

FINANCIAL STATEMENTS

DRAW ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION - EXHIBIT A-1
August 31, 2012 and 2011

| | 2012 | 2011 |
|--|-------------------|-------------------|
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 67,079 | \$ 102,644 |
| Due from Texas Education Agency | 179,868 | 200,939 |
| Prepaid expenses | 133,126 | 10,589 |
| Other receivable | 1,000 | 300 |
| Total current assets | 381,073 | 314,472 |
| Non-current assets: | | |
| Property and equipment, net | 485,696 | 425,241 |
| Total non-current assets | 485,696 | 425,241 |
| Total Assets | \$ 866,769 | \$ 739,713 |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 35,490 | \$ 6,173 |
| Payroll liabilities | 21,998 | 16,672 |
| Accrued salaries payable | 83,586 | 69,455 |
| Loan payable | 37,500 | - |
| Total current liabilities | 178,574 | 92,300 |
| Total Liabilities | 178,574 | 92,300 |
| Net Assets | | |
| Unrestricted | 672,179 | 542,211 |
| Temporarily restricted | 16,016 | 105,202 |
| Total net assets | 688,195 | 647,413 |
| Total Liabilities and Net Assets | \$ 866,769 | \$ 739,713 |

See Notes to Financial Statements.

DRAW ACADEMY, INC.
STATEMENT OF ACTIVITIES - EXHIBIT A-2
For the Years Ended August 31, 2012 and 2011

| | Unrestricted | Temporarily Restricted | Totals | |
|--|-------------------|---------------------------|-------------------|-------------------|
| | | | 2012 | 2011 |
| Revenues | | | | |
| Local support: | | | | |
| 5740 Other revenues from local sources | \$ 125,525 | \$ - | \$ 125,525 | \$ 91,006 |
| 5750 Revenue from cocurricular or enterprising | 4,443 | - | 4,443 | 1,835 |
| Total local support | <u>129,968</u> | <u>-</u> | <u>129,968</u> | <u>92,841</u> |
| State program revenues | | | | |
| 5810 Foundation school program act revenues | - | 2,719,992 | 2,719,992 | 2,425,201 |
| 5820 State program revenues distributed by Texas Education Agency | - | 29,117 | 29,117 | 40,360 |
| Total state program revenue | <u>-</u> | <u>2,749,109</u> | <u>2,749,109</u> | <u>2,465,561</u> |
| Federal program revenues: | | | | |
| 5920 Federal revenues distributed by Texas Education Agency | - | 533,216 | 533,216 | 475,462 |
| Net assets released from restrictions: | | | | |
| Restricted satisfied by payments | 3,371,511 | (3,371,511) | - | - |
| Total Revenues | <u>3,501,479</u> | <u>(89,186)</u> | <u>3,412,293</u> | <u>3,033,864</u> |
| Expenses | | | | |
| 11 Instruction | 1,990,975 | - | 1,990,975 | 1,858,454 |
| 12 Instructional resources and media services | 231 | - | 231 | 1,490 |
| 13 Curriculum development and instructional staff development | 15,876 | - | 15,876 | 25,977 |
| 23 School leadership | 198,495 | - | 198,495 | 196,869 |
| 31 Guidance, counseling, and evaluation services | 100 | - | 100 | 106 |
| 33 Health services | 5,220 | - | 5,220 | 4,715 |
| 35 Food services | 239,117 | - | 239,117 | 155,124 |
| 36 Co-curricular/extracurricular activities | - | - | - | 744 |
| 41 General administration | 69,945 | - | 69,945 | 109,196 |
| 51 Plant maintenance and operations | 816,298 | - | 816,298 | 639,407 |
| 52 Security and monitoring services | 5,673 | - | 5,673 | 1,121 |
| 53 Data processing services | 26,413 | - | 26,413 | 19,850 |
| 71 Debt services | 3,168 | - | 3,168 | - |
| Total Expenses | <u>3,371,511</u> | <u>-</u> | <u>3,371,511</u> | <u>3,013,053</u> |
| Change in Net Assets | 129,968 | (89,186) | 40,782 | 20,811 |
| Beginning net assets | 542,211 | 105,202 | 647,413 | 626,602 |
| Ending Net Assets | <u>\$ 672,179</u> | <u>\$ 16,016</u> | <u>\$ 688,195</u> | <u>\$ 647,413</u> |

See Notes to Financial Statements.

DRAW ACADEMY, INC.
STATEMENT OF CASH FLOWS - EXHIBIT A-3
For the Years Ended August 31, 2012 and 2011

| | 2012 | 2011 |
|--|-------------|-------------|
| Cash Flows from Operating Activities | | |
| Revenue from co-curricular or enterprising | \$ 4,443 | \$ - |
| Foundation school program payments | 2,770,180 | 2,432,379 |
| Grant payments | 533,216 | 475,462 |
| Miscellaneous sources | 124,825 | 91,342 |
| Payments to vendors for goods and services rendered | (1,382,074) | (1,212,868) |
| Payments to charter school personnel for services rendered | (1,977,708) | (1,770,716) |
| Interest payments | (3,168) | - |
| Net Cash Provided by Operating Activities | 69,714 | 15,599 |
| Cash Flows from Investing Activities | | |
| Payments for property and equipment | (142,779) | (307,964) |
| Net Cash (Used) by Investing Activities | (142,779) | (307,964) |
| Cash Flows from Financing Activities | | |
| Cash advances | 75,000 | - |
| Payments on cash advances | (37,500) | - |
| Net Cash Provided by Financing Activities | 37,500 | - |
| Net Change in Cash and Cash Equivalents | (35,565) | (292,365) |
| Beginning cash and cash equivalents | 102,644 | 395,009 |
| Ending Cash and Cash Equivalents | \$ 67,079 | \$ 102,644 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Change in net assets | \$ 40,782 | \$ 20,811 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 82,324 | 38,621 |
| (Increase) decrease in: | | |
| Due from Texas Education Agency | 21,071 | (32,882) |
| Prepaid expenses | (122,537) | (1,499) |
| Accounts receivable | (700) | (300) |
| Increase (decrease) in: | | |
| Accounts payable | 29,317 | (5,243) |
| Payroll liabilities | 5,326 | (10,869) |
| Accrued salaries payable | 14,131 | 6,960 |
| Net Cash Provided by Operating Activities | \$ 69,714 | \$ 15,599 |

See Notes to Financial Statements.