

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

**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**

**AUGUST 31, 2012**

**TEXAS BOYS CHOIR, INC.**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

TABLE OF CONTENTS

	<u>Page</u>
Certificate of Board	1
Independent Auditor's Report	2-3
General-Purpose Financial Statements	
A-1 Statement of Financial Position	4
A-2 Statement of Activities	5-6
A-3 Statement of Cash Flows	7
Notes to the Financial Statements	8-20
Specific-Purpose Financial Statements	
B-1.1 Fort Worth Academy of Fine Arts Statement of Financial Position	21
B-1.2 Texas Elementary School of the Arts Statement of Financial Position	22
B-1.3 Texas Boys Choir Statement of Financial Position	23
B-2.1 Fort Worth Academy of Fine Arts Statement of Activities	24-25
B-2.2 Texas Elementary School of the Arts Statement of Activities	26-27
B-2.3 Texas Boys Choir Statement of Activities	28-29
B-3.1 Fort Worth Academy of Fine Arts Statement of Cash Flows	30
B-3.2 Texas Elementary School of the Arts Statement of Cash Flows	31
B-3.3 Texas Boys Choir Statement of Cash Flows	32
Required Supplementary Information	
C-1.1 Fort Worth Academy of Fine Arts Schedule of Expenses	33

**TEXAS BOYS CHOIR, INC.**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

TABLE OF CONTENTS (Continued)

C-1.2 Texas Elementary School of the Arts Schedule of Expenses	34
C-1.3 Texas Boys Choir Schedule of Expenses	35
D-1.1 Fort Worth Academy of Fine Arts Schedule of Capital Assets	36
D-1.2 Texas Elementary School of the Arts Schedule of Capital Assets	37
D-1.3 Texas Boys Choir Schedule of Capital Assets	38
E-1.1 Fort Worth Academy of Fine Arts Budgetary Comparison Schedule	39
E-1.2 Texas Elementary School of the Arts Budgetary Comparison Schedule	40
E-1.3 Texas Boys Choir Budgetary Comparison Schedule	41
 Compliance and Internal Controls Section	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42-43
F-1 Schedule of Findings and Questioned Costs	44-45
G-1 Schedule of Prior Audit Findings	46-48

TEXAS BOYS CHOIR, INC.

CERTIFICATE OF BOARD

AUGUST 31, 2012

Texas Boys Choir, Inc.  
Name of Charter Holder  
Federal EIN: 75-0942885

Tarrant  
County

220809 & 220814  
Co.-Dist. Numbers

We, the undersigned, certify that the attached Financial and Compliance Report of the above-named charter holder was reviewed and (check one)  approved  disapproved for the year ended August 31, 2012, at a meeting of the governing body of the charter holder on the 22nd day of January, 2013.

Donald Cosby  
Signature of Board Secretary

Bill Lamkin  
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)

# FREEMON, SHAPARD & STORY

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

Members of the Board of Directors:

We have audited the accompanying statements of financial position of Texas Boys Choir, Inc. (the Charter Holder) as of August 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Texas Boys Choir, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 Texas Boys Choir, Inc. (the Charter Holder) as of August 31, 2012 and 2011, 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 15, 2013, on our consideration of Texas Boys Choir Inc.'s (the Charter Holder'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 schedules of expenses, schedules of capital assets, and budgetary comparison schedules are presented for purposes of additional analysis and are 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,



Freemon, Shapard, & Story  
January 15, 2013

**General-Purpose  
Financial Statements**

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2012 AND 2011**

	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,501,849	\$ 2,245,740
Due from TEA	194,815	239,386
Accounts receivable, net	339,781	220,870
Other current assets	10,875	10,875
<b>Total Current Assets</b>	<b>2,047,320</b>	<b>2,716,871</b>
Assets Restricted for Endowments	-	51,074
<b>Property and Equipment</b>		
Land	308,507	-
Buildings and improvements	10,997,530	8,470,961
Furniture and equipment	283,176	283,176
Vehicles	196,649	196,649
Less accumulated depreciation	(1,049,919)	(724,245)
<b>Total Property and Equipment</b>	<b>10,735,943</b>	<b>8,226,541</b>
<b>Other Assets</b>		
Long-term investments	2,468,280	1,679,520
Capitalized debt issuance costs	272,819	149,376
<b>Total Other Assets</b>	<b>2,741,099</b>	<b>1,828,896</b>
<b>Total Assets</b>	<b>\$ 15,524,362</b>	<b>\$ 12,823,382</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 882,354	\$ 21,410
Due to student groups	50,464	48,193
Deferred revenue	359,798	409,197
Accrued wages payable	181,139	200,248
Payroll deductions and withholdings	124	-
Accrued interest	6,873	-
Other accrued liabilities	-	592
Current portion of long-term debt	259,976	247,100
<b>Total Current Liabilities</b>	<b>1,740,728</b>	<b>926,740</b>
<b>Long-Term Debt</b>		
Long-term debt, net of current portion	5,664,166	4,192,980
<b>Total Long-Term Liabilities</b>	<b>5,664,166</b>	<b>4,192,980</b>
<b>Total Liabilities</b>	<b>\$ 7,404,894</b>	<b>\$ 5,119,720</b>
<b>Net Assets</b>		
Unrestricted	4,740,118	4,645,784
Temporarily restricted	3,379,350	3,006,804
Permanently restricted	-	51,074
<b>Total Net Assets</b>	<b>\$ 8,119,468</b>	<b>\$ 7,703,662</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 15,524,362</b>	<b>\$ 12,823,382</b>

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



**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals 2012</u>
<b>Revenues</b>				
<b>Local Support:</b>				
Contributions	\$ 86,905	\$ 1,134	\$ -	\$ 88,039
Fundraising	58,210	-	-	58,210
Interest, Dividends, Gains, and Losses	120,251	-	-	120,251
Royalty Income	8,574	-	-	8,574
Other Revenues from Local Sources	15,908	-	-	15,908
Program Services Revenue	470,752	-	-	470,752
Cocurricular and Enterprising Activities	93,534	-	-	93,534
<b>Total Local Support</b>	<u>854,134</u>	<u>1,134</u>	<u>-</u>	<u>855,268</u>
<b>State Program Revenues:</b>				
Foundation School Program Act Revenues	-	4,489,753	-	4,489,753
State Program Revenue Distributed by TEA	-	44,850	-	44,850
<b>Total State Program Revenues</b>	<u>-</u>	<u>4,534,603</u>	<u>-</u>	<u>4,534,603</u>
<b>Federal Program Revenues:</b>				
ESEA Title I, Part A Improving Basic Programs	-	28,410	-	28,410
IDEA Part B, Formula	-	74,318	-	74,318
National School Breakfast and Lunch Program	-	46,086	-	46,086
ESEA Title II, Part A Teacher and Principal Training	-	11,795	-	11,795
Education Jobs Fund	-	105,839	-	105,839
<b>Total Federal Program Revenues</b>	<u>-</u>	<u>266,448</u>	<u>-</u>	<u>266,448</u>
<b>Net Assets Released from Restrictions:</b>				
Restrictions Satisfied by Payments	4,480,713	(4,429,639)	(51,074)	-
<b>Total Revenues</b>	<u>\$ 5,334,847</u>	<u>\$ 372,546</u>	<u>\$ (51,074)</u>	<u>\$ 5,656,319</u>
<b>Expenses</b>				
<b>Program Services:</b>				
Instruction and Instructional-Related Services	3,469,909	-	-	3,469,909
Instructional and School Leadership	285,358	-	-	285,358
<b>Support Services</b>				
Student Support Services	304,315	-	-	304,315
Administrative Support Services	414,650	-	-	414,650
Support Services-Non-Student Based	523,103	-	-	523,103
Debt Service	231,833	-	-	231,833
Fundraising	11,345	-	-	11,345
<b>Total Expenses</b>	<u>\$ 5,240,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,240,513</u>
<b>Change in Net Assets</b>	<u>94,334</u>	<u>372,546</u>	<u>(51,074)</u>	<u>415,806</u>
<b>Net Assets, Beginning of Year</b>	<u>4,645,784</u>	<u>3,006,804</u>	<u>51,074</u>	<u>7,703,662</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,740,118</u>	<u>\$ 3,379,350</u>	<u>\$ -</u>	<u>\$ 8,119,468</u>

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

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals 2011</u>
<b>Revenues</b>				
<b>Local Support:</b>				
Contributions	\$ 170,498	\$ 45,486	\$ -	\$ 215,984
Fundraising	72,276	-	-	72,276
Interest, Dividends, Gains, and Losses	123,540	-	16,311	139,851
Other Revenues from Local Sources	1,029	-	-	1,029
Program Services Revenue	405,511	-	-	405,511
Cocurricular and Enterprising Activities	93,831	-	-	93,831
<b>Total Local Support</b>	<u>866,685</u>	<u>45,486</u>	<u>16,311</u>	<u>928,482</u>
<b>State Program Revenues:</b>				
Foundation School Program Act Revenues	-	4,756,325	-	4,756,325
State Program Revenue Distributed by TEA	-	21,826	-	21,826
<b>Total State Program Revenues</b>	<u>-</u>	<u>4,778,151</u>	<u>-</u>	<u>4,778,151</u>
<b>Federal Program Revenues:</b>				
ESEA Title I, Part A Improving Basic Programs	-	13,971	-	13,971
IDEA Part B, Formula	-	73,113	-	73,113
National School Breakfast and Lunch Program	-	40,999	-	40,999
ESEA Title II, Part A Teacher and Principal Training	-	12,737	-	12,737
ARRA Title XIV, State Fiscal Stabilization Fund	-	89,303	-	89,303
Education Jobs Fund	-	5,089	-	5,089
<b>Total Federal Program Revenues</b>	<u>-</u>	<u>235,212</u>	<u>-</u>	<u>235,212</u>
<b>Net Assets Released from Restrictions:</b>				
Restrictions Satisfied by Payments	4,223,975	(4,215,819)	(8,156)	-
<b>Total Revenues</b>	<u>\$ 5,090,660</u>	<u>\$ 843,030</u>	<u>\$ 8,155</u>	<u>\$ 5,941,845</u>
<b>Expenses</b>				
<b>Program Services:</b>				
Instruction and Instructional-Related Services	3,292,107	-	-	3,292,107
Instructional and School Leadership	268,175	-	-	268,175
<b>Support Services</b>				
Student Support Services	273,424	-	-	273,424
Administrative Support Services	359,950	-	-	359,950
Support Services-Non-Student Based	539,475	-	-	539,475
Debt Service	243,545	-	-	243,545
Fundraising	17,032	-	-	17,032
<b>Total Expenses</b>	<u>\$ 4,993,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,993,708</u>
<b>Change in Net Assets</b>	<u>96,952</u>	<u>843,030</u>	<u>8,155</u>	<u>948,137</u>
<b>Net Assets, Beginning of Year</b>	<u>4,548,832</u>	<u>2,163,774</u>	<u>42,919</u>	<u>6,755,525</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,645,784</u>	<u>\$ 3,006,804</u>	<u>\$ 51,074</u>	<u>\$ 7,703,662</u>

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

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 415,806	\$ 948,137
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	325,674	326,533
(Increase) Decrease in Due from TEA	44,571	(52,169)
(Increase) Decrease in Accounts Receivable	(118,911)	(17,268)
Increase (Decrease) in Accounts Payable	860,944	(709,928)
Increase (Decrease) in Due to Student Groups	2,271	9,266
Increase (Decrease) in Deferred Revenue	(49,399)	(194,178)
Increase (Decrease) in Wages Payable	(19,109)	87,626
Increase (Decrease) in Payroll Deductions	124	(215)
Increase (Decrease) in Accrued Interest	6,873	-
Increase (Decrease) in Other Accrued Liabilities	(592)	-
	1,468,252	397,804
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Land, Buildings, and Equipment	(2,835,076)	(208,502)
Purchase of Investment Securities	(618,574)	(8,957)
Dividends Reinvested in Securities	(36,101)	(20,848)
Capital Gains Reinvested in Securities	(5,393)	-
Fees Paid on Investments	8,391	8,966
Realized (Gain) Loss on Sale of Investment Securities	(8,641)	(92,390)
Unrealized (Gain) Loss on Investment Securities	(77,368)	(26,272)
	(3,572,762)	(348,003)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amortization of Debt Issuance Costs	11,490	11,490
Capitalization of Debt Issuance Costs	(134,933)	-
Issuance of Long-Term Debt	1,731,216	-
Principal Payments on Debt	(247,154)	(235,443)
	1,360,619	(223,953)
Net Increase (Decrease) in Cash and Cash Equivalents	(743,891)	(174,152)
Cash and Cash Equivalents, Beginning of Year	2,245,740	2,419,892
Cash and Cash Equivalents, End of Year	\$ 1,501,849	\$ 2,245,740
Interest Paid During the Period Ended August 31, 2012 and 2011	\$ 220,342	\$ 232,054
Income Taxes Paid During the Period Ended August 31, 2012 and 2011	-	-

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

**Notes to the  
Financial Statements**

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements of Texas Boys Choir, Inc. (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 corporation 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 13 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*

Texas Boys Choir conducts and manages boys' and girls' choirs 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 3rd through 12th grade students, authorized under Chapter 12, Subchapter D of the Texas Education Code is also operated by 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.

Texas Boys Choir also operates 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. A charter renewal was applied for in April of 2011. The charter renewal was approved on August 6, 2012 extending the charter to July 31, 2021.

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.

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

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.

**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 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 land, 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

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

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.

H. *Personal Leave*

All employees of the charter schools earn five days of state paid personal and sick leave per year and four days of local paid personal and sick leave per year. There is no material liability for unpaid accumulated sick leave since the schools do not have a policy to pay any amount when the employees separate from service with the schools, and any unused balance of state days 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 charter schools' (Fort Worth Academy of Fine Arts and Texas Elementary School of the Arts) funds are deposited and invested with depository banks. The depository bank should deposit for safekeeping and trust with the charter schools' agent banks 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 banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2012, the combined carrying amount of the charter schools' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,156,946, and the bank balance was \$1,211,851. The charter schools' cash deposits during the year ended August 31, 2012, were 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, 2011, the combined carrying amount of the charter schools' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,423,995, and the bank balance was \$1,526,449. The charter schools' cash deposits during the year ended August 31, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the charter holder's agent bank in the corporation's name.

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit during the year ended August 31, 2012:

- a. The market value of securities pledged on behalf of the Fort Worth Academy of Fine Arts at Frost Bank as of the date of the highest combined balance on deposit was \$1,044,025. The market value of securities pledged on behalf of Texas Elementary School of the Arts at Plains Capital Bank as of the date of highest combined balance on deposit was \$1,573,538.
- b. The highest combined balance of cash, savings, and time deposit accounts for Fort Worth Academy of Fine Arts at Frost Bank amounted to \$1,154,195 and occurred during the month of September 2011. The highest combined balances of cash, savings, and time deposit accounts for Texas Elementary School of the Arts at Plains Capital Bank amounted to \$587,855 and occurred during the month of September 2011.
- c. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000 and \$250,000, respectively, for Fort Worth Academy of Fine Arts at Frost Bank and Texas Elementary School of the Arts at Plains Capital Bank.

Texas Boys Choir's operations other than the charter schools reflected above do not receive federal and state grant and formula funding. As such, they are not required to comply with depository contract and pledged security requirements on their cash accounts. Although not required, Texas Boys Choir's deposits were adequately secured for the year ended August 31, 2012.

3. INVESTMENTS

The charter holder invests in marketable equity securities. The investments at August 31, 2012, were comprised of the following:

	<u>Cost</u>	<u>Market</u>
Plains Capital Investments	\$ 2,280,608	\$ 2,345,333
LKCM Small Cap Equity Fund	92,696	122,947
Total	\$ 2,373,304	\$ 2,468,280
Unrealized gains, beginning of year		\$ 17,607
Unrealized gain year, net change		77,369
Unrealized gains, end of year		\$ 94,976



**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

The investments at August 31, 2011, were comprised of the following:

	<u>Cost</u>	<u>Market</u>
Plains Capital Investments	\$ 1,688,865	\$ 1,675,731
LKCM Small Cap Equity Fund	<u>24,122</u>	<u>54,863</u>
Total	<u>\$ 1,712,987</u>	<u>\$ 1,730,594</u>
Unrealized losses, beginning of year		\$ (8,655)
Unrealized gain year, net change		<u>26,262</u>
Unrealized gains, end of year		<u>\$ 17,607</u>

Of the above investments, \$51,074 is permanently restricted for endowments.

4. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2012 and 2011, the charter holder had no material liability for accrued sick leave or vacation leave.

5. PENSION PLAN OBLIGATIONS

A. *Plan Description*

The charter schools contribute to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan. 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, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under 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 pension plan. That report may be obtained 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, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

**B.** *Funding Policy*

Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (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 during the fiscal year; (2) state statute prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

State law provides for a member contribution rate of 6.4% for fiscal years 2012 and 2011, and a state contribution rate of 6.0% for fiscal year 2012 and 6.644% for fiscal year 2011. In certain instances, the reporting school is required to make all or a portion of the state's 6.0% or 6.644% contribution. Fort Worth Academy of Fine Art's employees' contributions to the System for the years ending August 31, 2012 and 2011, were \$136,229 and \$121,822, respectively, equal to the required contributions for each year. Texas Elementary School of the Art's employees' contributions to the System for the years ending August 31, 2012 and 2011, were \$40,300 and \$40,316, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants for the years ending August 31, 2012 and 2011, were \$7,047 and \$9,305, respectively, equal to the required contributions for each year for Fort Worth Academy of Fine Arts. Other contributions made from federal and private grants for the years ending August 31, 2012 and 2011, were \$884 and \$2,069, respectively, equal to the required contributions for each year for Texas Elementary School of the Arts. For the years ending August 31, 2012 and 2011, the State of Texas contributed \$123,012 and \$119,571, respectively, on behalf of Fort Worth Academy of Fine Arts. For the years ending August 31, 2012 and 2011, the State of Texas contributed \$36,750 and \$39,472, respectively, on behalf of Texas Elementary School of the Arts.

**6. PUBLIC SCHOOL RETIREE HEALTH PLAN**

**A.** *Plan Description*

The charter schools contribute 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 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. The Teacher Retirement System of Texas 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 Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

**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. Funding for free basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage.

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 2012 and 2011. For the years ended August 31, 2012 and 2011, the State's contributions to TRS Care were \$20,074 and \$17,634, respectively, the active member contributions were \$13,836 and \$12,373, respectively, and the charter school's contributions were \$11,707 and \$10,469, respectively, for Fort Worth Academy of Fine Arts which equaled the required contributions each year. For the years ended August 31, 2012 and 2011, the State's contributions to TRS Care were \$6,150 and \$5,988, respectively, the active member contributions were \$4,093 and \$4,095, respectively, and the charter school's contributions were \$3,463 and \$3,465, respectively, for Texas Elementary School of the Arts which equaled the required contributions each year.

**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 4.2% (Social Security) and 1.45% (Medicare) of their annual covered salary, and the charter holder contributes 6.2% (Social Security) and 1.45% (Medicare) of the covered payroll.

**7.**     HEALTH CARE COVERAGE

During the years ended August 31, 2012 and 2011, full-time employees of the charter schools were covered by a health insurance plan (the Plan). The charter schools contributed \$225 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.

**8.**     COMMITMENTS AND CONTINGENCIES

The charter schools receive 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 schools have complex compliance requirements and should state or

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

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 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.

9. CAPITAL ASSETS

Capital assets at August 31, 2012, were as follows:

	Balance <u>9/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>8/31/2012</u>
Land	\$ -	\$ 308,507	\$ -	\$ 308,507
Buildings and Improvements	8,470,961	2,526,569	-	10,997,530
Furniture and Equipment	283,176	-	-	283,176
Vehicles	196,649	-	-	196,649
Accumulated Depreciation	<u>(724,245)</u>	<u>(325,674)</u>	<u>-</u>	<u>(1,049,919)</u>
	<u>\$ 8,226,541</u>	<u>\$ 2,509,402</u>	<u>\$ -</u>	<u>\$10,735,943</u>

Capital assets at August 31, 2011, were as follows:

	Balance <u>9/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>8/31/2011</u>
Buildings and Improvements	\$ 8,329,938	\$ 141,023	\$ -	\$ 8,470,961
Furniture and Equipment	215,697	67,479	-	283,176
Vehicles	196,649	-	-	196,649
Accumulated Depreciation	<u>(397,712)</u>	<u>(326,533)</u>	<u>-</u>	<u>(724,245)</u>
	<u>\$ 8,344,572</u>	<u>\$ (118,031)</u>	<u>\$ -</u>	<u>\$ 8,226,541</u>

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

Capital assets acquired with public funds received by the corporation for the operation of Fort Worth Academy of Fine Arts and Texas Elementary School of the Arts constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets for each individual charter school.

10. ECONOMIC DEPENDENCY

During the years ended August 31, 2012 and 2011, the charter schools earned revenue of \$4,534,603 and \$4,778,151, respectively, from the Texas Education Agency (TEA). These amounts constitute approximately 80.17% and 80.42%, respectively, of total revenues 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.

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the years ending August 31, 2012 and 2011, consisted of the following:

	2012	2011
National School Breakfast & Lunch Program	\$ 40,983	\$ 38,970
ARRA ESEA Title I, Part A Improving Basic Programs	4,987	6,982
Advanced Placement Incentives	3,940	3,940
Public Charter Schools	13,337	16,798
Technology Allotment	4,494	6,645
Campus Activity Funds	-	18
Capital Campaign	-	17,112
Foundation School Program	<u>3,311,609</u>	<u>2,916,339</u>
Total Temporarily Restricted Net Assets	<u>\$ 3,379,350</u>	<u>\$ 3,006,804</u>

12. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets for the years ending August 31, 2011, consisted of a permanent endowment of \$51,074 with restrictions on the use of income. All permanently restricted assets were held in investments at August 31, 2011. These net assets were restricted for the use of the capital campaign. After the construction on the new school building was completed, these net assets were removed from permanently restricted.

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

13. DEFERRED REVENUE

Deferred revenue at August 31, 2012 and 2011, consisted of the following:

	2012	2011
Deferred Choir Revenue	\$ 356,505	\$ 350,363
Deferred TEA Foundation Revenue	3,293	58,834
Total	<u>\$ 359,798</u>	<u>\$ 409,197</u>

Deferred choir revenue results from billings for fine arts fees in August each year in advance for the upcoming school year. Deferred TEA foundation revenue results from payments received from the Texas Education Agency in excess of the final summary of finance allotments as of year end to be carried over to the next fiscal year.

14. INTERCOMPANY ELIMINATIONS

During the years ended August 31, 2012 and 2011, the Fort Worth Academy of Fine Arts Charter School recorded \$540,000 and \$480,000, respectively 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).

15. LONG-TERM DEBT

Long-term debt at August 31, 2012 and 2011, consisted of the following:

	2012	2011
Note payable to Splendor Cultural Education Facilities Finance Corp. 5.01% interest, 180 monthly payments of \$38,958 commencing September 30, 2009. Note is secured by real property owned by the corporation.	\$ 4,192,926	\$ 4,440,080
Frost Bank advances for construction on Texas Elementary School of the Arts new school building.	1,731,216	-
Total Debt	\$ 5,924,142	\$ 4,440,080
Less Current Portion of Long-Term Debt	(259,976)	(247,100)
Total Long-Term Debt	<u>\$ 5,664,166</u>	<u>\$ 4,192,980</u>

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

Future maturities of long-term debt at August 31, 2012 (excluding interim construction financing to be closed to permanent upon building completion of \$\$1,731,216 at August 31, 2012), are as follows:

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	259,976	207,521	467,497
2014	273,523	193,974	467,497
2015	287,776	179,721	467,497
2016	302,771	164,726	467,497
2017	318,548	148,949	467,497
Thereafter	<u>2,750,332</u>	<u>522,142</u>	<u>3,272,474</u>
Total	<u>\$4,192,926</u>	<u>\$1,417,033</u>	<u>\$5,609,959</u>

16. LEASE AGREEMENTS

A building lease agreement was entered into with Temple Bethel Church for the building that previously housed the Texas Elementary School of the Arts charter school's campus through June 15, 2012. Monthly rental payments on this lease were \$11,410 per month for the nine months annually that school is in session. This lease agreement ended June 15, 2012.

A building lease agreement was entered into with Christ Church Assembly of God for the building that houses the Texas Elementary School of the Arts charter school's campus from August 1, 2012 to December 31, 2012. Monthly rental payments on this lease are \$10,000 per month.

Future minimum payments under noncancelable operating leases as of August 31, 2012, are as follows:

Fiscal year ending August 31:	<u>Minimum Payment</u>
2013	<u>\$ 40,000</u>

17. RENTAL EXPENSE

During the years ended August 31, 2012 and 2011, the corporation reported the following rental expenses after intercompany eliminations:

	<u>2012</u>	<u>2011</u>
Bethel Church	\$ 102,690	\$ 114,175
Christ Church Assembly of God	10,000	-
Storage Choice	<u>4,743</u>	<u>4,723</u>
Total Rent Expense	<u>\$ 117,433</u>	<u>\$ 118,898</u>

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

18. 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, 2012 and 2011, and as a result, there was no income tax liability.

19. 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 events require recognition or disclosure in the financial statements.

Texas Boys Choir borrowed \$5,000,000 in September of 2012 from Frost Bank to build a new building for Texas Elementary School of the Arts. The building is currently under construction and is expected to be completed in January of 2013.

20. FAIR VALUE MEASUREMENTS

Effective July 1, 2008, the Charter Holder adopted Statement of Financial Accounting Standard No. 157, "Fair Value Measurements", which provides a framework for measuring fair value under generally accepted accounting principles. Statement No. 157 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in Statement No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the organization uses various methods including market, income, and cost approaches. Based on these approaches, the organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The organization utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

*Level 1* – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.



**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

*Level 2* – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

*Level 3* – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The tables below present the balances of assets measured at fair value on a recurring basis:

August 31, 2012		Fair Value Measurements at Reporting Date Using		
Description	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities	\$ 2,468,280	\$ 2,468,280	\$ -	\$ -
Total	\$ 2,468,280	\$ 2,468,280	\$ -	\$ -

August 31, 2011		Fair Value Measurements at Reporting Date Using		
Description	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities	\$ 1,730,594	\$ 1,730,594	\$ -	\$ -
Total	\$ 1,730,594	\$ 1,730,594	\$ -	\$ -

**Specific-Purpose  
Financial Statements**

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2012 AND 2011**

	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 735,859	\$ 900,692
Due from TEA	154,465	183,245
Total Current Assets	890,324	1,083,937
<b>Property and Equipment</b>		
Buildings and improvements	47,719	47,719
Furniture and equipment	135,872	135,872
Vehicles	105,654	105,654
Less accumulated depreciation	(174,173)	(149,432)
Total Property and Equipment	115,072	139,813
Long-Term Investments	1,447,436	1,023,938
<b>Total Assets</b>	\$ 2,452,832	\$ 2,247,688
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accrued wages payable	\$ 118,347	\$ 152,710
Payroll deductions and withholdings	56	-
Deferred revenue	3,293	39,928
Total Current Liabilities	121,696	192,638
<b>Total Liabilities</b>	\$ 121,696	\$ 192,638
<b>Net Assets</b>		
Unrestricted	13,460	13,793
Temporarily restricted	2,317,676	2,041,257
<b>Total Net Assets</b>	\$ 2,331,136	\$ 2,055,050
<b>Total Liabilities and Net Assets</b>	\$ 2,452,832	\$ 2,247,688

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

**TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2012 AND 2011**

	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 421,087	\$ 523,303
Due from TEA	40,350	56,141
Other current assets	10,875	10,875
<b>Total Current Assets</b>	<b>472,312</b>	<b>590,319</b>
<b>Property and Equipment</b>		
Furniture and equipment	17,308	17,308
Vehicles	7,500	7,500
Less accumulated depreciation	(20,846)	(15,885)
<b>Total Property and Equipment</b>	<b>3,962</b>	<b>8,923</b>
<b>Long-Term Investments</b>	<b>661,511</b>	<b>427,047</b>
<b>Total Assets</b>	<b>\$ 1,137,785</b>	<b>\$ 1,026,289</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 13,319	\$ 11,410
Accrued wages payable	62,792	47,538
Deferred revenue	-	18,906
<b>Total Current Liabilities</b>	<b>76,111</b>	<b>77,854</b>
<b>Total Liabilities</b>	<b>\$ 76,111</b>	<b>\$ 77,854</b>
<b>Net Assets</b>		
Unrestricted	-	-
Temporarily restricted	1,061,674	948,435
<b>Total Net Assets</b>	<b>\$ 1,061,674</b>	<b>\$ 948,435</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,137,785</b>	<b>\$ 1,026,289</b>

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

**TEXAS BOYS CHOIR**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2012 AND 2011**

	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 344,903	\$ 821,745
Accounts receivable, net of allowance	339,781	220,870
<b>Total Current Assets</b>	<b>684,684</b>	<b>1,042,615</b>
<b>Assets Restricted for Endowments</b>	-	<b>51,074</b>
<b>Property and Equipment</b>		
Land	308,507	-
Buildings and improvements	10,949,811	8,423,242
Furniture and equipment	129,996	129,996
Vehicles	83,495	83,495
Less accumulated depreciation	(854,900)	(558,928)
<b>Total Property and Equipment</b>	<b>10,616,909</b>	<b>8,077,805</b>
<b>Other Assets</b>		
Long-term investments	359,333	228,535
Capitalized debt issuance cost	272,819	149,376
<b>Total Other Assets</b>	<b>632,152</b>	<b>377,911</b>
<b>Total Assets</b>	<b>\$ 11,933,745</b>	<b>\$ 9,549,405</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 869,035	\$ 10,000
Payroll deductions and withholdings	68	-
Due to student groups	50,464	48,193
Deferred revenue	356,505	350,363
Accrued interest	6,873	-
Other accrued liabilities	-	592
Current portion of long-term debt	259,976	247,100
<b>Total Current Liabilities</b>	<b>1,542,921</b>	<b>656,248</b>
<b>Long-Term Liabilities</b>		
Notes payable	5,664,166	4,192,980
<b>Total Long-Term Liabilities</b>	<b>5,664,166</b>	<b>4,192,980</b>
<b>Total Liabilities</b>	<b>\$ 7,207,087</b>	<b>\$ 4,849,228</b>
<b>Net Assets</b>		
Unrestricted	4,726,658	4,631,991
Temporarily restricted	-	17,112
Permanently restricted	-	51,074
<b>Total Net Assets</b>	<b>\$ 4,726,658</b>	<b>\$ 4,700,177</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,933,745</b>	<b>\$ 9,549,405</b>

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, 2012 AND 2011**

	Unrestricted	Temporarily Restricted	Totals 2012
<b>Revenues</b>			
<b>Local Support:</b>			
5740 Other Revenues from Local Sources	\$ 93,762	\$ -	\$ 93,762
5750 Cocurricular and Enterprising Activities	92,406	-	92,406
<b>Total Local Support</b>	<b>186,168</b>	<b>-</b>	<b>186,168</b>
<b>State Program Revenues:</b>			
5810 Foundation School Program Act Revenues	-	3,415,403	3,415,403
5820 State Program Revenues Distributed by TEA	-	22,184	22,184
<b>Total State Program Revenues</b>	<b>-</b>	<b>3,437,587</b>	<b>3,437,587</b>
<b>Federal Program Revenues:</b>			
5920 Federal Revenues Distributed by TEA	-	220,555	220,555
<b>Total Federal Program Revenues</b>	<b>-</b>	<b>220,555</b>	<b>220,555</b>
<b>Net Assets Released from Restrictions:</b>			
Restrictions Satisfied by Payments	3,381,723	(3,381,723)	-
<b>Total Revenues</b>	<b>\$ 3,567,891</b>	<b>\$ 276,419</b>	<b>\$ 3,844,310</b>
<b>Expenses</b>			
11 Instruction	\$ 2,045,572	\$ -	\$ 2,045,572
13 Curriculum & Instructional Staff Development	6,912	-	6,912
21 Instructional Leadership	31,759	-	31,759
23 School Leadership	170,498	-	170,498
31 Guidance, Counseling, & Evaluation Services	65,446	-	65,446
33 Health Services	27,764	-	27,764
34 Student Transportation	7,895	-	7,895
35 Food Services	138,020	-	138,020
36 Cocurricular/Extracurricular Activities	35,822	-	35,822
41 General Administration	155,144	-	155,144
51 Plant Maintenance & Operations	846,862	-	846,862
53 Data Processing Services	36,530	-	36,530
<b>Total Expenses</b>	<b>\$ 3,568,224</b>	<b>\$ -</b>	<b>\$ 3,568,224</b>
<b>Change in Net Assets</b>	<b>(333)</b>	<b>276,419</b>	<b>276,086</b>
<b>Net Assets, Beginning of Year</b>	<b>13,793</b>	<b>2,041,257</b>	<b>2,055,050</b>
<b>Net Assets, End of Year</b>	<b>\$ 13,460</b>	<b>\$ 2,317,676</b>	<b>\$ 2,331,136</b>

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, 2012 AND 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2011</u>
<b>Revenues</b>			
<b>Local Support:</b>			
5740 Other Revenues from Local Sources	\$ 122,447	\$ -	\$ 122,447
5750 Cocurricular and Enterprising Activities	92,544	-	92,544
<b>Total Local Support</b>	<u>214,991</u>	<u>-</u>	<u>214,991</u>
<b>State Program Revenues:</b>			
5810 Foundation School Program Act Revenues	-	3,644,726	3,644,726
5820 State Program Revenues Distributed by TEA	-	16,878	16,878
<b>Total State Program Revenues</b>	<u>-</u>	<u>3,661,604</u>	<u>3,661,604</u>
<b>Federal Program Revenues:</b>			
5920 Federal Revenues Distributed by TEA	-	190,591	190,591
<b>Total Federal Program Revenues</b>	<u>-</u>	<u>190,591</u>	<u>190,591</u>
<b>Net Assets Released from Restrictions:</b>			
Restrictions Satisfied by Payments	<u>3,256,605</u>	<u>(3,256,605)</u>	<u>-</u>
<b>Total Revenues</b>	<u>\$ 3,471,596</u>	<u>\$ 595,590</u>	<u>\$ 4,067,186</u>
<b>Expenses</b>			
11 Instruction	\$ 2,023,408	\$ -	\$ 2,023,408
13 Curriculum & Instructional Staff Development	822	-	822
21 Instructional Leadership	73,704	-	73,704
23 School Leadership	117,248	-	117,248
31 Guidance, Counseling, & Evaluation Services	28,735	-	28,735
33 Health Services	27,872	-	27,872
34 Student Transportation	10,244	-	10,244
35 Food Services	139,671	-	139,671
36 Cocurricular/Extracurricular Activities	37,317	-	37,317
41 General Administration	156,694	-	156,694
51 Plant Maintenance & Operations	803,009	-	803,009
53 Data Processing Services	39,079	-	39,079
<b>Total Expenses</b>	<u>\$ 3,457,803</u>	<u>\$ -</u>	<u>\$ 3,457,803</u>
<b>Change in Net Assets</b>	<u>13,793</u>	<u>595,590</u>	<u>609,383</u>
<b>Net Assets, Beginning of Year</b>	<u>-</u>	<u>1,445,667</u>	<u>1,445,667</u>
<b>Net Assets, End of Year</b>	<u>\$ 13,793</u>	<u>\$ 2,041,257</u>	<u>\$ 2,055,050</u>

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

**TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2012</u>
<b>Revenues</b>			
<b>Local Support:</b>			
5740 Other Revenues from Local Sources	\$ 36,032	\$ -	\$ 36,032
5750 Cocurricular and Enterprising Activities	1,128	-	1,128
Total Local Support	<u>37,160</u>	<u>-</u>	<u>37,160</u>
<b>State Program Revenues:</b>			
5810 Foundation School Program Act Revenues	-	1,074,350	1,074,350
5820 State Program Revenues Distributed by TEA	-	22,666	22,666
Total State Program Revenues	<u>-</u>	<u>1,097,016</u>	<u>1,097,016</u>
<b>Federal Program Revenues:</b>			
5920 Federal Revenues Distributed by TEA	-	45,893	45,893
Total Federal Program Revenues	<u>-</u>	<u>45,893</u>	<u>45,893</u>
<b>Net Assets Released from Restrictions:</b>			
Restrictions Satisfied by Payments	<u>1,029,670</u>	<u>(1,029,670)</u>	<u>-</u>
<b>Total Revenues</b>	<u>\$ 1,066,830</u>	<u>\$ 113,239</u>	<u>\$ 1,180,069</u>
<b>Expenses</b>			
11 Instruction	744,429	-	744,429
13 Curriculum & Instructional Staff Development	6,893	-	6,893
23 School Leadership	83,101	-	83,101
31 Guidance, Counseling, & Evaluation Services	7,432	-	7,432
33 Health Services	4,507	-	4,507
35 Food Services	1,300	-	1,300
36 Cocurricular/Extracurricular Activities	3,939	-	3,939
41 General Administration	51,987	-	51,987
51 Plant Maintenance & Operations	148,720	-	148,720
53 Data Processing Services	14,522	-	14,522
<b>Total Expenses</b>	<u>\$ 1,066,830</u>	<u>\$ -</u>	<u>\$ 1,066,830</u>
Change in Net Assets	<u>-</u>	<u>113,239</u>	<u>113,239</u>
Net Assets, Beginning of Year	<u>-</u>	<u>948,435</u>	<u>948,435</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,061,674</u>	<u>\$ 1,061,674</u>

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



**TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2011</u>
<b>Revenues</b>			
<b>Local Support:</b>			
5740 Other Revenues from Local Sources	\$ 36,055	\$ -	\$ 36,055
5750 Cocurricular and Enterprising Activities	<u>1,287</u>	<u>-</u>	<u>1,287</u>
Total Local Support	37,342	-	37,342
<b>State Program Revenues:</b>			
5810 Foundation School Program Act Revenues		1,111,599	1,111,599
5820 State Program Revenues Distributed by TEA	<u>-</u>	<u>4,948</u>	<u>4,948</u>
Total State Program Revenues	-	1,116,547	1,116,547
<b>Federal Program Revenues:</b>			
5920 Federal Revenues Distributed by TEA	<u>-</u>	<u>44,621</u>	<u>44,621</u>
Total Federal Program Revenues	-	44,621	44,621
<b>Net Assets Released from Restrictions:</b>			
Restrictions Satisfied by Payments	<u>930,840</u>	<u>(930,840)</u>	<u>-</u>
<b>Total Revenues</b>	<b>\$ <u>968,182</u></b>	<b>\$ <u>230,328</u></b>	<b>\$ <u>1,198,510</u></b>
<b>Expenses</b>			
11 Instruction	660,171	-	660,171
13 Curriculum & Instructional Staff Development	4,954	-	4,954
23 School Leadership	77,223	-	77,223
31 Guidance, Counseling, & Evaluation Services	9,125	-	9,125
33 Health Services	2,157	-	2,157
35 Food Services	1,131	-	1,131
36 Cocurricular/Extracurricular Activities	5,071	-	5,071
41 General Administration	50,610	-	50,610
51 Plant Maintenance & Operations	141,581	-	141,581
53 Data Processing Services	<u>16,159</u>	<u>-</u>	<u>16,159</u>
Total Expenses	<u>\$ 968,182</u>	<u>\$ -</u>	<u>\$ 968,182</u>
Change in Net Assets	<u>-</u>	<u>230,328</u>	<u>230,328</u>
Net Assets, Beginning of Year	<u>-</u>	<u>718,107</u>	<u>718,107</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 948,435</u>	<u>\$ 948,435</u>

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

**TEXAS BOYS CHOIR  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2012
<b>Revenues, Gains, &amp; Other Support</b>				
<b>Local Support:</b>				
Foundations & Trusts	\$ 33,860	\$ -	\$ -	\$ 33,860
Individuals & Corporations	32,232	-	-	32,232
Arts Council	10,313	-	-	10,313
Capital Campaign	-	1,134	-	1,134
Special Events	58,210	-	-	58,210
<b>Total Local Support</b>	<u>134,615</u>	<u>1,134</u>	<u>-</u>	<u>135,749</u>
<b>Program Service Revenue:</b>				
Performances	96,744	-	-	96,744
Building Rentals	544,335	-	-	544,335
Choir Fees	369,673	-	-	369,673
<b>Total Program Service Revenue</b>	<u>1,010,752</u>	<u>-</u>	<u>-</u>	<u>1,010,752</u>
<b>Interest &amp; Other Income:</b>				
Investment Income	231	-	-	231
Unrealized Gain (Loss)	5,244	-	-	5,244
Realized Gain (Loss)	6,819	-	-	6,819
Royalty Income	8,574	-	-	8,574
Other	4,571	-	-	4,571
<b>Total Interest &amp; Other Income</b>	<u>25,439</u>	<u>-</u>	<u>-</u>	<u>25,439</u>
<b>Net Assets Released from Restrictions</b>	<u>69,320</u>	<u>(18,246)</u>	<u>(51,074)</u>	<u>-</u>
<b>Total Revenues, Gains, &amp; Other Support</b>	<u>\$ 1,240,126</u>	<u>\$ (17,112)</u>	<u>\$ (51,074)</u>	<u>\$ 1,171,940</u>
<b>EXPENSES</b>				
11 Instruction	666,103	-	-	666,103
35 Food Services	12,025	-	-	12,025
36 Cocurricular/Extracurricular Activities	165	-	-	165
41 General Administration	207,519	-	-	207,519
51 Plant Maintenance and Operations	16,469	-	-	16,469
71 Debt Service	231,833	-	-	231,833
81 Fundraising	11,345	-	-	11,345
<b>Total Expenses</b>	<u>\$ 1,145,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,145,459</u>
<b>Change in Net Assets</b>	<u>94,667</u>	<u>(17,112)</u>	<u>(51,074)</u>	<u>26,481</u>
<b>Net Assets, Beginning of Year</b>	<u>4,631,991</u>	<u>17,112</u>	<u>51,074</u>	<u>4,700,177</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,726,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,726,658</u>

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

**TEXAS BOYS CHOIR  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals 2011</u>
<b>Revenues, Gains, &amp; Other Support</b>				
<b>Local Support:</b>				
Foundations & Trusts	\$ 66,000	\$ -	\$ -	\$ 66,000
Individuals & Corporations	54,787	-	-	54,787
Arts Council	13,600	-	-	13,600
Capital Campaign	-	45,486	-	45,486
Special Events	<u>72,276</u>	<u>-</u>	<u>-</u>	<u>72,276</u>
<b>Total Local Support</b>	<b>206,663</b>	<b>45,486</b>	<b>-</b>	<b>252,149</b>
<b>Program Service Revenue:</b>				
Performances	82,529	-	-	82,529
Building Rentals	488,599	-	-	488,599
Choir Fees	<u>314,383</u>	<u>-</u>	<u>-</u>	<u>314,383</u>
<b>Total Program Service Revenue</b>	<b>885,511</b>	<b>-</b>	<b>-</b>	<b>885,511</b>
<b>Interest &amp; Other Income:</b>				
Investment Income	2,765	-	-	2,765
Unrealized Gain (Loss)	(1,568)	-	16,311	14,743
Realized Gain (Loss)	191	-	-	191
Other	<u>790</u>	<u>-</u>	<u>-</u>	<u>790</u>
<b>Total Interest &amp; Other Income</b>	<b>2,178</b>	<b>-</b>	<b>16,311</b>	<b>18,489</b>
<b>Net Assets Released from Restrictions</b>	<u>36,530</u>	<u>(28,374)</u>	<u>(8,156)</u>	<u>-</u>
<b>Total Revenues, Gains, &amp; Other Support</b>	<b>\$ 1,130,882</b>	<b>\$ 17,112</b>	<b>\$ 8,155</b>	<b>\$ 1,156,149</b>
<b>EXPENSES</b>				
11 Instruction	602,752	-	-	602,752
35 Food Services	12,025	-	-	12,025
36 Cocurricular/Extracurricular Activities	76	-	-	76
41 General Administration	152,646	-	-	152,646
51 Plant Maintenance and Operations	19,647	-	-	19,647
71 Debt Service	243,545	-	-	243,545
81 Fundraising	<u>17,032</u>	<u>-</u>	<u>-</u>	<u>17,032</u>
<b>Total Expenses</b>	<b>\$ 1,047,723</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,047,723</b>
<b>Change in Net Assets</b>	<u>83,159</u>	<u>17,112</u>	<u>8,155</u>	<u>108,426</u>
<b>Net Assets, Beginning of Year</b>	<u>4,548,832</u>	<u>-</u>	<u>42,919</u>	<u>4,591,751</u>
<b>Net Assets, End of Year</b>	<b>\$ 4,631,991</b>	<b>\$ 17,112</b>	<b>\$ 51,074</b>	<b>\$ 4,700,177</b>

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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 276,086	\$ 609,383
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	24,741	25,601
(Increase) Decrease in Due from TEA	28,780	(53,069)
Increase (Decrease) in Accounts Payable	-	(178,762)
Increase (Decrease) in Payroll Deductions	56	(50)
Increase (Decrease) in Wages Payable	(34,363)	81,480
Increase (Decrease) in Deferred Revenue	(36,635)	(223,967)
	<u>258,665</u>	<u>260,616</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Land, Buildings, and Equipment	-	(23,490)
Purchase of Investment Securities	(350,000)	-
Dividends Reinvested in Securities	(21,957)	(12,873)
Capital Gains Reinvested in Securities	(1,507)	-
Fees Paid on Investments	5,125	5,869
Realized (Gain) Loss on Sale of Investment Securities	(6,328)	(62,047)
Unrealized (Gain) Loss on Investment Securities	(48,831)	(11,366)
	<u>(423,498)</u>	<u>(103,907)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Debt	-	-
	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	-	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(164,833)</b>	<b>156,709</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>900,692</b>	<b>743,983</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ <u>735,859</u></b>	<b>\$ <u>900,692</u></b>
Interest Paid During the Period Ended August 31, 2012 and 2011	\$ -	\$ -
Income Taxes Paid During the Period Ended August 31, 2012 and 2011	-	-

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

**TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 113,239	\$ 230,328
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	4,961	4,962
(Increase) Decrease in Due from TEA	15,791	900
Increase (Decrease) in Accounts Payable	1,909	(5,375)
Increase (Decrease) in Wages Payable	15,254	6,146
Increase (Decrease) in Deferred Revenue	(18,906)	(21,624)
Increase (Decrease) in Payroll Deductions	-	(41)
	<u>132,248</u>	<u>215,296</u>
<b>Net Cash Provided (Used) by Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investment Securities	(200,000)	-
Dividends Reinvested in Securities	(10,198)	(5,548)
Capital Gains Reinvested in Securities	(3,886)	
Fees Paid on Investments	2,353	2,174
Realized (Gain) Loss on Sale of Investment Securities	560	(30,152)
Unrealized (Gain) Loss on Investment Securities	(23,293)	(164)
	<u>(234,464)</u>	<u>(33,690)</u>
<b>Net Cash Provided (Used) by Investing Activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(102,216)	181,606
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>523,303</u>	<u>341,697</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 421,087</u>	<u>\$ 523,303</u>
<b>Interest Paid During the Period Ended August 31, 2012 and 2011</b>	\$ -	\$ -
<b>Income Taxes Paid During the Period Ended August 31, 2012 and 2011</b>	-	-

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

**TEXAS BOYS CHOIR**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 26,481	\$ 108,426
Adjustments to Reconcile Change in Net Assets to Net Cash Provided		
by Operating Activities:		
Depreciation	295,972	295,971
(Increase) Decrease in Account Receivable	(118,911)	(17,268)
Increase (Decrease) in Accounts Payable	859,035	(525,791)
Increase (Decrease) in Payroll Deductions and Withholdings	68	(124)
Increase (Decrease) in Due to Student Groups	2,271	9,266
Increase (Decrease) in Deferred Revenue	6,142	51,413
Increase (Decrease) in Accrued Interest	6,873	-
Increase (Decrease) in Other Accrued Liabilities	(592)	-
	<u>1,077,339</u>	<u>(78,107)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Land, Buildings, and Equipment	(2,835,076)	(185,013)
Purchase of Investment Securities	(68,574)	(8,957)
Dividends Reinvested in Securities	(3,946)	(2,427)
Fees Paid on Investments	913	923
Realized (Gain) Loss on Sale of Investment Securities	(2,873)	(191)
Unrealized (Gain) Loss on Investment Securities	(5,244)	(14,742)
	<u>(2,914,800)</u>	<u>(210,407)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amortization of Debt Issuance Costs	11,490	11,490
Capitalization of Debt Issuance Costs	(134,933)	-
Issuance of Long-Term Debt	1,731,216	-
Principal Payments on Debt	(247,154)	(235,443)
	<u>1,360,619</u>	<u>(223,953)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(476,842)	(512,467)
Cash and Cash Equivalents, Beginning of Year	<u>821,745</u>	<u>1,334,212</u>
Cash and Cash Equivalents, End of Year	<u>\$ 344,903</u>	<u>\$ 821,745</u>
Interest Paid During the Period Ended August 31, 2012 and 2011	\$ 220,342	\$ 232,054
Income Taxes Paid During the Period Ended August 31, 2012 and 2011	-	-

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

**Required  
Supplementary  
Information**

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL  
SCHEDULE OF EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

<b>Expenses</b>	<u>2012</u>	<u>2011</u>
6100 Payroll Costs	\$ 2,406,580	\$ 2,342,778
6200 Professional and Contracted Services	845,874	802,462
6300 Supplies and Materials	248,878	228,456
6400 Other Operating Costs	66,892	84,107
6500 Debt	-	-
	<u>                    </u>	<u>                    </u>
Total Expenses	<u>\$ 3,568,224</u>	<u>\$ 3,457,803</u>

The accompanying notes are an integral part of these statements.



**TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL  
SCHEDULE OF EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

<b>Expenses</b>	<u>2012</u>	<u>2011</u>
6100 Payroll Costs	\$ 758,641	\$ 728,280
6200 Professional and Contracted Services	205,511	179,616
6300 Supplies and Materials	72,553	30,102
6400 Other Operating Costs	30,125	30,184
6500 Debt	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 1,066,830</u>	<u>\$ 968,182</u>

The accompanying notes are an integral part of these statements.

**TEXAS BOYS CHOIR  
SCHEDULE OF EXPENSES  
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

<b>Expenses</b>	<u>2012</u>	<u>2011</u>
6100 Payroll Costs	\$ 241,696	\$ 185,859
6200 Professional and Contracted Services	124,758	118,387
6300 Supplies and Materials	24,729	37,144
6400 Other Operating Costs	522,443	462,788
6500 Debt	<u>231,833</u>	<u>243,545</u>
Total Expenses	<u>\$ 1,145,459</u>	<u>\$ 1,047,723</u>

The accompanying notes are an integral part of these statements.

**Exhibit D-1.1**

**FORT WORTH ACADEMY OF FINE ARTS CHARTER SCHOOL  
SCHEDULE OF CAPITAL ASSETS  
AS OF AUGUST 31, 2012**

	<b>Ownership Interest</b>		
	<b>Local</b>	<b>State</b>	<b>Federal</b>
1520 Buildings and Improvements	\$ -	\$ 47,719	\$ -
1539 Furniture and Equipment	13,995	102,784	19,093
1541 Vehicles	-	105,654	-
1570 Less Accumulated Depreciation	(666)	(162,658)	(10,849)
Total Property and Equipment	<u>\$ 13,329</u>	<u>\$ 93,499</u>	<u>\$ 8,244</u>

The accompanying notes are an integral part of these statements.

**Exhibit D-1.2**

**TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL  
SCHEDULE OF CAPITAL ASSETS  
AS OF AUGUST 31, 2012**

	<b>Ownership Interest</b>		
	<b>Local</b>	<b>State</b>	<b>Federal</b>
1539 Furniture and Equipment	\$ -	\$ -	\$ 17,308
1541 Vehicles	-	7,500	-
1570 Less Accumulated Depreciation	-	(6,000)	(14,846)
Total Property and Equipment	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 2,462</u>

The accompanying notes are an integral part of these statements.

**TEXAS BOYS CHOIR  
SCHEDULE OF CAPITAL ASSETS  
AS OF AUGUST 31, 2012**

	<b>Ownership Interest</b>		
	<b>Local</b>	<b>State</b>	<b>Federal</b>
1510 Land	\$ 308,507	\$ -	\$ -
1520 Buildings and Improvements	10,949,811	-	-
1530 Furniture and Equipment	129,996	-	-
1540 Vehicles	83,495	-	-
1570 Less Accumulated Depreciation	(854,900)	-	-
Total Property and Equipment	<u>\$ 10,616,909</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2012**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Local Support:</b>				
5740 Other Revenues from Local Sources	\$ -	\$ 10,500	\$ 93,762	\$ 83,262
5750 Cocurricular and Enterprising Activities	90,666	90,666	92,406	1,740
<b>Total Local Support</b>	<u>90,666</u>	<u>101,166</u>	<u>186,168</u>	<u>85,002</u>
<b>State Program Revenues:</b>				
5810 Foundation School Program Act Revenues	3,337,500	3,405,000	3,415,403	10,403
5820 State Program Revenues Distributed by TEA	2,750	-	22,184	22,184
<b>Total State Program Revenues</b>	<u>3,340,250</u>	<u>3,405,000</u>	<u>3,437,587</u>	<u>32,587</u>
<b>Federal Program Revenues:</b>				
5920 Federal Revenues Distributed by TEA	188,142	225,432	220,555	(4,877)
<b>Total Federal Program Revenues</b>	<u>188,142</u>	<u>225,432</u>	<u>220,555</u>	<u>(4,877)</u>
<b>Total Revenues</b>	<u>\$ 3,619,058</u>	<u>\$ 3,731,598</u>	<u>\$ 3,844,310</u>	<u>\$ 112,712</u>
<b>Expenses</b>				
11 Instruction	1,976,683	2,019,256	2,045,572	(26,316)
13 Curriculum & Instructional Staff Development	6,775	6,775	6,912	(137)
21 Instructional Leadership	69,184	34,735	31,759	2,976
23 School Leadership	178,766	178,766	170,498	8,268
31 Guidance, Counseling, & Evaluation Services	33,264	64,553	65,446	(893)
33 Health Services	26,915	26,915	27,764	(849)
34 Student Transportation	11,694	7,794	7,895	(101)
35 Food Services	124,516	139,016	138,020	996
36 Cocurricular/Extracurricular Activities	38,193	38,193	35,822	2,371
41 General Administration	125,626	156,626	155,144	1,482
51 Plant Maintenance & Operations	875,137	878,366	846,862	31,504
53 Data Processing Services	28,543	36,543	36,530	13
<b>Total Expenses</b>	<u>\$ 3,495,296</u>	<u>\$ 3,587,538</u>	<u>\$ 3,568,224</u>	<u>\$ 19,314</u>
<b>Change in Net Assets</b>	<u>123,762</u>	<u>144,060</u>	<u>276,086</u>	<u>132,026</u>
<b>Net Assets, Beginning of Year</b>	<u>2,055,050</u>	<u>2,055,050</u>	<u>2,055,050</u>	<u>-</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,178,812</u>	<u>\$ 2,199,110</u>	<u>\$ 2,331,136</u>	<u>\$ 132,026</u>

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

**TEXAS ELEMENTARY SCHOOL OF THE ARTS CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues</b>				
Local Support:				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ 36,032	\$ 36,032
5750 Cocurricular and Enterprising Activities	1,300	1,300	1,128	(172)
Total Local Support	1,300	1,300	37,160	35,860
State Program Revenues:				
5810 Foundation School Program Act Revenues	1,028,734	1,060,250	1,074,350	14,100
5820 State Program Revenues Distributed by TEA	4,836	-	22,666	22,666
Total State Program Revenues	1,033,570	1,060,250	1,097,016	36,766
Federal Program Revenues:				
5920 Federal Revenues Distributed by TEA	46,376	46,121	45,893	(228)
Total Federal Program Revenues	46,376	46,121	45,893	(228)
Total Revenues	\$ 1,081,246	\$ 1,107,671	\$ 1,180,069	\$ 72,398
<b>Expenses</b>				
11 Instruction	665,218	701,691	744,429	(42,738)
13 Curriculum & Instructional Staff Development	7,000	7,000	6,893	107
23 School Leadership	81,519	81,519	83,101	(1,582)
31 Guidance, Counseling, & Evaluation Services	9,200	7,200	7,432	(232)
33 Health Services	3,137	3,137	4,507	(1,370)
35 Food Services	1,300	1,300	1,300	-
36 Cocurricular/Extracurricular Activities	2,248	3,748	3,939	(191)
41 General Administration	49,915	49,915	51,987	(2,072)
51 Plant Maintenance & Operations	140,495	140,495	148,720	(8,225)
53 Data Processing Services	8,358	14,522	14,522	-
Total Expenses	\$ 968,390	\$ 1,010,527	\$ 1,066,830	\$ (56,303)
Change in Net Assets	112,856	97,144	113,239	16,095
Net Assets, Beginning of Year	948,435	948,435	948,435	-
Net Assets, End of Year	\$ 1,061,291	\$ 1,045,579	\$ 1,061,674	\$ 16,095

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

**TEXAS BOYS CHOIR  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Local Support:</b>				
5640 Other Revenues from Local Sources	\$ 809,300	\$ 952,430	\$ 766,851	\$ (185,579)
5650 Cocurricular and Enterprising Activities	295,975	351,175	405,089	53,914
Total Local Support	<u>1,105,275</u>	<u>1,303,605</u>	<u>1,171,940</u>	<u>(131,665)</u>
<b>State Program Revenues:</b>				
5810 Foundation School Program Act Revenues	-	-	-	-
5820 State Program Revenues Distributed by TEA	-	-	-	-
Total State Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Federal Program Revenues:</b>				
5920 Federal Revenues Distributed by TEA	-	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<b>\$ 1,105,275</b>	<b>\$ 1,303,605</b>	<b>\$ 1,171,940</b>	<b>\$ (131,665)</b>
<b>Expenses</b>				
11 Instruction	370,868	883,603	666,103	217,500
35 Food Services	-	-	12,025	(12,025)
36 Cocurricular/Extracurricular Activities	100	-	165	(165)
41 General Administration	143,307	182,977	207,519	(24,542)
51 Plant Maintenance & Operations	18,500	129,050	16,469	112,581
71 Debt Service	467,676	273,700	231,833	41,867
81 Fundraising	17,500	13,000	11,345	1,655
<b>Total Expenses</b>	<b>\$ 1,017,951</b>	<b>\$ 1,482,330</b>	<b>\$ 1,145,459</b>	<b>\$ 336,871</b>
<b>Change in Net Assets</b>	<b>87,324</b>	<b>(178,725)</b>	<b>26,481</b>	<b>(205,206)</b>
<b>Net Assets, Beginning of Year</b>	<b>4,700,177</b>	<b>4,700,177</b>	<b>4,700,177</b>	<b>-</b>
<b>Net Assets, End of Year</b>	<b>\$ 4,787,501</b>	<b>\$ 4,521,452</b>	<b>\$ 4,726,658</b>	<b>\$ (205,206)</b>

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



**Compliance  
and  
Internal Control**

# FREEMON, SHAPARD & STORY

*Certified Public Accountants*

## **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  
Texas Boys Choir, Inc.  
3901 S. Hulen Street  
Fort Worth, TX 76109

Members of the Board of Directors:

We have audited the financial statements of Texas Boys Choir, Inc. (the Charter Holder) as of and for the year ended August 31, 2012 and 2011, and have issued our report thereon dated January 15, 2013. 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.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered 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 Texas Boys Choir, Inc.'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 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 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 2012-1 and 2012-2.

We noted certain matters that we reported to management of Texas Boys Choir, Inc. in a separate letter dated January 15, 2013.

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 15, 2013

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

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

Under the guidelines of OMB Circular A-133, a Single Audit was not required for the year ended August 31, 2012.

II. Financial Statement Findings

Finding 2012-1

*Criteria*

New board members are required to receive twelve hours of board training their first year of service, and experienced board members are required to receive six hours of board training every year thereafter.

*Condition*

Five experienced board members did not receive the required board training.

*Effect*

These board members may not be aware of new charter school rules and regulations.

*Cause*

These board members did not attend the required board member training seminars.

*Recommendation*

All board members must receive the required board training every year.

*Management Response*

All board members will be required to attend board training every year. The board members who did not receive the training will either receive the training next year or will resign from the Board.

Finding 2012-2

*Criteria*

The Texas Education Codes requires that children who have been identified as gifted and talented receive services exclusively for gifted and talented students.

*Condition*

The students who have been identified as gifted and talented did not receive exclusive services.

*Effect*

The gifted and talented students are receiving the same services as the regular students. They are not receiving any services exclusively designed for gifted and talented students.

*Cause*

Texas Boys Choir did not develop any gifted and talented programs or send their gifted and talented students to any seminars developed for gifted and talented students.

*Recommendation*

Texas Boys Choir needs to spend 55% of their gifted and talented allotment on services exclusively for gifted and talented students.

*Management Response*

Texas Boys Choir will develop a gifted and talented program for its gifted and talented students.

III. Findings and Questioned Costs for State and Federal Awards

None identified.

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2012**

Finding 2011-1

*Criteria*

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

*Condition*

Fort Worth Academy of Fine Arts expenditures exceeded the final amended budget in eight functional categories for the year as per Exhibit E-1.1. However, only two functional categories exceeded ten percent of the final budgeted amount in Function 34-Student Transportation and Function 41-General Administration. Texas Elementary School of the Arts expenditures exceeded the final amended budget in four functional categories for the year as per Exhibit E-1.2; however, only two functional categories exceeded ten percent of final budgeted amount in Function 31-Guidance, Counseling, & Evaluation Services and Function 36-Cocurricular/Extracurricular Activities.

*Effect*

Expenditures were made without board approval.

*Recommendation*

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

*Management Response*

Fort Worth Academy of Fine Arts and Texas Elementary School of the Arts will monitor the budget more closely including making budget amendments approved by the Board when necessary in advance of spending funds.

*Status*

Although there were still a few functions in Fort Worth Academy of Fine Arts and Texas Elementary School of the Arts where the amount spent was more than the amount budgeted, there were no material overexpenditures.

*Management's Explanation for not implementing the Recommendation*

The charter schools will continue to monitor expenditures and amend the budgets in advance of spending in the 2012-13 year.

Finding 2011-2

*Criteria*

New board members are required to receive twelve hours of board training their first year of service, and experienced board members are required to receive six hours of board training every year thereafter.

*Condition*

One experienced board member did not receive any board training.

*Effect*

This board member may not be aware of new charter school rules and regulations.

*Recommendation*

All board members must receive the required board training every year.

*Management Response*

All board members will be required to attend board training every year. The board member who did not receive the training will either receive the training next year or will resign from the Board.

*Status*

Five experienced board members did not receive the required board training.

*Management's Explanation for not implementing the Recommendation*

Texas Boys Choir will determine if these board members should resign from the Board if they are unwilling or unable to attend board training seminars.

Finding 2011-3

*Criteria*

When an employee is hired, an I-9 should be completed by the employee and employer, and a W-4 should be completed by the employee. An I-9 is required for all employees hired after November 6, 1986, to prove that the employee is authorized to work in the United States.

*Condition*

Of the ten employees sampled for testing, four did not have I-9's on file, and three did not have W-4's on file.

*Effect*

Texas Boys Choir does not have any proof that they are checking the employment eligibility of their employees.

*Recommendation*

Every employee should have a file that contains their contract, I-9, W-4, training, etc. These files should be easily accessible, and Texas Boys Choir should be able to pull them immediately when auditors or grantor agencies ask for them.

*Management Response*

New W-4's and I-9's have been completed for the employees that had missing I-9's and W-4's.

*Status*

All W-4's and I-9's were available and accessible during sampling.

*Management's Explanation for not implementing the Recommendation*

N/A