable	49,398	51,337
Notes Payable	24,862,046	3,898,827
Total Long-Term Debt	24,911,444	3,950,164
<b>Total Liabilities</b>	\$ 27,792,915	\$ 5,632,288
<b>Net Assets</b>		
Unrestricted	644,224	535,283
Temporarily restricted	9,249,026	6,753,344
Total Net Assets	\$ 9,893,250	\$ 7,288,627
<b>Total Liabilities and Net Assets</b>	\$ 37,686,165	\$ 12,920,915

The accompanying notes are an integral part of these financial statements.

**LIFE CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2010</u>
<b>Revenues</b>			
<b>Local Support:</b>			
5740 Other Revenues from Local Sources	\$ 178,398	\$ -	\$ 178,398
5750 Cocurricular and Enterprising Activities	249,849	-	249,849
<b>Total Local Support</b>	<u>428,247</u>	<u>-</u>	<u>428,247</u>
<b>State Program Revenues:</b>			
5810 Foundation School Program Act Revenues	-	26,850,044	26,850,044
5820 State Program Revenues Distributed by TEA	-	163,752	163,752
<b>Total State Program Revenues</b>	<u>-</u>	<u>27,013,796</u>	<u>27,013,796</u>
<b>Federal Program Revenues:</b>			
5920 Federal Revenues Distributed by TEA	-	2,652,913	2,652,913
<b>Total Federal Program Revenues</b>	<u>-</u>	<u>2,652,913</u>	<u>2,652,913</u>
<b>Net Assets Released from Restrictions:</b>			
Restrictions Satisfied by Payments	<u>27,171,027</u>	<u>(27,171,027)</u>	<u>-</u>
<b>Total Revenues</b>	<u>\$ 27,599,274</u>	<u>\$ 2,495,682</u>	<u>\$ 30,094,956</u>
<b>Expenses</b>			
11 Instruction	12,867,393	-	12,867,393
12 Instructional Resources & Media Services	109,707	-	109,707
13 Curriculum Development & Instructional Staff Development	117,503	-	117,503
21 Instructional Leadership	246,688	-	246,688
23 School Leadership	2,003,086	-	2,003,086
31 Guidance, Counseling, & Evaluation Services	277,260	-	277,260
33 Health Services	177,068	-	177,068
35 Food Services	862,094	-	862,094
36 Cocurricular/Extracurricular Activities	815,307	-	815,307
41 General Administration	2,043,260	-	2,043,260
51 Plant Maintenance & Operations	5,833,296	-	5,833,296
52 Security & Monitoring Services	465,735	-	465,735
53 Data Processing Services	746,643	-	746,643
61 Community Services	90,373	-	90,373
71 Debt Service	706,702	-	706,702
81 Fundraising	84,300	-	84,300
<b>Total Expenses</b>	<u>\$ 27,446,415</u>	<u>\$ -</u>	<u>\$ 27,446,415</u>
<b>Gains and Losses</b>			
Gain on Sale of Real and Personal Property	<u>49,795</u>	<u>-</u>	<u>49,795</u>
<b>Total Gains and Losses</b>	<u>\$ 49,795</u>	<u>\$ -</u>	<u>\$ 49,795</u>
<b>Change in Net Assets</b>	<u>202,654</u>	<u>2,495,682</u>	<u>2,698,336</u>
<b>Extraordinary Items</b>	(93,713)	-	(93,713)
<b>Net Assets, Beginning of Year</b>	<u>535,283</u>	<u>6,753,344</u>	<u>7,288,627</u>
<b>Net Assets, End of Year</b>	<u>\$ 644,224</u>	<u>\$ 9,249,026</u>	<u>\$ 9,893,250</u>

The accompanying notes are an integral part of these financial statements.



**LIFE CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2009</u>
<b>Revenues</b>			
Local Support:			
5740 Other Revenues from Local Sources	\$ 1,011,288	\$ -	\$ 1,011,288
5750 Cocurricular and Enterprising Activities	<u>260,416</u>	<u>-</u>	<u>260,416</u>
Total Local Support	1,271,704	-	1,271,704
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	22,731,566	22,731,566
5820 State Program Revenues Distributed by TEA	<u>-</u>	<u>224,794</u>	<u>224,794</u>
Total State Program Revenues	-	22,956,360	22,956,360
Federal Program Revenues:			
5920 Federal Revenues Distributed by TEA	-	1,577,857	1,577,857
Total Federal Program Revenues	<u>-</u>	<u>1,577,857</u>	<u>1,577,857</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>22,072,373</u>	<u>(22,072,373)</u>	<u>-</u>
<b>Total Revenues</b>	<b>\$ 23,344,077</b>	<b>\$ 2,461,844</b>	<b>\$ 25,805,921</b>
<b>Expenses</b>			
11 Instruction	10,804,717	-	10,804,717
12 Instructional Resources & Media Services	97,179	-	97,179
13 Curriculum Development & Instructional Staff Development	139,030	-	139,030
21 Instructional Leadership	85,132	-	85,132
23 School Leadership	1,724,338	-	1,724,338
31 Guidance, Counseling, & Evaluation Services	272,385	-	272,385
33 Health Services	162,616	-	162,616
35 Food Services	684,911	-	684,911
36 Cocurricular/Extracurricular Activities	741,766	-	741,766
41 General Administration	1,269,246	-	1,269,246
51 Plant Maintenance & Operations	6,100,926	-	6,100,926
52 Security & Monitoring Services	367,072	-	367,072
53 Data Processing Services	559,893	-	559,893
61 Community Services	139,576	-	139,576
71 Debt Service	324	-	324
81 Fundraising	<u>101,732</u>	<u>-</u>	<u>101,732</u>
<b>Total Expenses</b>	<b>\$ 23,250,843</b>	<b>\$ -</b>	<b>\$ 23,250,843</b>
<b>Gains and Losses</b>			
Loss on Sale of Real and Personal Property	(7,115)	-	(7,115)
Gain on Sale of Real and Personal Property	<u>19,765</u>	<u>-</u>	<u>19,765</u>
<b>Total Gains and Losses</b>	<b>\$ 12,650</b>	<b>\$ -</b>	<b>\$ 12,650</b>
<b>Change in Net Assets</b>	<b>105,884</b>	<b>2,461,844</b>	<b>2,567,728</b>
<b>Net Assets, Beginning of Year</b>	<b>429,399</b>	<b>4,291,500</b>	<b>4,720,899</b>
<b>Net Assets, End of Year</b>	<b>\$ 535,283</b>	<b>\$ 6,753,344</b>	<b>\$ 7,288,627</b>

The accompanying notes are an integral part of these financial statements.

LIFE CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,604,623	\$ 2,567,728
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	674,832	331,580
(Increase) Decrease in Due from TEA	(444,638)	(551,429)
(Increase) Decrease in Deferred Expenses	(11,148)	(23,719)
(Increase) Decrease in Other Receivables	45,394	170,305
(Increase) Decrease in Other Current Assets	(145,473)	(15,000)
Increase (Decrease) in Accounts Payable	(149,451)	(80,389)
Increase (Decrease) in Accrued Wages Payable	137,961	78,201
Increase (Decrease) in Due to State Government	128	90
Increase (Decrease) in Due to Student Groups	(26,984)	42,318
Increase (Decrease) in Accrued Interest	15,032	18,288
Increase (Decrease) in Payroll Deductions and Withholdings	(175,725)	109,050
Net Cash Provided (Used) by Operating Activities	2,524,551	2,647,023
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Land, Buildings, and Equipment	(24,990,594)	(5,489,752)
Disposition of Land, Buildings, and Equipment	1,170	2,200
Net Cash Provided (Used) by Investing Activities	(24,989,424)	(5,487,552)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of Debt	25,737,674	3,879,704
Principal Payments on Debt	(3,378,008)	(350,964)
Net Cash Provided (Used) by Financing Activities	22,359,666	3,528,740
Net Increase (Decrease) in Cash and Cash Equivalents	(105,207)	688,211
Cash and Cash Equivalents, Beginning of Year	1,610,541	922,330
Cash and Cash Equivalents, End of Year	\$ 1,505,334	\$ 1,610,541
Interest Paid During the Period Ended August 31, 2010 and 2009	\$ 708,979	\$ 114,238
Income Taxes Paid During the Period Ended August 31, 2010 and 2009	None	None

The accompanying notes are an integral part of these financial statements.

**Required  
Supplementary  
Information**

**LIFE CHARTER SCHOOL  
SCHEDULE OF EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

<b>Expenses</b>	<u><b>2010</b></u>	<u><b>2009</b></u>
6100 Payroll Costs	\$ 17,673,563	\$ 15,356,809
6200 Professional and Contracted Services	5,565,187	5,288,203
6300 Supplies and Materials	2,345,110	1,821,405
6400 Other Operating Costs	1,153,576	670,189
6500 Debt	<u>708,979</u>	<u>114,237</u>
Total Expenses	<u><u>\$ 27,446,415</u></u>	<u><u>\$ 23,250,843</u></u>

The accompanying notes are an integral part of these statements.

**LIFE CHARTER SCHOOL  
SCHEDULE OF CAPITAL ASSETS  
AS OF AUGUST 31, 2010**

	Ownership Interest		
	Local	State	Federal
1510 Land and Improvements	\$ -	\$ 3,663,708	\$ -
1520 Buildings and Improvements	55,597	30,498,219	225,797
1531 Vehicles	4,750	394,215	-
1539 Furniture and Equipment	-	655,197	26,176
1549 Furniture and Equipment	-	16,768	13,849
1559 Capital Lease	-	155,221	-
1570 Less Accumulated Depreciation	(5,371)	(2,089,130)	(2,654)
Total Property and Equipment	<u>\$ 54,976</u>	<u>\$ 33,294,198</u>	<u>\$ 263,168</u>

Note: Accumulated depreciation of \$2,089,130 above on capital assets acquired with state funds includes \$33,778 accumulated depreciation on assets recorded under capital leases.

The accompanying notes are an integral part of these statements.

**LIFE CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ 178,398	\$ 178,398
5750 Cocurricular and Enterprising Activities	370,530	370,530	249,849	(120,681)
Total Local Support	370,530	370,530	428,247	57,717
State Program Revenues:				
5810 Foundation School Program Act Revenues	24,187,854	26,475,887	26,850,044	374,157
5820 State Program Revenues Distributed by TEA	216,084	622,041	163,752	(458,289)
Total State Program Revenues	24,403,938	27,097,928	27,013,796	(84,132)
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	1,381,054	3,010,313	2,652,913	(357,400)
Total Federal Program Revenues	1,381,054	3,010,313	2,652,913	(357,400)
Total Revenues	\$ 26,155,522	\$ 30,478,771	\$ 30,094,956	\$ (383,815)
<b>Expenses</b>				
11 Instruction	11,744,508	14,422,404	12,867,393	1,555,011
12 Instructional Resources & Media Services	108,849	104,055	109,707	(5,652)
13 Curriculum Development & Instructional Staff Development	113,000	140,754	117,503	23,251
21 Instructional Leadership	180,006	227,676	246,688	(19,012)
23 School Leadership	1,868,083	1,975,286	2,003,086	(27,800)
31 Guidance, Counseling, & Evaluation Services	277,105	307,105	277,260	29,845
33 Health Services	192,348	191,873	177,068	14,805
35 Food Services	821,663	821,663	862,094	(40,431)
36 Cocurricular/Extracurricular Activities	814,229	888,762	815,307	73,455
41 General Administration	1,473,337	1,946,231	2,043,260	(97,029)
51 Plant Maintenance & Operations	5,371,674	6,037,868	5,833,296	204,572
52 Security & Monitoring Services	393,090	493,090	465,735	27,355
53 Data Processing Services	666,737	665,399	746,643	(81,244)
61 Community Services	108,609	217,504	90,373	127,131
71 Debt Service	1,109,600	1,109,600	706,702	402,898
81 Fundraising	-	-	84,300	(84,300)
Total Expenses	\$ 25,242,838	\$ 29,549,270	\$ 27,446,415	\$ 2,102,855
<b>Gains and Losses</b>				
Gain on Sale of Real and Personal Property	-	-	49,795	49,795
Total Gains and Losses	-	-	49,795	49,795
Change in Net Assets	912,684	929,501	2,698,336	1,768,835
Extraordinary Items	-	-	(93,713)	(93,713)
Net Assets, Beginning of Year	7,288,627	7,288,627	7,288,627	-
Net Assets, End of Year	\$ 8,201,311	\$ 8,218,128	\$ 9,893,250	\$ 1,675,122

The accompanying notes are an integral part of these financial statements.

**LIFE CHARTER SCHOOL  
SUPPLEMENTAL EXPLANATION OF BUDGET VARIANCES (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2010**

Explanation of unfavorable budget variances between final amended budget and actual expenses as reflected on Exhibit E-1:

1. Function 12 expenditures-Instructional Resources and Media Services

Variance less than ten percent of final budget amount

2. Function 21 expenditures-Instructional Leadership

Variance less than ten percent of final budget amount

3. Function 23 expenditures-School Leadership

Variance less than ten percent of final budget amount

4. Function 35 expenditures-Food Services

Variance less than ten percent of final budget amount

5. Function 41 expenditures-General Administration

Variance less than ten percent of final budget amount

6. Function 53 expenditures-Data Processing Services

Variance is due to expansion of infrastructure at three campuses.

7. Function 81 expenditures-Fundraising

Life School did not budget for fundraising expenditures.

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**Reports on  
Compliance, Internal Controls  
and  
Federal Awards**

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**FREEMON, SHAPARD & STORY**  
CERTIFIED PUBLIC ACCOUNTANTS

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H. Ted Neeb, CPA  
Donna Hoff, CPA  
Thea Neeb, CPA

**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***

Board of Directors  
LifeSchool of Dallas  
950 South I-35 E.  
Lancaster, TX 75146

Members of the Board of Directors:

We have audited the financial statements of LifeSchool of Dallas (the corporation) as of and for the years ended August 31, 2010 and 2009, and have issued our report thereon dated January 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered LifeSchool of Dallas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LifeSchool of Dallas's internal control over financial reporting.

A deficiency in control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.


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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether LifeSchool of Dallas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1 and 2010-2.

This report is intended solely 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.

Respectfully submitted,



Freemon, Shapard, & Story  
January 11, 2011

**FREEMON, SHAPARD & STORY**  
CERTIFIED PUBLIC ACCOUNTANTS

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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  
LifeSchool of Dallas  
950 South I-35 E.  
Lancaster, TX 75146

Members of the Board of Directors:

Compliance

We have audited the compliance of LifeSchool of Dallas (the charter holder) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. LifeSchool of Dallas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of LifeSchool of Dallas's management. Our responsibility is to express an opinion on LifeSchool of Dallas's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LifeSchool of Dallas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of LifeSchool of Dallas's compliance with those requirements.

In our opinion, LifeSchool of Dallas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2010.

## Internal Control Over Compliance

The management of LifeSchool of Dallas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered LifeSchool of Dallas's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 LifeSchool of Dallas's internal control over compliance.

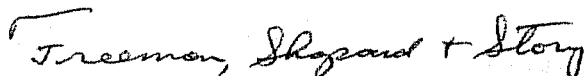
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses as defined above.

This report is intended solely 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.

Respectfully submitted,



Freemon, Shapard, & Story  
January 11, 2011

**LIFESCHOOL (THE CHARTER HOLDER)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2010**

I. Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes <u>X</u> No
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

*Federal Awards*

Internal control over major programs:	
Material weaknesses identified?	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes <u>X</u> No
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	___ Yes <u>X</u> No
Identification of major programs:	
ESEA Title I, Part A ARRA Improving Basic Programs 84.389	
IDEA, Part B, Formula ARRA 84.391	
Title XIV, State Fiscal Stabilization Fund ARRA 84.394	
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	<u>X</u> Yes ___ No

## II. Financial Statement Findings

### Finding 2010-1

#### *Criteria*

Cash balances at the depository bank should be adequately covered by pledged securities throughout the year.

#### *Condition*

LifeSchool of Dallas did not have adequate pledged securities to cover their cash balances on the highest daily cash balance and at year-end.

#### *Effect*

These cash balances are not adequately secured and are at risk.

#### *Cause*

The highest daily cash balance at Vintage Bank occurred on August 30, 2010, when the cash balance was \$3,474,327. Market value of pledged securities at this date was \$3,000,000, and FDIC coverage was \$250,000. This left an unsecured balance of \$224,327. The highest daily cash balance at Regions Bank occurred on April 20, 2010, when the cash balance was \$1,660,270. Market value of pledged securities at this date was \$0, and FDIC coverage was \$250,000. This left an unsecured balance of \$1,410,270.

#### *Recommendation*

The school needs to carefully monitor its cash balances and inform the bank of any significant increase in cash, so that the bank can pledge adequate securities to cover the school's cash balances.

#### *Management Response*

LifeSchool of Dallas will carefully monitor cash balances and will inform the bank of any impending changes in cash balances in a timely manner in order to ensure that the depository bank has adequate pledged securities to cover the school's cash balances throughout the year.



## III. Findings and Questioned Costs for State and Federal Awards

Finding 2010-2*Criteria*

The charter school is to spend required percentages of State Foundation Allotment for program specific areas by program intent code.

*Condition*

LifeSchool of Dallas did not spend the required 55% of Bilingual Education allotment of \$116, 233. \$37,530 was expended for this program intent code leaving a shortage of \$26,398. Additionally, 60% of Career Tech allotment of \$333,917 was not spent during the year. \$82,757 was expended for this program intent code leaving a shortage of \$82,757. The High School allotment of \$133,986 was spent in the amount of \$104,323, leaving a shortage of \$29,663.

*Effect*

Specified program allotments from state foundation not spent may have to be repaid or rolled over and spent in the subsequent year.

*Cause*

The school did not spend all of state special allotments for program specific areas during the year.

*Recommendation*

The school needs to carefully budget and monitor the state foundation specific program allotments to make certain the required expenditure amounts are spent as prescribed for the respective program intent areas.

*Management Response*

LifeSchool of Dallas will carefully budget and monitor state foundation specific program allotments to make certain the prescribed program amounts are utilized and expended for the respective programs as required.

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2010**

Finding 2009-1

*Criteria*

Employee compensation funded in whole or in part with Federal funds requires the maintenance of time and effort documentation.

*Condition*

Time and effort documentation was not kept for all employees funded by Federal funds in 2008-09.

*Effect*

Coding of payroll for these employees cannot be traced to exact records of time and effort.

*Recommendation*

If an employee's compensation is funded in whole or in part with Federal funds, time and effort documentation must be prepared.

*Management Response*

Time and effort documentation is being kept in the 2009-10 year and was immediately implemented when this requirement was noted.

*Status*

Time and effort documentation was kept for the 2009-10 year.

*Management's Explanation for not Implementing the Recommendation*

N/A

LIFESCHOOL OF DALLAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2010

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10610101057807	\$ 569,870
ESEA, Title I, Part A - School Improvement	84.010A	10610104057807001	49,677
Total CFDA Number 84.010A			619,547
IDEA - Part B, Formula	84.027	106600010578076600	255,490
IDEA - Part B, Preschool	84.173	10694501057807	487
ESEA Title IV, Pt. A - Safe and Drug-Free Schools	84.186A	10691001057950	8,350
Title II, Part D -Enhancing Ed. Through Technology	84.318	10630001057807	3,936
Reading First	84.357	086455057110041	3,043
Title III, Part A - English Language Acquisition	84.365A	10671001057950	13,822
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	10694501057807	123,341
Title II D Enhancing Ed. Through Technology - ARRA	84.386	10553001057807	13,539
ESEA, Title I, A - ARRA - Improving Basic Programs	84.389	10551004057807001	345,358
IDEA, Part B, Formula - ARRA	84.391	10554001057807	139,293
IDEA, Part B, Preschool - ARRA	84.392	10555001057807	1,900
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	10557001057807	514,026
Total Passed Through State Department of Education			\$ 2,042,132
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 2,042,132</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
School Breakfast Program*	10.553	71401001	\$ 64,237
National School Lunch Program - Cash Assistance*	10.555	71301001	498,188
National School Lunch Prog. - Non-Cash Assistance*	10.555	057-807	48,356
Total CFDA Number 10.555			546,544
Total Passed Through the State Department of Agriculture			\$ 610,781
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 610,781</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,652,913</b>

\*Clustered Programs as required by Compliance Supplement March, 2010

**LIFESCHOOL OF DALLAS (THE CHARTER HOLDER)**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

1. For all Federal programs, the corporation used the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.
2. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.
3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.
4. A reconciliation of the Schedule of Expenditures of Federal Awards to the federal revenue per Exhibit B-2 is as follows:

Total per Schedule of Expenditures of Federal Awards	<u>\$ 2,652,913</u>
Federal Revenue per Exhibit B-2	<u>\$ 2,652,913</u>