



Office of Management and Budget Circular  
A-133 Reports Including Supplemental  
Schedule of Expenditures of Federal Awards  
for the Year Ended June 30, 2011



**SOUTHSIDE ACADEMY  
CHARTER SCHOOL**

A PUBLIC CHARTER SCHOOL MANAGED BY NATIONAL HERITAGE ACADEMIES

# SOUTHSIDE ACADEMY CHARTER SCHOOL

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Southside Academy Charter School  
Syracuse, New York

We have audited the accompanying statement of financial position of Southside Academy Charter School (the "School"), as of June 30, 2011, and the related statement of activities and change in net assets, and the statement of cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2011, on our consideration of School's internal control over financial reporting and 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 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 audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the School taken as a whole. The supplemental schedule of functional expenses listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the School. The accompanying schedule of expenditures of federal awards is presented for the purpose 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. These schedules are the responsibility of School's management. Such information has been subjected to the auditing procedures applied by us in our 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.

*Deloitte & Touche LLP*

October 19, 2011

# SOUTHSIDE ACADEMY CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

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### ASSETS

|                                       |                     |
|---------------------------------------|---------------------|
| CASH                                  | \$ 75,312           |
| DUE FROM GOVERNMENTAL REVENUE SOURCES | <u>1,675,083</u>    |
| TOTAL                                 | <u>\$ 1,750,395</u> |

### LIABILITIES AND NET ASSETS

#### LIABILITIES:

|                                |                  |
|--------------------------------|------------------|
| Deferred Revenue               | \$ 458           |
| Contracted service fee payable | <u>1,749,937</u> |

Total liabilities 1,750,395

NET ASSETS — Unrestricted -

TOTAL \$ 1,750,395

See notes to financial statements.

## SOUTHSIDE ACADEMY CHARTER SCHOOL

### STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS YEAR ENDED JUNE 30, 2011

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|   |                    |
|---|--------------------|
| REVENUES, GAINS AND OTHER SUPPORT:      |                    |
| State aid                               | \$ 7,628,504       |
| Other state sources                     | 139,606            |
| Federal sources                         | 795,868            |
| Private sources                         | <u>51,524</u>      |
| Total revenues, gains and other support | 8,615,502          |
| EXPENSES — Contracted service fee       | <u>8,615,502</u>   |
| CHANGE IN NET ASSETS                    | -                  |
| NET ASSETS:                             |                    |
| Beginning of year                       | <u>-</u>           |
| End of year                             | <u><u>\$ -</u></u> |

See notes to financial statements.

## SOUTHSIDE ACADEMY CHARTER SCHOOL

### STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011

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#### CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

|                                |                    |
|--------------------------------|--------------------|
| State aid                      | \$ 7,369,212       |
| Other state sources            | 85,263             |
| Federal sources                | 810,082            |
| Private sources                | 46,699             |
| Payments for services rendered | <u>(8,236,244)</u> |

Net cash provided by operating activities 75,012

NET INCREASE IN CASH 75,012

CASH — Beginning of year 300

CASH — End of year \$ 75,312

#### RECONCILIATION OF CHANGE IN NET ASSETS TO NET

##### CASH PROVIDED BY OPERATING ACTIVITIES:

|  |                |
|--|----------------|
| Change in net assets   | \$ -           |
| Adjustments to reconcile change in net assets to<br>net cash provided by operating activities: |                |
| Change in due from governmental revenue sources  | (299,420)      |
| Change in deferred revenue   | (48)           |
| Change in contracted service fee payable   | <u>374,480</u> |

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 75,012

See notes to financial statements.

# SOUTHSIDE ACADEMY CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

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### 1. NATURE OF OPERATIONS

Southside Academy Charter School (the "School") is a public charter school as defined by Article 56 of the New York State Education Law which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under a charter approved by the Board of Regents of the State of New York, which is responsible for oversight of the School's operations. The charter expires June 30, 2015 and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business. The School provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The School's primary source of revenue is provided by the State of New York and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July 2010 through May 2011.

The Board of Trustees of the School has entered into a services agreement (the "agreement") with National Heritage Academies, Inc. ("NHA") which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School operates. The agreement will continue until termination of the charter, inclusive of any charter renewals, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the School or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** — The financial statements have been prepared in accordance with Section 2851 of the Education Law of the State of New York which requires such statements to be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles accepted in the United States of America for not-for-profit organizations.

**Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash** — Cash as of June 30, 2011, represents bank deposits which are covered by federal depository insurance.

**Deferred Revenue** — Deferred revenue as of June 30, 2011, consists of funds received for services which have not yet been performed.

**Contracted Service Fee Payable** — Contracted service fee payable as of June 30, 2011 represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the services agreement.

**The Financial Statements** — The financial statements are presented as follows:

Net assets and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* — Net assets which are not subject to donor imposed or governmental stipulations. Included in unrestricted net assets are net assets which have been designated by the board for certain projects.
- *Temporarily Restricted Net Assets* — Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met either by actions of the Board and/or the passage of time. There were no temporarily restricted net assets as of June 30, 2011.

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

### **3. RISK MANAGEMENT**

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2011, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

### **4. CONTINGENCIES**

The School has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

### **5. OPERATING LEASE**

The Academy has entered into a sub-lease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2010 through June 30, 2011. Annual rental payments required by the lease are \$984,636, payable in twelve monthly payments of \$82,053. This lease is renewable on a year to year basis.

**6. SUBSEQUENT EVENTS**

Events or transactions occurring after the balance sheet date have been evaluated through October 19, 2011, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

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**SUPPLEMENTAL SCHEDULE**

## SOUTHSIDE ACADEMY CHARTER SCHOOL

### SCHEDULE OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2011

|  | Program Services     |                      | Supporting<br>Services    | Total               |
|--|----------------------|----------------------|---------------------------|---------------------|
|  | Regular<br>Education | Special<br>Education | Management<br>and General |                     |
| Contracted service fee:                  |                      |                      |                           |                     |
| Salaries and wages                       | \$ 2,135,104         | \$ 82,455            | \$ -                      | \$ 2,217,559        |
| Retirement contributions                 | 44,737               | 2,791                | -                         | 47,528              |
| Other employee benefits                  | 404,694              | 15,264               | -                         | 419,958             |
| Payroll taxes                            | 186,622              | 7,309                | -                         | 193,931             |
| Accounting fees                          | 12,096               | -                    | 211,738                   | 223,834             |
| Supplies                                 | 312,279              | 2,678                | -                         | 314,957             |
| Postage and shipping                     | 5,041                | -                    | -                         | 5,041               |
| Occupancy                                | 1,694,843            | -                    | 21,435                    | 1,716,278           |
| Food service                             | 411,591              | -                    | -                         | 411,591             |
| Equipment rental and<br>maintenance      | 36,032               | 660                  | -                         | 36,692              |
| Printing and publications                | 32,501               | -                    | -                         | 32,501              |
| Travel                                   | 1,662                | -                    | -                         | 1,662               |
| Professional development<br>and meetings | 115,130              | 4,133                | -                         | 119,263             |
| Professional fees                        | 77,079               | 87,583               | -                         | 164,662             |
| Instructional support                    | -                    | -                    | 213,218                   | 213,218             |
| Academic and general support             | -                    | -                    | 847,985                   | 847,985             |
| Enrollment and parent<br>relations       | -                    | -                    | 91,928                    | 91,928              |
| Board support                            | -                    | -                    | 200,281                   | 200,281             |
| Human resources                          | -                    | -                    | 526,302                   | 526,302             |
| Support services                         | -                    | -                    | 196,048                   | 196,048             |
| Technology services                      | 21,026               | -                    | 477,114                   | 498,140             |
| Marketing and business<br>development    | 1,215                | -                    | 96,504                    | 97,719              |
| Insurance                                | 16,086               | -                    | -                         | 16,086              |
| Miscellaneous                            | 22,338               | -                    | -                         | 22,338              |
|  | <u>\$ 5,530,076</u>  | <u>\$ 202,873</u>    | <u>\$ 2,882,553</u>       | <u>\$ 8,615,502</u> |
| Total contracted service fee             | <u>\$ 5,530,076</u>  | <u>\$ 202,873</u>    | <u>\$ 2,882,553</u>       | <u>\$ 8,615,502</u> |

See auditors' report on supplemental schedule.

## **INDEPENDENT AUDITORS' 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**

To the Board of Trustees of  
Southside Academy Charter School  
Syracuse, NY

We have audited the financial statements of Southside Academy Charter School, (the "School"), as of and for the year ended June 30, 2011, and have issued our report thereon dated October 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

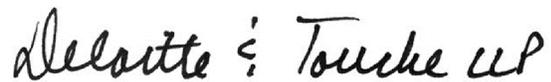
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School'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 the School'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*.

This report is intended solely for the information and use of the Board of Trustees, management of the School, National Heritage Academies, Inc., the School's authorizing agency, the New York Department of Education, federal awarding agencies, state funding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

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October 19, 2011

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Southside Academy Charter School  
Syracuse, New York

### **Compliance**

We have audited Southside Academy Charter School's (the "School") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2011. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School'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 the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### **Internal Control Over Compliance**

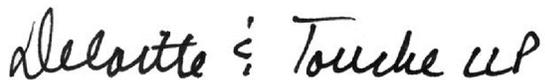
Management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal

program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, National Heritage Academies, Inc., the authorizing agency, the New York State Education Department, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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October 19, 2011

# SOUTHSIDE ACADEMY CHARTER SCHOOL

## SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2011

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title     | Federal<br>CFDA<br>Number | State/Pass-<br>through<br>Grantor's<br>Number | Expenditures      |
|---|---------------------------|---|-------------------|
| Child Nutrition Cluster —   |                           |   |                   |
| U.S. Department of Agriculture —                                      |                           |   |                   |
| Passed through New York State Education Department:                   |                           |   |                   |
| National School Breakfast Program                                     | 10.553                    |   | \$ 127,363        |
| National School Lunch Program   | 10.555                    |   | <u>233,279</u>    |
| Total U.S. Department of Agriculture                                  |                           |   | <u>360,642</u>    |
| U.S. Department of Education —  |                           |   |                   |
| Passed through New York State Education Department:                   |                           |   |                   |
| Title I, Grants to Local Educational Agencies                         | 84.010                    | 0021104182<br>0021114182                      | 41,092<br>230,667 |
| ARRA Title I, Parts A & D   | 84.389                    | 5021104182<br>5021114182                      | 17,177<br>4,410   |
| Title II, Improving Teacher Quality                                   | 84.367                    | 0147104182<br>0147114182                      | 5,751<br>50,760   |
| Title IID, Technology Education                                       | 84.318                    | 0292104182                                    | 1,237             |
| Passed through New York City Department of Education—<br>IDEA, Part B | 84.027                    | N/A   | <u>84,132</u>     |
| Total U.S. Department of Education                                    |                           |   | <u>435,226</u>    |
| TOTAL FEDERAL ASSISTANCE  |                           |   | <u>\$ 795,868</u> |

See note to the supplemental schedule of expenditures of federal awards.

**SOUTHSIDE ACADEMY CHARTER SCHOOL**

**NOTE TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011**

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**A. RECONCILIATION TO FUND STATEMENTS**

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the School, using the accrual basis of accounting. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

# SOUTHSIDE ACADEMY CHARTER SCHOOL

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2011

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### PART I — SUMMARY OF AUDITOR’S RESULTS

#### A. Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(s) identified that are not considered to be material weakness(es)? None reported

Noncompliance material to financial statements? No

#### B. Federal Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified that are not considered to be material weakness(es)? None reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133? No

Identification of major programs:

| <b>Name of Federal Program</b> | <b>CFDA Number</b> |
|--------------------------------|--------------------|
|--------------------------------|--------------------|

U.S. Department of Agriculture —

|                                   |        |
|-----------------------------------|--------|
| National School Breakfast Program | 10.553 |
|-----------------------------------|--------|

|                               |        |
|-------------------------------|--------|
| National School Lunch Program | 10.555 |
|-------------------------------|--------|

|   |           |
|---|-----------|
| Dollar threshold used to distinguish between Type A and Type B Programs | \$300,000 |
|---|-----------|

Auditee qualified as low risk? Yes

## **SOUTHSIDE ACADEMY CHARTER SCHOOL**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2011 (CONTINUED)**

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#### **PART II — FINANCIAL STATEMENTS FINDINGS**

Findings relating to financial statements, which are required to be reported in accordance with *Government Auditing Standards*:

No matters were reported.

#### **PART III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

## **SOUTHSIDE ACADEMY CHARTER SCHOOL**

### **SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2011**

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#### **PART I — FINANCIAL STATEMENTS FINDINGS**

Findings relating to financial statements, which are required to be reported in accordance with *Government Auditing Standards*:

No matters were reported.

#### **PART II — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.