Center for Academic Success, Inc.

Financial Statements
and Single Audit Reports

Years ended June 30, 2009 and 2008

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Independent Auditor's Report

Board of Directors
Center for Academic Success, Inc.
Sierra Vista, Arizona

We have audited the accompanying statements of financial position of Center for Academic Success, Inc. as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Center for Academic Success, 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Center for Academic Success, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 9, 2009 on our consideration of Center for Academic Success, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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

Walker + Armstrong LLP

Phoenix, Arizona
December 9, 2009

Center for Academic Success, Inc.
Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	$ 351,924	$ 191,677
Grants receivable	187,632	82,067
Prepaid expenses	41,608	7,667
Due from affiliate	174,601	132,322
Bond issuance cost, net	174,415	180,645
Restricted cash and investments	1,271,642	4,240,056
Property and equipment, net	9,243,746	7,215,810
Total assets	$ 11,445,568	$ 12,050,244
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 119,444	$ 118,711
Construction payable	94,502	796,991
Accrued construction retainage	-	389,660
Accrued compensated absences	85,428	72,781
Interest payable	246,562	246,562
Capital lease obligations	331,852	132,407
Bonds payable	8,824,412	8,818,141
Total liabilities	9,702,200	10,575,253
Net Assets		
Unrestricted net assets	1,498,854	1,229,332
Temporarily restricted net assets	244,514	245,659
Total net assets	1,743,368	1,474,991
Total liabilities and net assets	$ 11,445,568	$ 12,050,244

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

Center for Academic Success, Inc.
Statements of Activities
Years ended June 30, 2009 and 2008

	2009	2008
Change in unrestricted net assets:		
Support and revenue		
State grants	$ 4,889,090	$ 3,483,408
Federal grants	457,605	440,345
Job training	390,707	212,482
Food service program	444,047	354,389
Interest income	75,901	302,235
Preschool income	243,248	161,434
Miscellaneous	116,750	54,661
	6,617,348	5,008,954
Net assets released from restriction	262,144	175,087
Total unrestricted support and revenue	6,879,492	5,184,041
Expenses		
Program services		
Instruction	4,279,661	2,987,122
Youth job training	378,226	225,982
Food service	428,790	371,970
Special education	306,611	254,992
Total program services	5,393,288	3,840,066
Supporting services		
Management and general	1,216,682	1,207,093
Total expenses	6,609,970	5,047,159
Increase in unrestricted net assets	269,522	136,882
Changes in temporarily restricted net assets		
State Classroom Site Fund	260,999	347,234
Net assets released from restriction	(262,144)	(175,087)
(Decrease)/increase in temporarily restricted net assets	(1,145)	172,147
Increase in net assets	268,377	309,029
Net assets, beginning of year	1,474,991	1,165,962
Net assets, end of year	$ 1,743,368	$ 1,474,991

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

Center for Academic Success, Inc.
Statements of Functional Expenses
Year ended June 30, 2009

	Program Services					
	Instruction	Youth Job Training	Food Service	Special Education	Management and General	Total
Salaries and wages	$ 1,865,383	$ 234,017	$ 89,642	$ 223,197	$ 754,177	$ 3,166,416
Payroll taxes	168,641	24,258	9,428	20,060	69,569	291,956
Health insurance	291,190	11,019	18,522	41,639	81,075	443,445
Retirement	86,162	3,737	2,996	11,078	33,652	137,625
Total salaries and related	2,411,376	273,031	120,588	295,974	938,473	4,039,442
Depreciation and amortization	371,053	-	-	7,446	6,323	384,822
Rent	19,679	8,864	2,111	-	9,564	40,218
Food	18,581	-	249,341	-	-	267,922
Textbooks and instructional materials	88,319	-	-	-	-	88,319
Utilities	98,304	1,652	2,863	-	27,891	130,710
Travel	32,998	9,514	2,301	2,286	28,779	75,878
Building maintenance	164,825	951	-	-	42,431	208,207
Equipment maintenance and rental	28,689	306	8,982	-	8,335	46,312
Office supplies	116,368	2,180	27,504	905	6,026	152,983
Professional services	38,141	4,004	1,987	-	64,324	108,456
Insurance	63,841	-	-	-	5,287	69,128
Telephone and communications	52,722	5,149	1,873	-	29,303	89,047
Computer maintenance	2,976	26	-	-	(66)	2,936
College and job training assistance	12,978	51,419	175	-	-	64,572
Vehicle expense	12,056	2,668	3,410	-	149	18,283
Small equipment purchases	142,170	548	5,972	-	6,495	155,185
Staff training	32,173	604	-	-	2,312	35,089
Advertising and publications	18,842	4	99	-	1,731	20,676
Long-term disability and workers' compensation	11,405	380	410	-	2,697	14,892
Information and marketing	7,393	2	122	-	715	8,232
Interest expense	491,767	-	-	-	19,366	511,133
Printing	2,910	900	-	-	1,463	5,273
Graduation supplies	2,120	-	-	-	-	2,120
Board expense	-	68	-	-	6,576	6,644
Postage and shipping	2,435	14	70	-	1,355	3,874
Miscellaneous	33,442	15,942	982	-	7,153	57,519
Field trips	2,099	-	-	-	-	2,099
Total expenses	$ 4,279,661	$ 378,226	$ 428,790	$ 306,611	$ 1,216,682	$ 6,609,970

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

Center for Academic Success, Inc.
Statement of Functional Expenses
Year ended June 30, 2008

	Program Services					
	Instruction	Youth Job Training	Food Service	Special Education	Management and General	Total
Salaries and wages	$ 1,535,163	$ 141,165	$ 73,600	$ 189,682	$ 769,621	$ 2,709,231
Payroll taxes	139,150	13,453	7,899	16,876	69,781	247,159
Health insurance	258,345	9,790	22,408	28,948	86,606	406,097
Retirement	76,988	3,280	3,753	9,880	37,089	130,990
Total salaries and related	2,009,646	167,688	107,660	245,386	963,097	3,493,477
Depreciation	180,626	-	-	3,896	6,229	190,751
Rent	166,136	5,268	12,595	-	48,983	232,982
Food	8,764	-	207,448	-	-	216,212
Textbooks and instructional materials	115,343	-	-	-	-	115,343
Utilities	77,348	892	2,775	-	19,418	100,433
Travel	28,886	8,800	1,607	5,130	21,751	66,174
Building maintenance	82,968	604	-	-	21,194	104,766
Equipment maintenance and rental	16,108	380	730	-	5,801	23,019
Office supplies	38,144	772	21,979	-	2,844	63,739
Professional services	20,132	136	330	-	32,355	52,953
Insurance	29,379	-	-	-	39,330	68,709
Telephone and communications	41,064	3,706	2,073	-	20,119	66,962
Computer maintenance	4,225	288	-	-	1,400	5,913
College and job training assistance	14,726	18,472	300	-	-	33,498
Vehicle expense	32,221	4,026	3,471	-	65	39,783
Small equipment purchases	21,044	278	8,562	-	987	30,871
Staff training	26,964	923	-	-	5,855	33,742
Advertising and publications	17,781	2	55	-	658	18,496
Long-term disability and workers' compensation	8,210	358	495	-	3,600	12,663
Information and marketing	6,466	-	-	-	427	6,893
Interest expense	-	-	270	-	115	385
Printing	1,155	358	-	-	668	2,181
Graduation supplies	7,837	90	-	-	-	7,927
Board expense	-	4	-	-	4,632	4,636
Postage and shipping	892	13	10	-	976	1,891
Miscellaneous	27,247	12,924	1,610	580	6,589	48,950
Field trips	3,810	-	-	-	-	3,810
Total expenses	$ 2,987,122	$ 225,982	$ 371,970	$ 254,992	$ 1,207,093	$ 5,047,159

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

Center for Academic Success, Inc.
Statements of Cash Flows
Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Cash received from grantor agencies	$ 6,652,387	$ 4,981,313
Interest income received	75,901	302,235
Cash paid to vendors and employees	(5,732,362)	(4,817,085)
Interest paid	(504,861)	(385)
Net cash provided by operating activities	491,065	466,078
Cash flows from investing activities:		
Property and equipment purchases	(3,214,037)	(3,976,389)
Change in restricted cash	2,968,414	(4,166,544)
Net cash used for investing activities	(245,623)	(8,142,933)
Cash flows from financing activities:		
Proceeds from education bonds	-	8,818,141
Bond issuance cost	-	(186,874)
Principal payments under capital lease obligation	(85,195)	(36,409)
Payments on note payable	-	(900,000)
Net cash (used for) provided by financing activities	(85,195)	7,694,858
Net increase in cash and cash equivalent	160,247	18,003
Cash and cash equivalents, beginning of year	191,677	173,674
Cash and cash equivalents, end of year	$ 351,924	$ 191,677
Noncash investing and financing activities		
Equipment acquired with the proceeds of a capital lease	$ 167,336	$ -

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

Center for Academic Success, Inc.
Statements of Cash Flows - Continued
Years ended June 30, 2009 and 2008

	2009	2008
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	$ 268,377	$ 309,029
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	384,822	190,751
Bond discount amortization	6,272	-
Decrease (increase) in:		
Grants receivable	(105,565)	9,315
Prepaid expenses	(33,941)	20,072
Due from affiliate	(42,279)	(81,955)
Increase (decrease) in:		
Accounts payable and accrued expenses	733	6,162
Compensated absences	12,647	12,704
Net cash provided by operating activities	$ 491,065	$ 466,078

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

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Center for Academic Success, Inc. ("CAS") is an Arizona nonprofit corporation established in 1999 for the purpose of operating charter schools for grades kindergarten through twelfth and providing job training to students in Cochise County, Arizona. CAS operates five public schools under the Arizona State Board for Charter Schools (the "Sponsor"), which mandates operational guidelines. CAS is primarily funded through state equalization assistance and other government grants.

Prior to separate incorporation in 1999, the charter schools were operated by Cochise Private Industry Council, Inc. ("CPIC") and was considered to be, and was reported as, a component unit of CPIC. By determination of the board of directors, effective July 1, 2000, the assets, liabilities and operations of CAS were transferred to a separate entity governed by its own board. CAS is considered to be a related party of CPIC, dba Cochise County Workforce Development ("CCWD") due to common management, as well as shared facilities and financial management systems.

The significant accounting policies followed by CAS are as follows:

Basis of Accounting

The financial statements of CAS have been prepared on the accrual basis of accounting. Revenue and expenses are recognized and recorded when earned or incurred.

Basis of Presentation

The financial statements presentation follows the recommendation of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations.* Under SFAS No. 117, CAS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets as of June 30, 2009 and 2008.

Management's Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents

Cash includes cash and cash equivalents such as short-term certificates of deposit and money market investment accounts with an initial maturity of three months or less. Accounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

Grants Receivables

All grants receivable at June 30, 2009 and 2008 are considered to be fully collectible, and accordingly, an allowance for doubtful accounts is not considered necessary.

Property and Equipment

Purchased property and equipment are stated at cost. Outlays for routine repair and maintenance are charged to operations as incurred. Outlays which substantially extend the useful life of an asset are capitalized. CAS capitalizes assets with a cost of $1,000 or more and an estimated useful life of one year or more. Depreciation and amortization of property and equipment is computed on a straight-line basis over their estimated useful lives which range from 3 to 35 years.

Bond Issuance Cost

CAS has incurred $186,874 in costs associated with issuing bonds which are amortized on a straight-line basis over the bonds' term through 2037. CAS recognized $6,230 and $6,229 of expense in connection with these costs during 2009 and 2008, respectively.

Revenue Recognition

Revenue is recognized on the accrual basis as earned. Depending on the grant or contract agreement, revenue is recognized based on the meeting conditions of the agreement which is typically measured by the number of students enrolled or amount of expenditures incurred.

CAS receives substantially all grant and contract revenue from the State of Arizona. CAS recognizes the majority of its contract revenue based on the number of students enrolled as calculated in accordance with the requirements of the Arizona Department of Education. All other grant and contract revenue is recognized as the underlying expenditures are incurred.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies - Continued

Functional Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited based on square footage and payroll. Management and general classification includes those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of CAS.

Income Tax Status

CAS qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore there is no provision for income taxes. In addition, CAS qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income unrelated to CAS's exempt purpose is taxable.

During 2009, CAS adopted the provisions of FASB Interpretation No. 48, as codified by the Financial Accounting Standards Board. This interpretation requires entities, including nonprofit organizations, to evaluate uncertain tax provisions and record a liability for those positions which it is more-likely-than-not that the position would result in an additional tax liability pursuant to an examination by the Internal Revenue Service. Management evaluates annually its tax positions related to unrelated business income, and if applicable, adjusts its income tax provision accordingly. As of June 30, 2009, no uncertain tax positions have been identified and accordingly, no provision has been made.

Note 2 – Cash and Cash Equivalents

In the normal course of business, CAS maintains bank balances in excess of FDIC insurance limits. In the case of deposits, there is the risk that in the event of bank failure, CAS's may not recover all of its bank deposits.

Note 3 – Restricted Cash and Investments

Restricted Cash

In accordance with Arizona Revised Statute §15-977, unspent Classroom Site Fund receipts must be used in future periods for specific purposes. These monies are restricted for costs associated with teacher base salary increases, class size reduction, AIMS intervention programs, and dropout prevention programs. Accordingly, unspent proceeds remaining at year-end are reported as restricted cash.

Note 3 – Restricted Cash and Investments – Continued

Restricted Investments

Restricted investments consist of U.S. government treasury bonds held by the trustee for the education bond discussed further in Note 6. These accounts are then restricted for specific purposes such as new school construction costs, debt service, taxes and insurance and other miscellaneous costs. Substantially all of the income earned on these investments was interest. Restricted cash and investments are held in the following accounts as of June 30:

	2009	2008
Cash and investments restricted for:		
Project costs	$ 2,348	$ 3,036,671
Bond principal	645,804	645,884
Bond interest	314,083	250,280
Taxes and insurance	48,352	46,646
Other bond costs	16,541	14,916
Total restricted investments	1,027,128	3,994,397
Restricted cash-Classroom Site Fund	244,514	245,659
Total restricted cash and investments	$ 1,271,642	$ 4,240,056

Note 4 – Fair Value Measurements

Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, as codified by the Financial Accounting Standards Board, is effective for entities with years beginning after November 15, 2007 and accordingly, was effective for CAS July 1, 2008. This Statement establishes a framework for measuring assets and liabilities at fair value and expands the disclosure requirements for fair value information. That framework provides a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The following is a description of the valuation methodologies used for measuring CAS's assets and liabilities at fair value:

Note 4 – Fair Value Measurements - Continued

Level 1	Valuation based on unadjusted quoted prices within active markets for identical assets accessible by CAS (e.g., prices derived from New York Stock Exchange, NASDAQ or Chicago Board of Trade).
Level 2	Valuation based on quoted market prices for similar assets within active or inactive markets or information other than quoted market price observable through market data for substantially the full term of the asset or liability.
Level 3	Valuation based on inputs other than quoted market prices that reflect assumptions about the asset that market participants would use when performing the valuation based on the best information available in the circumstances.

As of June 30, 2009 and 2008, CAS's assets measured at fair value on a recurring basis consists of U.S. Treasury bonds which are valued as level 2 assets. During 2009 and 2008, CAS did not have any assets measured on a non-recurring basis.

Note 5– Property and Equipment

Property and equipment consists of the following as of June 30:

	2009	2008
Nondepreciable		
Land	$ 1,037,610	$ 1,029,140
Construction in progress	-	4,866,749
Total nondepreciable	1,037,610	5,895,889
Depreciable		
Buildings	8,227,140	1,160,718
Furniture and office equipment	1,594,808	1,396,423
Leasehold improvements	82,934	82,934
Vehicles	101,112	101,112
Total depreciable	10,005,994	2,741,187
Total property and equipment	11,043,604	8,637,076
Less: accumulated depreciation	(1,799,858)	(1,421,266)
Property and equipment, net	$ 9,243,746	$ 7,215,810

Note 5– Property and Equipment - Continued

Interest incurred on debt used to finance construction costs is capitalized to the project until the project is used in operations. Total capitalized interest was $0 and $467,310 in 2009 and 2008, respectively.

Note 6 – Long-Term Debt

Bonds Payable

The following is a summary of bonds payable as of June 30:

	2009	2008
Series 2007B Education Revenue Bonds, issued July 12, 2007, due July 1, 2037, with interest at 5.5% per annum paid semi-annually on July 1 and January 1. Principal payments in annual accelerating amounts commences July 1, 2014.	$ 7,500,000	$ 7,500,000
Series 2007A Education Revenue Bonds, issued July 12, 2007, due July 1, 2022, with interest at 5.375% per annum paid semi-annually on July 1 and January 1. Principal payments in annual accelerating amount commences July 1, 2010.	1,500,000	1,500,000
	9,000,000	9,000,000
Unamortized discount	(175,588)	(181,859)
Total bonds payable	$ 8,824,412	$ 8,818,141

Under terms of the bond agreements the equalization funding received from the state of Arizona is directly remitted to the bondholders to meet debt service requirements. There is no other collateral for the bonds listed above.

The bond agreements require that CAS comply with certain covenants including meeting a debt service coverage ratio (defined as the ratio of net income available for debt service divided by the maximum annual debt service) of at least 1.1 to 1. CAS was in compliance with the debt service coverage ratio requirement with a ratio of 1.62 to 1 at June 30, 2009.

Note 6 – Long-Term Debt – Continued

The annual bond principal requirements to maturity as of June 30, 2009 are as follows:

Year ending June 30,	Amount
2010	$ -
2011	135,000
2012	140,000
2013	150,000
2014	155,000
Thereafter	8,420,000
	$ 9,000,000

Capital Lease Obligation

CAS leases phone system equipment, classroom equipment, and office equipment under multiple capital lease agreements expiring between December 2011 and March 2014 with interest rates ranging from 6.78% to 10.02%. Future minimum lease payments under the capital lease obligations at June 30, 2009 are as follows:

Year Ending June 30,	Minimum Lease Payment
2010	$ 105,672
2011	105,672
2012	68,953
2013	68,953
2014	26,940
Total	376,190
Less amount representing interest	(44,338)
Present value of net minimum lease payments	$ 331,852

Note 6 – Long-Term Debt – Continued

The following is a schedule of equipment accounted for as a capital leases as of June 30:

	2009	2008
Equipment held under capital lease	$ 326,741	$ 159,405
Less: accumulated amortization	(126,723)	(63,762)
	$ 200,018	$ 95,643

Note 7 – Operating Leases

CAS conducted part of its operations in a facility shared with CCWD under an operating lease ending August 31, 2009. Management estimated that CAS occupied 30% of the total space of this shared facility pursuant to an informal sublease agreement. CAS's share of rent expense for the years ended June 30, 2009 and 2008 was $40,218 and $232,982, respectively.

Note 8 – Pension Plans

Eligible CAS employees can participate in a 403(b) defined contribution plan and a simplified employee pension plan. These plans are combined plans that include employees of CAS and CCWD. The plans were established pursuant to authorization by the board of directors and can be amended upon the board's approval. To be eligible, employees must be 21 years of age or older and earn the minimum amount required by the Internal Revenue Service. All participants are fully vested upon entering the plans. CAS's contribution to the plans was $137,580 and $130,990 in 2009 and 2008, respectively.

Note 9 – Related Party Transactions

During the years ended June 30, 2009 and 2008, CAS received $390,707 and $212,482, respectively in revenue from CCWD for reimbursement of expenses related to the Professional Youth Quest ("PYQ") program that CAS operates on behalf of CCWD. These expenses are reported in the Youth Job Training function in the statements of activities.

The amount due from CCWD related to this program was $174,601 and $50,376 as of June 30, 2009 and 2008, respectively.

Note 10 – Subsequent Events

CAS has evaluated through December 9, 2009 subsequent events that may require additional disclosure or adjustment to the financial statements and no such events occurred.

Supplemental Information

Center for Academic Success, Inc.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through the Arizona Department of Education			
Child Nutrition Cluster			
National School Lunch - Local Wellness	10.55A	10.55	$ 75,705
National School Lunch Program	10.555	02-87-50	302,190
Summer Food Service Program for Children	10.559	02-87-50	66,152
			444,047
Passed through the Arizona Department of Health Services			
State Administrative Matching Grants for Food Stamp Program	10.561	HI050053	37,004
Total U.S. Department of Agriculture			481,051
U.S. Department of Labor			
Passed through the Arizona Department of Economic Security, Cochise County, Arizona and Cochise Private Industry Council			
WIA Youth Activities	17.259	E5706002 & E5705002	390,707
U.S. Department of Education			
Passed through the Arizona Department of Education			
Title I Grants to Local Educational Agencies	84.010	09FAATTI-960195-07A	305,856
Special Education - Grants to States	84.027	09FESCBG-960195-04A	72,174
Safe and Drug-Free Schools and Communities - Safe Grants	84.186	09FSDIVB-960195-06A	4,303
Title II Enhancing Education through Technology	84.318	09FETETF-960195-11A	1,750
English Language Acquisition Grants	84.365	09FACLEP-960195-05A	23,296
Improving Teacher Quality - State Grants	84.367	09FAATII-960195-08A	13,053
Total U.S. Department of Education			420,432
Total expenditures of federal awards			$ 1,292,190

See accompanying notes to this schedule.

Center for Academic Success, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Center for Academic Success, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Center for Academic Success, Inc. did not provide federal awards to sub-recipients during the year ended June 30, 2009.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA program titles and numbers were obtained from the 2009 *Catalog of Federal Domestic Assistance.*

Note 3 – Sub-recipients

CAS did not have any sub-recipients for 2009.

Single Audit Reports

Walker & Armstrong LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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
Center for Academic Success, Inc.
Sierra Vista, Arizona

We have audited the financial statements of Center for Academic Success, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Center for Academic Success, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center for Academic Success, Inc.'s internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily disclose all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 09-001 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclosed all significant deficiencies that are also considered to be material weaknesses. However we do not believe the significant deficiency described above is considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Center for Academic Success, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Center for Academic Success, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Center for Academic Success, Inc.'s response and, accordingly, we express no opinion on it.

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

Walker & Armstrong LLP

Phoenix, Arizona
December 9, 2009

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Directors
Center for Academic Success, Inc.
Sierra Vista, Arizona

Compliance

We have audited the compliance of Center for Academic Success, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Center for Academic Success, Inc.'s major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Center for Academic Success, Inc.'s management. Our responsibility is to express an opinion on Center for Academic Success, Inc.'s compliance based on our audit.

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

In our opinion, Center for Academic Success, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of Center for Academic Success, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Center for Academic Success, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more on the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, 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.

Walker & Armstrong LLP

Phoenix, Arizona
December 9, 2009

Center for Academic Success, Inc
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued:	**Unqualified**	
	Yes	**No**
Material weakness(es) identified in internal control over financial reporting?		X
Significant deficiencies identified not considered to be material weaknesses?	X	
Noncompliance material to the financial statements noted?		X

Federal Awards

Material weaknesses identified in internal control over major programs?		X
Significant deficiencies identified not considered to be material weaknesses?		X
Type of auditor's report issued on compliance for major programs:	**Unqualified**	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?		X

Identification of major programs:

CFDA No.	Name of Federal Program
10.55A, 10.555 and 10.559	Child Nutrition Cluster
17.259	WIA Youth Activities
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and B programs:	**$300,000**	
Auditee qualified as a low risk auditee?		X

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?		X

B. Financial Statement Finding

09-001 Improve Separation of Duties over Cash Receipts

Condition: CAS receives cash from various sources including the preschool program and various contributors. We noted that depending on the level of staffing, accounting personnel will prepare the deposit slip, maintain the cash in a locked box, make the bank deposit and record the entry in the accounting system.

Recommendation: We recommend that the duties related to cash receipts always be segregated so that personnel receiving the cash and preparing the deposits are not those that maintain the cash in a locked box and have the ability to record transactions in the accounting system. We also recommend that personnel other than those preparing the deposits reconcile the amounts deposited to the deposit receipts. This will improve the integrity of the accounting records and reduce the risk of misappropriation over cash receipts.

Management's Response: Management concurs with the finding and recommendations and will change its existing procedures to improve segregation of duties over cash receipts.

C. Federal Award Findings and Questioned Costs

No matters were identified that were required to be reported.

Center for Academic Success, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Item 08-001:

Condition: CAS did not completely and accurately maintain property and equipment records.

Status: No similar audit finding as noted in fiscal year 2009.