

**THE TEXAS BOYS CHOIR, INC.
(THE CHARTER HOLDER)**

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED

AUGUST 31, 2007

**THE TEXAS BOYS CHOIR, INC.
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2007**

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THE TEXAS BOYS CHOIR, INC.

CERTIFICATE OF BOARD

AUGUST 31, 2007

The Texas Boys Choir
Name of Charter Holder
Federal EIN: 75-0942885

Tarrant
County

220-809 & 220-814
Co.-Dist. Numbers

We, the undersigned, certify that the attached annual financial and compliance reports of the above-named charter holder were reviewed and (check one) approved disapproved for the year ended August 31, 2007, at a meeting of the governing body of the charter holder on the 27th day of November, 2007.

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 auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

FREEMON, SHAPARD & STORY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Texas Boys Choir, Inc.
3901 S. Hulen Street
Fort Worth, TX 76109

Members of the Board of Directors:

We have audited the accompanying general-purpose financial statements of The Texas Boys Choir, Inc. (the Charter Holder) as of and for the year ended August 31, 2007. These general-purpose financial statements are the responsibility of The Texas Boys Choir, Inc.'s management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's August 31, 2006 financial statements and, in our report dated October 27, 2006, we expressed an unqualified opinion on those financial statements.

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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of The Texas Boys Choir, Inc. (the Charter Holder) as of August 31, 2007, and the respective changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007, on our consideration of The Texas Boys Choir Inc.'s (The Charter Holder's) internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script that reads "Freemon, Shapard and Story".

Freemon, Shapard, and Story
November 9, 2007

**General-Purpose
Financial Statements**

THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2007 AND 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,186,650	\$ 1,117,268
Investments	66,983	46,168
Due from TEA	269,851	141,806
Deferred expenses	38,346	15,862
Accounts receivable, net	118,150	147,079
Other current assets	10,875	-
Total Current Assets	1,690,855	1,468,183
Assets Restricted for Endowments	48,841	43,840
Property and Equipment		
Leasehold improvements	389,641	358,793
Furniture and equipment	111,252	85,459
Vehicles	209,792	209,792
Advance on Walsh building acquisition	138,943	-
Less accumulated depreciation	(300,049)	(258,662)
Total Property and Equipment	549,579	395,382
Other Assets		
Prepaid insurance	3,421	-
Capitalized debt issuance cost	2,000	-
Total Other Assets	5,421	-
Total Assets	\$ 2,294,696	\$ 1,907,405
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 73,117	\$ 18,074
Related party payable	-	30,000
Due to student groups	9,033	1,703
Deferred revenue	253,577	246,909
Accrued wages payable	190,930	139,365
Accrued payroll deductions and withholdings	11,845	11,776
Other accrued liabilities	592	592
Current maturities long term debt	6,634	18,977
Total Current Liabilities	545,728	467,396
Long Term Debt		
Security deposits	3,840	3,340
Long term debt, net of current portion	-	6,623
Total Long Term Liabilities	3,840	9,963
Total Liabilities	549,568	477,359
Net Assets		
Unrestricted	890,170	817,075
Temporarily restricted	806,117	569,131
Permanently restricted	48,841	43,840
Total Net Assets	1,745,128	1,430,046
Total Liabilities and Net Assets	\$ 2,294,696	\$ 1,907,405

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

THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2007	2006
Revenues					
Local Support:					
Other Revenues from Local Sources	\$ 154,986	\$ 54,236	\$ 5,001	\$ 214,223	\$ 409,465
Program Services Revenue	368,121	-	-	368,121	385,481
Cocurricular and Enterprising Activities	65,199	-	-	65,199	74,068
Total Local Support	<u>588,306</u>	<u>54,236</u>	<u>5,001</u>	<u>647,543</u>	<u>869,014</u>
State Program Revenues:					
Foundation School Program Act Revenues	-	2,164,964	-	2,164,964	2,002,174
State Program Revenue Distributed by TEA	-	22,654	-	22,654	20,806
State Revenue Distributed by Other					
Texas Agencies	-	-	-	-	15,875
Total State Program Revenues	<u>-</u>	<u>2,187,618</u>	<u>-</u>	<u>2,187,618</u>	<u>2,038,855</u>
Federal Program Revenues:					
Federal Revenue Distributed by TEA	-	294,964	-	294,964	128,292
Total Federal Program Revenues	<u>-</u>	<u>294,964</u>	<u>-</u>	<u>294,964</u>	<u>128,292</u>
Other Revenue:					
Gain on Sale of Property	-	-	-	-	7,500
Net Assets Released from Restrictions:					
Satisfaction of purpose restrictions	<u>2,299,832</u>	<u>(2,299,832)</u>	<u>-</u>	<u>-</u>	<u>-</u>
				<u>-</u>	
Total Revenues, Gains, and Other Support	<u>2,888,138</u>	<u>236,986</u>	<u>5,001</u>	<u>3,130,125</u>	<u>3,043,661</u>
Expenses					
Instruction	1,353,884	-	-	1,353,884	1,174,106
Curriculum and Instructional Staff Development	6,532	-	-	6,532	8,805
School Leadership	159,840	-	-	159,840	113,208
Guidance, Counseling, and Evaluation Services	67,869	-	-	67,869	67,808
Health Services	12,930	-	-	12,930	16,942
Student Transportation	95,677	-	-	95,677	111,998
Food Services	112,843	-	-	112,843	85,290
Cocurricular/Extracurricular Activities	8,036	-	-	8,036	9,995
Choir Operations	350,244	-	-	350,244	310,470
General Administration	215,895	-	-	215,895	201,045
Plant Maintenance and Operations	407,545	-	-	407,545	431,449
Security and Monitoring Services	-	-	-	-	80
Data Processing Services	19,480	-	-	19,480	18,780
Community Services	1,809	-	-	1,809	-
Fundraising	2,459	-	-	2,459	2,904
Total Expenses	<u>2,815,043</u>	<u>-</u>	<u>-</u>	<u>2,815,043</u>	<u>2,552,880</u>
Change in Net Assets	<u>73,095</u>	<u>236,986</u>	<u>5,001</u>	<u>315,082</u>	<u>490,781</u>
Net Assets, Beginning of Year	<u>817,075</u>	<u>569,131</u>	<u>43,840</u>	<u>1,430,046</u>	<u>939,265</u>
Net Assets, End of Year	<u>\$ 890,170</u>	<u>\$ 806,117</u>	<u>\$ 48,841</u>	<u>\$ 1,745,128</u>	<u>\$ 1,430,046</u>

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

THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 315,082	\$ 490,781
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	41,387	47,562
(Increase) Decrease in Due from TEA	(128,045)	(51,851)
(Increase) Decrease in Receivables	28,929	(61,695)
(Increase) Decrease in Deferred Expenses	(22,484)	310
(Increase) Decrease in Other Assets	(14,296)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	106,677	21,944
Increase (Decrease) in Due to Student Groups	7,330	(14,473)
Increase (Decrease) in Deferred Revenue	6,668	28,600
Increase (Decrease) in Related Party Payables	(30,000)	-
Increase (Decrease) in Security Deposits	500	-
	311,748	461,178
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings and Equipment	(195,584)	(61,705)
Gains Reinvested in Securities	(5,001)	(3,580)
Purchase of Investment Securities	(20,815)	(13,122)
	(221,400)	(78,407)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt Issuance Costs	(2,000)	-
Principal Payments on Debt	(18,966)	(20,486)
	(20,966)	(20,486)
Net Increase (Decrease) in Cash and Cash Equivalents	69,382	362,285
Cash and Cash Equivalents, Beginning of Year	1,117,268	754,983
Cash and Cash Equivalents, End of Year	\$ 1,186,650	\$ 1,117,268
Interest Paid During the Period Ended August 31, 2007 and 2006	\$ 1,038	\$ 2,221
Income Taxes Paid During the Period Ended August 31, 2007 and 2006	None	None

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

**Notes to the
Financial Statements**

THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of The Texas Boys Choir (the charter holder) 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 charter holder is a not-for-profit organization incorporated in the State of Texas in 1946 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 20 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*

The Texas Boys Choir of Fort Worth (the “Boys Choir”) conducts and manages a boy’s choir and provides education and training in the art of music.

Fort Worth Academy of Fine Arts Charter School, an open-enrollment charter school providing education to kindergarten through 12th grade students authorized under Chapter 12, Subchapter D of the Texas Education Code is also operated by The Texas Boys Choir. The Texas State Board of Education issued the initial charter to the charter holder for a period of five years from December 6, 2000 to August 1, 2005. Subsequent to the awarding of the initial charter, the corporation applied for and received a second charter renewal in November 2006 extending the charter ten years to August 1, 2015.

The Texas Boys Choir also operates North Texas Elementary School of the Arts, an open-enrollment charter school providing education to kindergarten through 6th 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 September 15, 2006 to July 31, 2011.

The Texas Boys Choir Walsh Endowment Fund (“Corporation”) was formed as a Texas non-profit corporation in June 1988. The purpose of the Corporation is to utilize its assets to support the Boys Choir in perpetuity. The assets and activity of the Corporation are not included in the accompanying financial statements in accordance with Statement of Position 94-3 “Reporting of Related Entities by Not for Profit Organizations”.

THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2007

C. *Basis of Presentation*

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management has made certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Net assets and revenues, expenses, gains and losses are classified based on the existence 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.

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. *Contributions*

The corporation accounts for contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, 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.

E. *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.

THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2007

F. *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 three 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.

G. *Personal Leave*

All employees of the Charter School earn five days of state paid personal and sick leave per year. There is no 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.

H. *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 bank should deposit for safekeeping and trust with the charter holder's agent bank approved pledged securities in an amount sufficient to protect charter school 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 bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2007, the combining carrying amount of the charter schools' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$792,700 and the bank balance was \$796,851. The charter schools' cash deposits at October 25, 2006, and during the year ended August 31, 2007, were not entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name.

THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2007

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. The market value of securities pledged on behalf of the charter schools as of the date of the highest combined balance on deposit was \$639,912.
- b. The highest combined balances of cash, savings and time deposit accounts for the two charter schools amounted to \$790,053 and occurred during the month of October 2006.
- c. Total amount of FDIC coverage at the time of the largest combined balance was \$200,000.

The undersecured deposits were in accounts of the Fort Worth Academy of Fine Arts Charter School in the Wells Fargo depository bank and were undersecured in the amount of \$50,140.

3. INVESTMENTS

The charter holder invests in marketable equity securities. The investments at August 31, 2007 are comprised of the following:

	<u>Cost</u>	<u>Market</u>
LKCM small cap equity fund	\$ 15,155	\$ 39,936
LKCM equity fund	15,503	27,915
Various equities at Merrill Lynch	<u>11,387</u>	<u>47,974</u>
Total	<u>\$ 42,045</u>	<u>\$ 115,825</u>
Unrealized gains, beginning of year		\$ 48,421
Unrealized gain year		<u>25,359</u>
Unrealized gains, end of year		<u>\$ 73,780</u>

Of the above investments, \$48,841 is permanently restricted for endowments.

4. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2007, the charter holder had no material liability for accrued sick leave or vacation leave.

THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2007

5. PENSION PLAN

A. *Plan Description*

The charter schools contribute 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 charter schools, 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 primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the charter school. The report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701-2698 or by calling (800) 877-0123.

B. *Funding Policy*

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 7.0% (6.0% TRS plus 1.0% TRS Care) of the charter schools' covered payroll. The charter schools' employees' contributions to the System for the year ending August 31, 2007, 2006, and 2005 were \$87,361, \$78,583, and \$73,033 respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants for the year ending August 31, 2007, 2006, and 2005 were \$644, \$1,363, and \$2,201 respectively, and were equal to the required contributions for the year. For the years ending August 31, 2007, 2006, and 2005 the State of Texas contributed \$87,974, \$72,082, and \$65,900 respectively, on-behalf of the charter schools.

C. *Additional plans*

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.

6. HEALTH CARE COVERAGE

During the year ended August 31, 2007, full time employees of the charter school were covered by a health insurance plan (the Plan). The charter school paid premiums on covered employees to the Plan of \$225 per month per employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers.

THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2007

7. COMMITMENTS AND CONTINGENCIES

The charter schools participate in numerous grant programs, which are governed by various rules and regulations of the grantor agencies. 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 the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the charter schools have not complied with the complex rules and compliance requirements governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the charter schools, 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.

8. CAPITAL ASSETS

Activity in the general fixed asset accounts for the charter holder for the year ended August 31, 2007, was as follows:

	<u>Balance</u> <u>9/1/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2007</u>
Leasehold Improvements	\$ 358,793	\$ 30,848	\$ -	\$ 389,641
Furniture and Equipment	85,459	25,793	-	111,252
Vehicles	209,792	-	-	209,792
Advance on Walsh Building Acquisition	-	138,943	-	138,943
Accumulated Depreciation	<u>(258,662)</u>	<u>(41,387)</u>	<u>-</u>	<u>(300,049)</u>
	<u>\$ 395,382</u>	<u>\$ 154,197</u>	<u>\$ -</u>	<u>\$ 549,579</u>

In the fiscal year ended August 31, 2007, The Texas Boys Choir paid \$168,943 over and above the scheduled rental expense payments to The Texas Boys Choir Walsh Endowment Foundation. Of this amount \$30,000 was applied to a loan retirement between the Texas Boys Choir and the Walsh Endowment Foundation. The remaining \$138,943 was capitalized as an advance payment on the Walsh building acquisition.

THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2007

9. ECONOMIC DEPENDENCY

During the year ended August 31, 2007, the charter holder earned revenue of \$2,187,618 from the Texas Education Agency (TEA). This constitutes approximately 70% 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 year ending August 31, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
Advanced Placement Incentives	\$ -	\$ 1,234
National School Breakfast & Lunch Program	33,630	40,343
Public Charter Schools	27,187	-
Technology Allotment	1,045	-
TEA Foundation Allotment	<u>744,255</u>	<u>527,554</u>
Total Temporarily Restricted Net Assets	<u>\$ 806,117</u>	<u>\$ 569,131</u>

11. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets for the year ending August 31, 2007 and 2006 consist of a permanent endowment of \$48,841 and \$43,840 respectively, with restrictions on the use of income. All permanently restricted assets were held in investments at August 31, 2007.

12. DEFERRED REVENUES

Deferred revenues at year-end consisted of the following:

	<u>2007</u>	<u>2006</u>
Deferred choir fees	\$ 246,077	\$ 240,135
Deferred performance revenue	<u>7,500</u>	<u>6,774</u>
	<u>\$ 253,577</u>	<u>\$ 246,909</u>

THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2007

13. LONG-TERM DEBT

Long-term debt at August 31, 2007 consists of the following:

Note payable to Wells Fargo Bank, N.A., 6.75% interest, principal and interest due monthly in installments of \$528, commencing March 9, 2005. Final payment is due March 9, 2008. The note is secured by a vehicle.	3,610
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Note payable to Wells Fargo Bank, N.A., 5.75% interest, principal and interest due monthly in installments of \$509, commencing January 18, 2005. Final payment due November 18, 2007. The note is secured by a vehicle.	1,512
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Note payable to Wells Fargo Bank, N.A., 5.75% interest, principal and interest due monthly in installments of \$509, commencing January 18, 2005. Final payment due November 18, 2007. The note is secured by a vehicle.	1,512
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Less current portion of long-term debt at August 31, 2007	<u>(6,634)</u>
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Total long-term debt	<u><u>\$ -</u></u>
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Future maturities of long-term debt at August 31, 2006 are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 6,634	\$ 112	\$ 6,746
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
Thereafter	-	-	-
	<u>\$ 6,634</u>	<u>\$ 112</u>	<u>\$ 6,746</u>

THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2007

14. RELATED PARTY TRANSACTIONS

The assets of the Texas Boys Choir Walsh Endowment Fund (the Endowment) are a permanent endowment for the Charter Holder. Except in unusual and extraordinary circumstances, only the income derived from such assets will be disbursed. The income will primarily be used for maintenance and insurance attributable to the building and is available to the Charter Holder at the discretion of the Endowment. The land, building and improvements used by the Charter Holder are the property of the Endowment. Therefore, they are not shown in the accompanying financial statements.

Lease expense recorded by the Texas Boys Choir for the use of this land, building and improvements during the year ended August 31, 2007 was \$158,030.

In the year ended August 31, 2006, the Charter Holder owed the Endowment \$30,000 which was reflected as a Related Party Payable on the Statement of Financial Position. This loan was retired in the current year ended August 31, 2007

15. INTERCOMPANY ELIMINATIONS

As of August 31, 2007, Fort Worth Academy of Fine Arts Charter School had \$12,700 and North Texas Elementary School of the Arts Charter School had \$77,179 of accounts payable to the Charter Holder. The amounts of these payables (receivables) are included in the Special Purpose Statements of Financial Position (Exhibits B-1.1, B-1.2, and B-1.3) and are eliminated on the combined General Purpose Statement of Financial Position (Exhibit A-1).

During the year ended August 31, 2007, the Fort Worth Academy of Fine Arts (the Charter School) recorded \$158,030 in lease expense paid to the Charter Holder. This expense (income) is included in the Special Purpose Statements of Activities (Exhibits B-2.1 and B-2.3) and is eliminated on the combined General Purpose Statement of Activities (Exhibit A-2).

16. NORTH TEXAS ELEMENTARY SCHOOL OF THE ARTS

This is the first year of operation for North Texas Elementary School of the Arts Charter School. To remain consistent throughout the Charter Holder's financial statements, the prior year summarized comparative information for this charter school has been included as zero amounts and is in addition to the Organization's original August 31, 2006 financial statements.

17. SUBSEQUENT EVENTS

During the year, the charter holder paid \$138,943 as an advance on the Walsh Foundation building acquisition. This was paid directly to Frost National Bank in behalf of the Walsh Foundation's building loan. Financing and acquirement of the building are in the preliminary stages, and the ultimate cost of acquisition and loan amounts are not known at the present time.

**Specific-Purpose
Financial Statements**

FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2007 AND 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 779,425	\$ 555,768
Due from TEA	71,312	141,806
Deferred expenses	22,033	15,862
Total Current Assets	872,770	713,436
Property and Equipment		
Furniture and equipment	37,621	11,828
Vehicles	126,297	126,297
Less accumulated depreciation	(105,201)	(87,239)
Total Property and Equipment	58,717	50,886
Total Assets	\$ 931,487	\$ 764,322
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 22,728	\$ 5,361
Related party payable	12,700	13,089
Accrued wages payable	124,000	139,365
Accrued payroll deductions and withholdings	11,354	11,776
Current maturities long term debt	6,634	18,977
Total Current Liabilities	177,416	188,568
Long Term Debt, net of current portion	-	6,623
Total Liabilities	177,416	195,191
Net assets		
Unrestricted	-	-
Temporarily restricted	754,071	569,131
Total Net Assets	754,071	569,131
Total Liabilities and Net Assets	\$ 931,487	\$ 764,322

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

NORTH TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2007 AND 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13,275	\$ -
Due from TEA	198,539	-
Deferred expenses	16,313	-
Other current assets	10,875	-
Total Current Assets	239,002	-
Property and Equipment		
Property and Equipment	-	-
Total Property and Equipment	-	-
Total Assets	\$ 239,002	\$ -
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 47,631	\$ -
Related party payable	77,179	-
Accrued wages payable	61,655	-
Accrued payroll deductions and withholdings	491	-
Total Current Liabilities	186,956	-
Total Liabilities	186,956	-
Net assets		
Unrestricted	-	-
Temporarily restricted	52,046	-
Total Net Assets	52,046	-
Total Liabilities and Net Assets	\$ 239,002	\$ -

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

THE TEXAS BOYS CHOIR
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2007 AND 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 393,950	\$ 561,500
Investments	66,983	46,168
Related party receivables	89,879	13,089
Accounts receivable, net	118,150	147,079
Total Current Assets	668,962	767,836
Assets Restricted for Endowments	48,841	43,840
Property and Equipment		
Leasehold improvements	389,641	358,793
Furniture and equipment	73,631	73,631
Vehicles	83,495	83,495
Advance on Walsh building acquisition	138,943	-
Less accumulated depreciation	(194,848)	(171,423)
Total Property and Equipment	490,862	344,496
Other Assets		
Prepaid Insurance	3,421	-
Capitalized debt issuance cost	2,000	-
Total Other Assets	5,421	-
Total Assets	\$ 1,214,086	\$ 1,156,172
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 2,758	\$ 12,713
Related party payable	-	30,000
Due to student groups	9,033	1,703
Deferred revenue	253,577	246,909
Accrued wages payable	5,275	-
Other accrued liabilities	592	592
Total Current Liabilities	271,235	291,917
Long Term Liabilities		
Security deposits	3,840	3,340
Total Liabilities	275,075	295,257
Net assets		
Unrestricted	890,170	817,075
Temporarily restricted	-	-
Permanently restricted	48,841	43,840
Total Net Assets	939,011	860,915
Total Liabilities and Net Assets	\$ 1,214,086	\$ 1,156,172

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

FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006

	Unrestricted	Temporarily Restricted	Totals	
			2007	2006
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ 8,905	\$ -	\$ 8,905	\$ 10,112
5750 Cocurricular and Enterprising Activities	65,199	-	65,199	74,068
Total Local Support	<u>74,104</u>	<u>-</u>	<u>74,104</u>	<u>84,180</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	2,140,106	2,140,106	2,002,174
5820 State Program Revenues Distributed by TEA	-	22,654	22,654	20,806
5830 State Revenues Distributed by Other Texas Agencies	-	-	-	15,875
Total State Program Revenues	<u>-</u>	<u>2,162,760</u>	<u>2,162,760</u>	<u>2,038,855</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	-	121,283	121,283	128,292
Total Federal Program Revenue	<u>-</u>	<u>121,283</u>	<u>121,283</u>	<u>128,292</u>
Other Revenue:				
7951 Gain on Sale of Property	-	-	-	7,500
Net Assets Released from Restrictions: Satisfaction of Purpose Restrictions	<u>2,099,103</u>	<u>(2,099,103)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>2,173,207</u>	<u>184,940</u>	<u>2,358,147</u>	<u>2,258,827</u>
Expenses				
11 Instruction	1,258,721	-	1,258,721	1,174,106
13 Curriculum Development & Instructional Staff Development	6,532	-	6,532	8,805
23 School Leadership	131,573	-	131,573	113,208
31 Guidance, Counseling, & Evaluation Services	67,869	-	67,869	67,808
33 Health Services	12,930	-	12,930	16,942
34 Student Transportation	95,677	-	95,677	111,998
35 Food Services	112,843	-	112,843	85,290
36 Cocurricular/Extracurricular Activities	8,036	-	8,036	9,995
41 General Administration	86,974	-	86,974	85,259
51 Plant Maintenance & Operations	370,763	-	370,763	378,895
52 Security and Monitoring Services	-	-	-	80
53 Data Processing Services	19,480	-	19,480	18,780
61 Community Services	1,809	-	1,809	-
Total Expenses	<u>2,173,207</u>	<u>-</u>	<u>2,173,207</u>	<u>2,071,166</u>
Change in Net Assets	<u>-</u>	<u>184,940</u>	<u>184,940</u>	<u>187,661</u>
Net Assets, Beginning of Year	<u>-</u>	<u>569,131</u>	<u>569,131</u>	<u>381,470</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 754,071</u>	<u>\$ 754,071</u>	<u>\$ 569,131</u>

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

NORTH TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006

	Unrestricted	Temporarily Restricted	Totals	
			2007	2006
Revenues				
Local Support:	\$ -	\$ -	\$ -	\$ -
Total Local Support	-	-	-	-
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	24,858	24,858	-
Total State Program Revenues	-	24,858	24,858	-
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	-	173,681	173,681	-
Total Federal Program Revenue	-	173,681	173,681	-
Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	146,493	(146,493)	-	-
Total Revenues	146,493	52,046	198,539	-
Expenses				
11 Instruction	95,163	-	95,163	-
23 School Leadership	28,267	-	28,267	-
41 General Administration	13,641	-	13,641	-
51 Plant Maintenance & Operations	9,422	-	9,422	-
Total Expenses	146,493	-	146,493	-
Change in Net Assets	-	52,046	52,046	-
Net Assets, Beginning of Year	-	-	-	-
Net Assets, End of Year	\$ -	\$ 52,046	\$ 52,046	\$ -

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

**THE TEXAS BOYS CHOIR
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2007	2006
Revenues, Gains, & Other Support					
Local Support:					
Foundations & Trusts	\$ 14,025	\$ -	\$ -	\$ 14,025	\$ 11,500
Individuals	40,408	5,650	-	46,058	7,468
Corporations	4,373	5,384	-	9,757	5,568
Arts Council	9,008	-	-	9,008	7,600
Capital Campaign	-	8,076	-	8,076	269,030
Other	-	-	-	-	5,620
Special Events	23,862	-	-	23,862	31,739
Total Local Support	91,676	19,110	-	110,786	338,525
Program Service Revenue					
Performances	85,438	-	-	85,438	118,657
Building Rentals	211,928	-	-	211,928	206,529
Choir Fees	228,785	-	-	228,785	218,325
Total Program Service Revenue	526,151	-	-	526,151	543,511
Interest & Other Income					
Investment Income	10,607	-	-	10,607	6,500
Unrealized Gain	20,324	-	5,001	25,325	15,813
Gain (Loss) on Sale of Assets	-	-	-	-	-
Other	23,474	35,126	-	58,600	38,515
Total Interest & Other Income	54,405	35,126	5,001	94,532	60,828
Net Assets Released from Restrictions	54,236	(54,236)	-	-	-
Total Revenues, Gains, & Other Support	726,468	-	5,001	731,469	942,864
EXPENSES					
Program Services					
Choir Operations	350,244	-	-	350,244	310,470
Support Services					
General Administration	115,280	-	-	115,280	115,786
Plant Maintenance & Operations	185,390	-	-	185,390	210,584
Fundraising	2,459	-	-	2,459	2,904
Total Expenses	653,373	-	-	653,373	639,744
Change in Net Assets	73,095	-	5,001	78,096	303,120
Net Assets, Beginning of Year	817,075		43,840	860,915	557,795
Net Assets, End of Year	\$ 890,170	\$ -	\$ 48,841	\$ 939,011	\$ 860,915

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

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 184,940	\$ 187,661
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	17,962	23,899
(Increase) Decrease in Other Receivables	-	94
(Increase) Decrease in Due from TEA	70,494	(51,851)
(Increase) Decrease in Deferred Expenses	(6,171)	310
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,580	11,945
Increase (Decrease) in Related Party Payables	(389)	2,528
Net Cash Provided (Used) by Operating Activities	<u>268,416</u>	<u>174,586</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings and Equipment	<u>(25,793)</u>	-
Net Cash Provided (Used) by Investing Activities	<u>(25,793)</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Debt	<u>(18,966)</u>	<u>(20,486)</u>
Net Cash Provided (Used) by Financing Activities	<u>(18,966)</u>	<u>(20,486)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>223,657</u>	<u>154,100</u>
Cash and Cash Equivalents, Beginning of Year	<u>555,768</u>	<u>401,668</u>
Cash and Cash Equivalents, End of Year	<u>\$ 779,425</u>	<u>\$ 555,768</u>
Interest Paid During the Period Ended August 31, 2007 and 2006	\$ 1,038	\$ 2,221
Income Taxes Paid During the Period Ended August 31, 2007 and 2006	None	None

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

**NORTH TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 52,046	\$ -
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
(Increase) Decrease in Due from TEA	(198,539)	-
(Increase) Decrease in Deferred Expenses	(16,313)	-
(Increase) Decrease in Other Assets	(10,875)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	109,777	-
Increase (Decrease) in Related Party Payables	<u>77,179</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>13,275</u>	<u>-</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	 <u>-</u>	 <u>-</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	 <u>-</u>	 <u>-</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 13,275	 -
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,275</u>	<u>\$ -</u>
 Interest Paid During the Period Ended August 31, 2007 and 2006	 \$ -	 \$ -
Income Taxes Paid During the Period Ended August 31, 2007 and 2006	None	None

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

**THE TEXAS BOYS CHOIR
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 78,096	\$ 303,120
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	23,425	23,663
(Increase) Decrease in Receivables	28,929	(61,789)
(Increase) Decrease in Related Party Receivables	(76,790)	(2,528)
(Increase) Decrease in Other Assets	(3,421)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(4,680)	9,999
Increase (Decrease) in Due to Student Groups	7,330	(14,473)
Increase (Decrease) in Deferred Revenue	6,668	28,600
Increase (Decrease) in Related Party Payables	(30,000)	-
Increase (Decrease) in Security Deposits	500	-
	<u>30,057</u>	<u>286,592</u>
Net Cash Provided (Used) by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land, Buildings and Equipment	(169,791)	(61,705)
Gain Reinvested in Securities	(5,001)	(3,580)
Purchase of Investment Securities	(20,815)	(13,122)
	<u>(195,607)</u>	<u>(78,407)</u>
Net Cash Provided (Used) by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt Issuance Costs	(2,000)	-
	<u>(167,550)</u>	<u>208,185</u>
Net Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year	561,500	353,315
Cash and Cash Equivalents, End of Year	<u>\$ 393,950</u>	<u>\$ 561,500</u>
Interest Paid During the Period Ended August 31, 2007 and 2006	\$ -	\$ -
Income Taxes Paid During the Period Ended August 31, 2007 and 2006	None	None

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

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

Expenses	<u>2007</u>	<u>2006</u>
6100 Payroll Costs	\$ 1,550,194	\$ 1,468,666
6200 Professional and Contracted Services	374,460	360,279
6300 Supplies and Material	159,448	147,099
6400 Other Operating Costs	88,067	92,902
6500 Debt	<u>1,038</u>	<u>2,220</u>
Total Expenses	<u><u>\$ 2,173,207</u></u>	<u><u>\$ 2,071,166</u></u>

The accompanying notes are an integral part of these statements.

**NORTH TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

Expenses	2007	2006
6100 Payroll Costs	\$ 89,146	\$ -
6200 Professional and Contracted Services	9,919	-
6300 Supplies and Material	46,708	-
6400 Other Operating Costs	720	-
6500 Debt	-	-
	-	-
Total Expenses	\$ 146,493	\$ -

The accompanying notes are an integral part of these statements.

**THE TEXAS BOYS CHOIR
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

Expenses	<u>2007</u>	<u>2006</u>
Payroll Costs	\$ 250,171	\$ 248,835
Professional and Contracted Services	175,051	182,651
Supplies and Material	40,164	65,491
Other Operating Costs	<u>187,987</u>	<u>142,767</u>
 Total Expenses	 <u><u>\$ 653,373</u></u>	 <u><u>\$ 639,744</u></u>

The accompanying notes are an integral part of these statements.

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
SCHEDULE OF CAPITAL ASSETS
AS OF AUGUST 31, 2007**

	Ownership Interest		
	Local	State	Federal
1531 Vehicles		\$ 126,297	\$ -
1539 Furniture and Equipment	-	37,621	-
1570 Less Accumulated Depreciation	-	(105,201)	-
Total Property and Equipment	\$ -	\$ 58,717	\$ -

The accompanying notes are an integral part of these statements.

**NORTH TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL
SCHEDULE OF CAPITAL ASSETS
AS OF AUGUST 31, 2007**

	Ownership Interest		
	Local	State	Federal
1531 Vehicles		\$ -	\$ -
1539 Furniture and Equipment	-	-	-
1570 Less Accumulated Depreciation	-	-	-
Total Property and Equipment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**THE TEXAS BOYS CHOIR
SCHEDULE OF CAPITAL ASSETS
AS OF AUGUST 31, 2007**

	Ownership Interest		
	Local	State	Federal
Leasehold Improvements	\$ 389,641	\$ -	\$ -
Vehicles	83,495	-	-
Furniture and Equipment	73,631	-	-
Advance on Walsh Building Acquisition	138,943		
Less Accumulated Depreciation	(194,848)	-	-
Total Property and Equipment	\$ 490,862	\$ -	\$ -

The accompanying notes are an integral part of these statements.

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ 8,905	\$ 8,905
5750 Cocurricular Activities	70,000	70,000	65,199	(4,801)
Total Local Support	70,000	70,000	74,104	4,104
State Program Revenues:				
5810 Foundation School Program Act Revenues	1,931,264	1,915,000	2,140,106	225,106
5820 State Program Revenues Distributed by TEA	20,820	20,820	22,654	1,834
Total State Program Revenues	1,952,084	1,935,820	2,162,760	226,940
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	101,048	108,164	121,283	13,119
Total Federal Program Revenues	101,048	108,164	121,283	13,119
Total Revenues	2,123,132	2,113,984	2,358,147	244,163
Expenses				
11 Instruction	1,247,004	1,263,448	1,258,721	4,727
13 Curriculum Development & Instructional Staff Development	8,206	8,206	6,532	1,674
23 School Leadership	130,147	130,147	131,573	(1,426)
31 Guidance, Counseling, & Evaluation Services	63,743	63,189	67,869	(4,680)
33 Health Services	15,596	15,596	12,930	2,666
34 Transportation	80,570	80,570	95,677	(15,107)
35 Food Services	78,541	78,541	112,843	(34,302)
36 Cocurricular/Extracurricular Activities	4,100	8,000	8,036	(36)
41 General Administration	91,702	95,333	86,974	8,359
51 Plant Maintenance & Operations	378,332	378,332	370,763	7,569
52 Security and Monitoring Services	100	100	-	100
53 Data Processing Services	12,450	17,880	19,480	(1,600)
61 Community Services	-	-	1,809	(1,809)
Total Expenses	2,110,491	2,139,342	2,173,207	(33,865)
Change in Net Assets	12,641	(25,358)	184,940	210,298
Net Assets, Beginning of Year	569,131	569,131	569,131	-
Net Assets, End of Year	\$ 581,772	\$ 543,773	\$ 754,071	\$ 210,298

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

**NORTH TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local Support:				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ -	\$ -
Total Local Support	-	-	-	-
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	-	24,858	24,858
Total State Program Revenues	-	-	24,858	24,858
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	250,000	250,000	173,681	(76,319)
Total Federal Program Revenues	250,000	250,000	173,681	(76,319)
Total Revenues	250,000	250,000	198,539	(51,461)
Expenses				
11 Instruction	195,000	195,000	95,163	99,837
23 School Leadership	30,000	30,000	28,267	1,733
41 General Administration	15,000	15,000	13,641	1,359
51 Plant Maintenance & Operations	10,000	10,000	9,422	578
Total Expenses	250,000	250,000	146,493	103,507
Change in Net Assets	-	-	52,046	52,046
Net Assets, Beginning of Year	-	-	-	-
Net Assets, End of Year	\$ -	\$ -	\$ 52,046	\$ 52,046

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

**Compliance
and
Internal Control**

FREEMON, SHAPARD & STORY
CERTIFIED PUBLIC ACCOUNTANTS

2088 Zihlman Road
Windthorst, Texas 76389
(940)423-6226
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H. Ted Neeb, CPA
Donna Hoff, CPA
Thea Neeb, CPA
Bryan Hart, 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***

Independent Auditor's Report

Board of Directors
The Texas Boys Choir, Inc.
3901 S. Hulon Street
Fort Worth, TX 76109

Members of the Board of Directors:

We have audited the financial statements of The Texas Boys Choir, Inc. (the charter holder) as of and for the year ended August 31, 2007, and have issued our report thereon dated November 9, 2007. 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 The Texas Boys Choir, Inc.'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 The Texas Boys Choir, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Texas Boys Choir, Inc.'s internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Texas Boys Choir, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2001-1 and 2007-7.

We noted certain matters that we reported to management of The Texas Boys Choir, Inc. in a separate letter dated November 9, 2007.

This report is intended solely for the information and use of management, others within the organization and federal and state awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Freemon, Shapard and Story".

Freemon, Shapard, & Story
November 9, 2007

**THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2007**

I. Summary of Auditor's Results

- | | |
|---|--------------------|
| 1. Type of auditor's report issued on the financial statements of the auditee | <u>Unqualified</u> |
| 2. Reportable conditions in internal controls disclosed by the audit of the financial statements | None |
| a. Reportable conditions 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. Reportable conditions in internal controls over major programs disclosed by the audit of the financial statements | |
| a. Reportable conditions that were material weaknesses | Not Applicable |
| 5. Type of auditor's report issued on compliance for major programs | Not Applicable |
| 6. Findings disclosed by the audit of the financial statements which the auditor is required to report | None |
| 7. Under the guidelines of OMB Circular A-133, a Single Audit was not required for the year ended August 31, 2007. | |

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

<u>Program</u>	<u>Finding/Noncompliance</u>
2007-1 Pledged Securities	One depository bank for the Fort Worth Academy of Fine Arts Charter School did not pledge adequate securities to cover funds on deposits in excess of the \$100,000 FDIC coverage provided throughout the year. Pledged securities and FDIC insurance were short \$50,140 at the Wells Fargo depository bank on the date of highest deposits during the year for the Charter School. North Texas Elementary School of the Arts Charter School was adequately covered by FDIC insurance throughout the year.
2007-2 Budgetary	The Fort Worth Academy of Fine Arts Charter School expenditures exceeded the final amended budget in seven functional categories for the year as per Exhibit E-1.1. The budget should be amended as required in advance of funds being spent for all functional level categories each year.

<u>Program</u>	<u>Finding/Noncompliance (continue)</u>
2007-3 Investment Training	The Investment Officers did not obtain the appropriate amount of training as required by the TEA.
2007-4 Business Manager Training	The Business Manager did not obtain the appropriate amount of training as required by the TEA. Only twelve hours of the required fifteen hours of training were obtained.
2007-5 Board Training	Some of the twenty board members did not obtain the appropriate amount of training as required by the TEA.
2007-6 State Comp. Education	The Charter School failed to spend 85% of the allotted state funding for State Compensatory Education programs as required. Eighty-five percent of the State Compensatory program allotment of \$42,600 was underspent by \$625.
2007-7 Special Education	The Charter School failed to spend 85% of the allotted state funding for Special Education programs as required. Eighty-five percent of the Special Education program allotment of \$75,208 was underspent by \$5,273.

III. Findings and questioned costs for state and federal awards

None Identified.

**THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2007**

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
2006-1: Pledged Securities	No Change	The School will work more closely with the depository banks in order to pledge adequate securities to cover funds on deposits in excess of the \$100,000 FDIC coverage provided throughout the year.
2006-2: Budgetary Control	No Change	The Charter Schools will closely monitor revenues and expenditures in order to make appropriate budget amendments when necessary.
2006-3: Investment Training	No Change	Investment Officers will be instructed to obtain the appropriate amount of training as required by the TEA.
2006-4: Board Training	No Change	All board members will be instructed to obtain adequate training as required by the TEA.

**THE TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2007**

<u>Finding Number</u>	<u>Contact Person</u>	<u>Corrective Action Planned</u>	<u>Anticipated Completion Date</u>
2007-1	Dollie Blevins (817) 924-1482	The Charter School will monitor the amount of securities pledged by the depository bank and will notify the banks when the balance is expected to increase dramatically to obtain adequate pledged security coverage.	Fiscal Year 2007-08
2007-2	Dollie Blevins (817) 924-1482	The Charter Schools will review the budget more closely throughout year and make certain it is properly amended in advance of funds being spent in the future.	Fiscal Year 2007-08
2007-3	Dollie Blevins (817) 924-1482	Investment Officers will be instructed to obtain the appropriate amount of training as required by the TEA.	Fiscal Year 2007-08
2007-4	Dollie Blevins (817) 924-1482	The business manager will be instructed to obtain the appropriate amount of training as required by the TEA.	Fiscal Year 2007-08
2007-5	Dollie Blevins (817) 924-1482	All board members will be instructed to obtain adequate training as required by the TEA.	Fiscal Year 2007-08
2007-6	Dollie Blevins (817) 924-1482	The Charter School will budget and spend the requisite 85% of State Compensatory Education allotments.	Fiscal Year 2007-08
2007-7	Dollie Blevins (817) 924-1482	The Charter School will budget and spend the requisite 85% of Special Education allotments.	Fiscal Year 2007-08