

10041

FRIENDS OF KING SCHOOL
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/23/11



TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION--JUNE 30, 2010	3
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010	4
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010	6
NOTES TO THE FINANCIAL STATEMENTS	7
 SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	15
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 <i>Government Auditing Standards</i>	17
Independent Auditors' 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	20
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS	 24
SCHEDULE OF PRIOR YEAR FINDINGS	34
EXIT CONFERENCE AND AUDIT OF MANAGEMENT'S RESPONSES TO FINDINGS AND MANAGEMENT LETTER COMMENTS.....	38



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friends of King School

We have audited the accompanying statement of financial position of the **Friends of King School (the School)** (a not-for-profit corporation) as of June 30, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of **the School**. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the School** as of June 30, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
Friends of King School
Page 2

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2010 on our consideration of **the 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 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 performed for the purpose of forming an opinion on the basic financial statements of **the School** taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 28, 2010



FRIENDS OF KING SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

Cash	\$ 749,002
Cash - restricted	<u>84,613</u>
Sub-total	833,615
Grants receivable	909,062
Unconditional promise to give	30,000
Equipment, net (NOTE 2)	<u>15,804</u>
Total assets	<u>\$1,788,481</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 209,839
Accrued liabilities	275,974
Deferred revenues	24,498
Due to student groups	<u>84,613</u>
Total liabilities	<u>594,924</u>
Net assets:	
Unrestricted (NOTE 1)	<u>1,193,557</u>
Total net assets	<u>1,193,557</u>
Total liabilities and net assets	<u>\$1,788,481</u>

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

**FRIENDS OF KING SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

REVENUES

Local Sources:	
Per pupil aid - MFP (NOTE 1)	\$2,434,866
Contributions	30,000
Other	<u>68,782</u>
Total revenues from local sources	<u>2,533,648</u>
State Sources:	
Per pupil aid - MFP (NOTE 1)	1,911,753
Grants (NOTE 10)	<u>556,119</u>
Total revenues from state sources	<u>2,467,872</u>
Federal sources (SCHEDULE I)	<u>2,062,562</u>
Total revenues	<u>7,064,082</u>

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

(CONTINUED)

FRIENDS OF KING SCHOOL
STATEMENT OF ACTIVITIES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

EXPENSES

Instruction:	
Regular	\$3,765,110
Special	<u>852,540</u>
Sub-total	<u>4,617,650</u>
Support Services:	
Pupil	413,259
Instructional staff	89,767
General administration	87,965
School administration	776,756
Business services	286,420
Operation and maintenance of plant	822,659
Food service	398,869
Transportation	125,291
Depreciation	<u>5,684</u>
Sub-total	<u>3,006,670</u>
Total expenses	<u>7,624,320</u>
Change in net assets	(560,238)
Unrestricted net assets, beginning of year	<u>1,753,795</u>
Unrestricted net assets, end of year	<u>\$1,193,557</u>

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

FRIENDS OF KING SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (560,238)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Write-off of fixed assets	93,140
Depreciation expense	5,684
Decrease in grants receivable	485,273
Increase in unconditional promise to give	(30,000)
Increase in accrued liabilities	205,409
Increase in due to students groups	27,607
Decrease in accounts payable	(135,742)
Decrease in deferred revenues	<u>(7,837)</u>
Net cash provided by operating activities	<u>83,296</u>
Increase in cash	83,296
Cash, beginning of year	<u>750,319</u>
Cash, end of year	\$ <u>833,615</u>
Interest paid	\$ <u>2,579</u>

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

FRIENDS OF KING SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies:

General

The **Friends of King School (the School)** was granted a charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2005 to operate a Type 5 public charter school d/b/a Dr. Martin Luther King Jr., Charter School for Science and Technology.

The School seeks to provide educational services according to the educational standards established by law, the charter contract and the charter application/proposal; measures pupil progress toward stated goals; and participates in pupil assessment required by law, regulation and BESE policy.

The mission of **the School** is to create and maintain an orderly, trusting environment where teaching and learning are innovative and exciting; where students are taught to read, write, compute, and think critically according to their fullest potential.

During the 2010 school year, **the School** served pre-kindergarten through tenth grades.

Basis of Accounting

The School's financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

FRIENDS OF KING SCHOOL
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued:

Use of 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.

Equipment

Equipment items with a cost of \$5,000 or more are recorded as assets (capitalized) and are stated at historical costs if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the asset.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

Grant Revenue

Revenues from governmental grants are recognized when allowable expenditures are made by **the School**. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are collectible.

FRIENDS OF KING SCHOOL
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued:

Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less. **The School** had no cash equivalents at June 30, 2010.

Income Taxes

The School is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes was made in the accompanying financial statements.

The School files as a tax-exempt organization. Should that status be challenged in the future, **the School's** 2007, 2008 and 2009 tax years are open for examination by the IRS.

Financial Statement Presentation

For the year ended June 30, 2010, **the School** followed the requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205 *Not-for-Profit Entities, Presentation of Financial Statements*, in the presentation of its financial statements. Under FASB ASC Section 958-205, **the School** is required to report, as applicable, information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. In addition, **the School** is required to present a statement of cash flows.

Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Support, revenues, and expenses for the general operation of **the School**.

FRIENDS OF KING SCHOOL
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued:

Financial Statement Presentation, Continued

Temporarily Restricted Net Assets - Contributions specifically authorized by donors to be used for a certain purpose or to benefit a specific period.

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by the School. Generally, the donors of these assets permit the School to use all or part of the income derived from the investment of these contributions.

At June 30, 2010, the School has no temporarily or permanently restricted net assets.

Contributions

The School accounts for contributions in accordance with FASB ASC Section 958-605, *Not-for-Profit Entities, Revenue Recognition* accounting for contributions received and contribution made. In accordance with FASB ASC Section 958-605, contributions are recorded as unrestricted, temporary restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are re-classified to unrestricted net assets.

FRIENDS OF KING SCHOOL
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued:

Minimum Foundation Program (MFP)

The School, as a Type 5 charter school, received funding from BESE in an amount for pupils based on estimated daily attendance at **the School**. The amount of funding received is adjusted during the school year based on October 1st student count and the result of any audits performed.

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 instructional and support services in the accompanying statement of activities.

NOTE 2 - Equipment:

The following is a summary of equipment at June 30, 2010:

Equipment	\$ 28,423
Less accumulated depreciation	<u>(12,619)</u>
Equipment, net	<u>\$ 15,804</u>

Depreciation charged to operations at June 30, 2010 was \$5,684.

During the June 30, 2009 fiscal year, **the School's** capitalization threshold policy increased from \$1,000 to \$5,000. As such, certain capital assets were written-off in the 2009 fiscal year, as a result of the capitalization policy change. However, in the 2010 fiscal year, additional capital assets were identified as being below the capitalization threshold of \$5,000, and thus, an amount of \$93,140 of capital assets was written-off at June 30, 2010.

FRIENDS OF KING SCHOOL
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Risk Management:

The School is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **the School** carries commercial property and liability insurance coverages.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 4 - Concentration of Credit Risk:

The School maintains a non-interest bearing account and a low-interest bearing account at a local bank. The FDIC provides unlimited deposit insurance coverage on these accounts through its Temporary Transaction Account Guarantee Program. This unlimited insurance coverage is temporary and will remain in effect through June 30, 2011. At June 30, 2010, **the School's** deposits were fully insured.

NOTE 5 - Contingency:

The School is a recipient of federal and state grants. The grants are governed by various Federal and State guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of **the School** and are subject to audit and/or review by the federal and state grantor. Any grant funds found to be not properly spent in accordance with the terms, conditions, and regulations of the Federal and State agencies may be subject to recapture.

FRIENDS OF KING SCHOOL
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Retirement Plan:

Substantially all employees of the School participate in the Teacher's Retirement System of Louisiana (TRSL). This system is a cost sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The plan provides retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL issues publicly available financial reports that include financial statements and required supplementary information of the TRSL. That report may be obtained by writing the Teachers' Retirement System of Louisiana, P. O. Box 94123, Baton Rouge, LA 70804-9123.

Participants vest immediately in employee contributions to the plan. Retirement benefits vest after five years of service if the employee reaches age sixty; otherwise, benefits vest after twenty years of service. Benefits are established and amended by state statute. Upon retirement, participants may select from eight retirement payment options.

Participants are required to contribute to the plan 8% of their annual covered payroll and the School is required to contribute 15.5% of the annual covered payroll of each participating employee. These contribution levels are established by law and set by the Public Retirement Systems Actuarial Committee. For the year ended June 30, 2010, the School's contributions to this plan totaled \$614,241.

NOTE 7 - In-Kind Contributions:

The School received rent-free use of a school building from the Recovery School District (RSD) and also the use of furniture and equipment rent-free. The estimated value of the use of the building and furniture/equipment was not readily determinable and no amounts have been recorded in the accompanying financial statements.

FRIENDS OF KING SCHOOL
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Board of Directors' Compensation:

The Board of Directors is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2010.

NOTE 9 - Note Payable:

At June 30, 2010, **the School** had a line-of-credit of \$300,000 with a bank to draw as needed at variable interest rates. The line-of-credit is secured by the property of **the School**. At June 30, 2010, the balance of advances on the line-of-credit was \$-0-.

NOTE 10 - State Grant Revenues:

For the year ended June 30, 2010, state grant revenues consisted of the following:

Professional Improvement Program	\$ 19,951
LA 4	396,234
8(g)	8,789
Ensuring Literacy	56,333
E-Rate	70,679
National Certified School	<u>4,133</u>
	<u>\$556,119</u>

NOTE 11 - Subsequent Events:

The School is required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure in the financial statements. **The School** performed such an evaluation through December 28, 2010, the date which the financial statements were available to be issued, and noted no subsequent events or transactions that occurred after statement of financial position date requiring recognition or disclosure.

SUPPLEMENTARY INFORMATION

FRIENDS OF KING SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR / PROGRAM</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. Department of Education</u>		
<i>Awards from a Pass-Through Entity</i>		
<u>Passed-Through: LA State Department of Education</u>		
Title I, Part A - Improving the Academic Achievement of the Disadvantaged	84.010	\$1,007,411
Title I, Part A (ARRA) - Improving the Academic Achievement of the Disadvantaged	84.389A	3,716
Title II, Part A - Teacher and Principal Training and Recruiting Fund	84.367	142,932
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186	4,445
Individuals with Disabilities Education Act (IDEA) Part B	84.027	167,591
Individuals with Disabilities Education Act (IDEA) Part B (ARRA)	84.391A	93,253
Individuals with Disabilities Education Act (IDEA) Preschool	84.173A	714
Individuals with Disabilities Education Act (IDEA) Preschool (AARRA)	84.392	4,262
Hurricane Education Recovery Act Programs	84.398	1,553
Education for Homeless Children and Youth (ARRA)	84.387A	200
Public Charter Schools Program	84.282	9,735
State Fiscal Stabilization Funds (ARRA)	84.394	<u>62,476</u>
Total Pass-Through Awards		<u>1,498,288</u>
Total U.S. Department of Education		<u>1,498,288</u>

See the Independent Auditors' Report on Supplementary Information.

FRIENDS OF KING SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR / PROGRAM</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. Department of Health and Human Services</u>		
<i>Awards from a Pass-Through Entity</i>		
Passed-Through: LA State Department of Education	93.558	\$ <u>149,635</u>
Temporarily Aid for Needy Families		
Total Pass-Through Awards		<u>149,635</u>
Total U.S. Department of Health and Human Services		<u>149,635</u>
<u>U.S. Department of Agricultural</u>		
<i>Awards from a Pass-Through Entity</i>		
Passed-Through State Department of Education	10.555	<u>414,639</u>
National School Lunch Program		
Total Pass-Through Awards		<u>414,639</u>
Total U.S. Department of Agriculture		<u>414,639</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$2,062,562</u>

NOTE: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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 basic financial statements.

See the Independent Auditors' Report on Supplementary Information.



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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 Directors of
Friends of King School

We have audited the financial statements of **Friends of King School (the School)**, (a not-for-profit corporation) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered **the 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.

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
(CONTINUED)

Internal Control Over Financial Reporting, Continued

A deficiency in internal control exist 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*.

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
(CONTINUED)

We noted certain matters that we reported to management of **the School** in a separate letter dated December 28, 2010.

This report is intended solely for the information and use of management, **the School's** Board of Directors, the Louisiana Legislative Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 28, 2010



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**INDEPENDENT AUDITORS' 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**

To the Board of Directors of
Friends of King School

Compliance

We have audited the compliance of **Friends of King School (the School)** 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, 2010. **The School's** major federal programs are identified in the summary of auditors' 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 affect 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.

INDEPENDENT AUDITORS' 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

(CONTINUED)

Compliance, Continued

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, 2010. However, the results of our auditing procedures also disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-02 and 10-03.

Internal Control Over Compliance

The 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.

INDEPENDENT AUDITORS' 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

(CONTINUED)

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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 10-01 through 10-04. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weaknesses in internal control over compliance, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITORS' 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

(CONTINUED)

This report is intended solely for the information and use of management, the School's Board of Directors, the Louisiana Legislative Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 28, 2010

FRIENDS OF KING SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section I - SUMMARY OF AUDITORS' RESULTS

- A. The type of report issued on the financial statements: **unqualified opinion.**
- B. Significant deficiencies in internal control were disclosed by the audit of the financial statements: **none reported** Material weakness: **no.**
- C. Noncompliance which is material to the financial statements: **no.**
- D. Significant deficiencies in internal control over major programs: **yes** Material weaknesses: **no.**
- E. The type of report issued on compliance for major programs: **unqualified opinion.**
- F. Any audit findings which are required to be reportable under Section 510(a) of OMB Circular A-133: **yes.**
- G. Major programs:

<u>CFDA Number</u>	<u>Program</u>
84.010 and 84.389A	Cluster Title 1
10.555	School Lunch Program

- H. Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000.**
- I. Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **no.**
- J. A management letter issued: **yes.**

FRIENDS OF KING SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

**SECTION II - Findings Relating to the Financial Statements Reported
In Accordance with Government Auditing Standards**

No matters reported.

FRIENDS OF KING SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

SECTION III - Findings and Questioned Costs Related to Federal Awards

10-01 - Program Expense Ledgers
Title I Cluster (CFDA 84.010 and 84.389A)

Criteria

2 CFR Part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We noted during our audit that the Title I Cluster Program expense ledgers for the year ended June 30, 2010 did not agree to the amounts of expenses claimed for reimbursement in the reports filed with the grantor for the same period.

Questioned Costs

None.

Effect

Reimbursement request reports potentially could be inaccurate and include claims for unallowed costs by not designing a control procedure to reconcile program expense ledger amounts by budget categories to amounts reported on reimbursement reports.

Cause

The School had not established a procedure that would require that program expense ledgers to reconcile to the expense details claimed as reimbursable grant costs.

FRIENDS OF KING SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

SECTION III - Findings and Questioned Costs Related to Federal Awards
(Continued)

10-01 - Program Expense Ledgers, Continued
Title I Cluster (CFDA 84.010 and 84.389A)

Recommendation

We recommend that **the School** develop control procedures to ensure that program expense ledgers are timely reconciled to all costs that are allowable under its awarded grants in the period that the reimbursement reports are filed and are monitored at least quarterly to ensure the program expense ledger account totals agree with the reimbursement reports accumulated totals to date.

FRIENDS OF KING SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

SECTION III - Findings and Questioned Costs Related to Federal Awards
(Continued)

10-02 - Suspension and Debarment
Title I Cluster (CFDA 84.010 and 84.389A)

Criteria

Pursuant to 2 CFR Part 180 states in part -- "effective November 26, 2003, when a non-federal entity enters into a covered transaction with an entity at a lower tier (between a participant in a covered transaction and another person), the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded."

Condition

We noted during our testing of cash disbursements made to vendors that **the School** entered into procurement contracts for goods and services exceeding the \$25,000 covered transactions threshold without documenting their verification that the vendor was not suspended, debarred or otherwise excluded. We determined in our audit that no tested vendor was suspended, debarred or otherwise excluded.

Questioned Costs

None.

Effect

Since **the School** lacked documentation to support it verified that the tested vendors were not suspended, debarred or otherwise excluded, **the School** may have entered into covered transactions, as defined in federal regulations, with vendors that were suspended, debarred or otherwise excluded parties.

Cause

Management lacked written procedures to ensure suspension and debarment rules and regulations, as outlined under the criteria stated above, were complied with.

FRIENDS OF KING SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

SECTION III - Findings and Questioned Costs Related to Federal Awards
(Continued)

10-02 - Suspension and Debarment, Continued
Title I Cluster (CFDA 84.010 and 84.389A)

Recommendation

For those procurement transactions exceeding the \$25,000 covered transaction threshold, we recommend that **the School** implement either or both of the following control procedures as considered necessary, to ensure that potential vendor/contractors are not suspended debarred or otherwise excluded: 1) verify by checking the Excluded Parties List System maintained by the General Services Administration; or 2) include a certification clause or condition in the contract or obtain a separately submitted certification. This verification process should always be documented, preferably in procurement files.

FRIENDS OF KING SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

SECTION III - Findings and Questioned Costs Related to Federal Awards
(Continued)

10-03 - Cost and Price Analysis
Title I Cluster (CFDA 84.010 and 84.389A)

Criteria

2 CFR Section 215.45 states-- "Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability".

Condition

During our test of procurement requirements, **the School** was unable to provide us with sufficient documentation for those procurement transactions we selected for testing, that a cost or price analysis was conducted and documented in the procurement files.

Questioned Costs

None.

Effect

Since the cost or price analysis for certain tested procurement actions were not documented in procurement files, **the School** is in noncompliance 2 CFR Section 215.45.

FRIENDS OF KING SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

SECTION III - Findings and Questioned Costs Related to Federal Awards
(Continued)

10-03 - Cost and Price Analysis, Continued
Title I Cluster (CFDA 84.010 and 84.389A)

Cause

Lack of adequate documentation evidencing that procurement regulations were complied with.

Recommendation

We recommend that **the School** re-evaluate current procurement procedures and take the necessary actions to ensure that some form of cost or price analysis is conducted and documentation maintained in vendor files in connection with every procurement action, as required under the criteria stated above.

FRIENDS OF KING SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

SECTION III - Findings and Questioned Costs Related to Federal Awards
(Continued)

10-04 - Cash Disbursements
Title I Cluster (CFDA 84.010 and 84.389A)

Criteria

2 CFR Part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, program compliance requirements and accurate financial reporting.

Condition

We noted the following during our test of cash disbursements of Title I transactions:

- o Three (3) out of forty (40) transactions were not recorded in the proper general ledger accounts;
- o Two (2) out of forty (40) transactions were recorded in the improper accounting period;
- o Two (2) out of forty (40) transactions lacked adequate supporting documentation;
- o Ten (10) out of forty (40) transactions lacked evidence of review and approval by the grant's manager for allowable cost determination; and
- o Two (2) out of forty (40) transactions were for costs of late fees and finance charges amounting to approximately \$20 which is considered unallowable per 2 CFR Part 230 – Cost Principles for Non-Profit Organizations. Because of the nominal amount of late fees and finance charges charged to the Title I program, we did not report the amount as questioned costs.

Effect

The School has not adhered to its cash disbursement procedures for those exceptions noted above.

FRIENDS OF KING SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

SECTION III - Findings and Questioned Costs Related to Federal Awards
(Continued)

10-04 - Cash Disbursements, Continued
Title I Cluster (CFDA 84.010 and 84.389A)

Cause

Internal controls over cash disbursements were not adhered to.

Recommendation

We recommend that **the School** take the necessary steps to ensure that amounts recorded to accounting records are recorded in the proper general ledger accounts, in the proper period and are supported by adequate documentation in all instances. Also, we recommend that all requested expenses be approved by the grant's manager to ensure allowability and allocability for each federal program in all instances.

**FRIENDS OF KING SCHOOL
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

**Section I - Findings Relating to the Financial Statements Reported
In Accordance with Government Auditing Standards**

09-01 - Reconciliation Procedures

We recommended that **the School** reconcile the amounts of payroll costs reported in general ledger to the 941 tax returns to provide an internal control measure that can detect if and when an error has occurred in the posting of salaries and related transactions, as well as to determine the accuracy of information accumulated by **the School's** payroll service in filing its State and Federal returns. Also, a reconciliation process should be established to determine the reliability of information submitted to the Teachers' Retirement System and amounts recorded to the general ledger relating to retirement contributions.

Current Status

Resolved.

09-02 - Submission of Audit Report

We recommended that **the School** review its financial reporting procedures to ensure that audit engagements are submitted to the Louisiana Legislative Auditor within the required time frame.

Current Status

Resolved.

FRIENDS OF KING SCHOOL
SCHEDULE OF PRIOR YEAR FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Section II - Findings and Questioned Costs Related to Federal Awards

09-03 - Cost and Price Analysis
CFDA 10.555 School Lunch Program

We recommended that **the School** take the necessary steps to ensure that some form of a cost or price analysis is made and documented in the procurement files in connection with every procurement action.

Current Status

Resolved for the School Lunch Program. However, see Finding Number 10-03 for the Title I Cluster.

09-04 - Duplicate Expense Reimbursement
CFDA 84.010 Title I

We recommended **the School** establish and immediately implement internal control procedures to detect and/or prevent **the School** from making duplicate expense reimbursement claims.

Current Status

Resolved.

FRIENDS OF KING SCHOOL
SCHEDULE OF PRIOR YEAR FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Section II - Findings and Questioned Costs Related to Federal Awards(Continued)

09-5 - Duplicate Expense Reimbursement
CFDA 84.282 Public Charter Schools Program

We recommended **the School** establish and immediately implement internal control procedures to detect and/or prevent **the School** from making duplicate expense reimbursement claims.

Current Status

Resolved.

FRIENDS OF KING SCHOOL
SCHEDULE OF PRIOR YEAR FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Section III - MANAGEMENT LETTER

See status of comments reported to management in a separate letter dated December 28, 2010.

FRIENDS OF KING SCHOOL

EXIT CONFERENCE AND AUDIT OF MANAGEMENT'S RESPONSES TO FINDINGS AND MANAGEMENT LETTER COMMENTS

The audit report was discussed during the course of the audit and at an exit conference on December 23, 2010 held with the management of the School. The individuals who participated in those discussions were as follows:

FRIENDS OF KING SCHOOL

Ms. Hilda Young	--	Chair - Board of Director
Mr. George Rabb	--	Treasurer - Board of Director
Ms. Tracie Washington	--	Board Attorney
Dr. Doris R. Hicks	--	Principal/CEO
Ms. Shawne Favre	--	Financial Director
Ms. Judy Collins	--	Business Manager
Ms. Ora Wiley	--	Grants Manager

BRUNO & TERVALON LLP CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael B. Bruno, CPA	--	Managing Partner
Mr. Larry Jones, CPA	--	Manager
Ms. Kendall Turner, CPA	--	Staff Accountant

The School's responses to the findings identified in our audit report and management letter comments are described by management in a separate document dated December 31, 2010. We did not audit **the School's** responses and, accordingly, we express no opinion on the responses.



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Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors of
Friends of King School

We have audited the financial statements of the **Friends of King School (the School)** for the year ended June 30, 2010 and have issued our report thereon dated December 28, 2010.

In planning and performing our audit of the financial statements of **the School** as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered **the School's** internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of **the School's** internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and recommendations regarding those matters are outlined below. We previously reported on **the School's** internal control in our report dated March 8, 2010. A separate report dated December 28, 2010, contains our report on significant deficiencies or material weaknesses in **the School's** internal control. This letter does not affect our report dated December 28, 2010, on the financial statements of **the School**.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various personnel of **the School**, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters and assist you in implementing the recommendations.

**FRIENDS OF KING SCHOOL
CURRENT YEAR COMMENTS**

The following summarizes the current year comments:

10 - 01 Utilization of Budgets

As part of applying for grants, **the School** prepares budgets for each awarded grant. Additionally, **the School** prepares entity-wide quarterly budgets in a format required by the Department of Education. These budgets are not incorporated in the combined and combining financial statements submitted monthly to the Board of Directors. Budgets are a useful tool for planning, controlling and monitoring **the School's** operations.

Recommendation

We continue to recommend that the use of budgets be formalized as a recurring part of **the School's** system of monthly financial accounting, reporting and monitoring of **the School's** operations.

10 - 02 Monthly and Year End Financial Statements

Although financial statements are presented to the Board of Directors monthly, these statements are still not completely accurate or reliable. Also, grant reimbursement requests for the 2010 fiscal year were not timely prepared and submitted to the funding agencies causing the interim financial statements to be inaccurate.

Recommendation

We continue to recommend that the Board of Directors, through the Finance Committee, require management to remit to the Finance Committee reliable accrual basis financial statements within thirty (30) days following the month end. The statements should reflect billings for reimbursement of expenses to grantor agencies that **the School** is entitled to. The financial statements should incorporate the approved budget with a comparison of actual to date and variance. The management of **the School** should focus its efforts to correct the actions that have caused interim financial reports to be unreliable and immediately implement the necessary internal controls that ensures reliable financial reporting.

FRIENDS OF KING SCHOOL
CURRENT YEAR COMMENTS, CONTINUED

10 - 03 Misclassification and Coding of Transactions

We continue to note a number of posting and misclassification errors in the general ledger. All accounts in the general ledger should be properly classified in the financial statements.

Recommendation

We continue to recommend that top management, together with the Board of Directors, emphasize that the person responsible for coding transactions exercise a greater level of due care in properly coding transactions posted to the financial records of the School. Further, we recommend that a monitoring process be established to ensure that transactions are coded properly prior to being posted to the financial records as well as being timely corrected should an incorrect posting be made.

10 - 04 Deficit in Operations

As noted on the Statement of Activities for the year ended June 30, 2010, the School ended its fiscal year with a decrease in change in net assets of \$560,238. In our review of minutes of board of directors meetings, we noted no evidence of discussions during the course of the year relative to plans and actions to prevent or minimize the occurrence of the deficit.

Recommendation

We recommend that minutes of the meetings of the Finance Committee reflect evidence of the Committee's and Board's awareness of any projected deficit or excess expenses in financial operations. We also recommend that at the point in the fiscal year a deficit is anticipated, the original budget be amended, accordingly, and presented to the Finance Committee for approval.

FRIENDS OF KING SCHOOL
CURRENT YEAR COMMENTS, CONTINUED

10 - 05 Penalties and Interest

The IRS assessed **the School** penalties and interest for late filing of two (2) 941 tax returns due for the June 30, 2007 and December 31, 2008 quarters and for failure to properly deposit payroll taxes relating to the December 31, 2006 quarter 941 tax returns. **The School** requested abatement relating to the above mentioned penalty assessments; however, the IRS denied **the School's** request and determined **the School** was liable for the penalties and interest in the amount of \$54,378 at June 30, 2010. This assessment was paid by **the School** in full as of the audit date.

In addition, **the School** was assessed by the IRS a penalty, on September 7, 2009, of \$70,260 and associated interest for the IRS' assertion that **the School** failed to file W-2's for the 2006 calendar year. **The School** disputes this penalty assessment. As of the date of the audit report, **the School** has not paid the related penalty and interest and has requested full abatement of the penalty and interest assessments. The amount is reflected in the accrued liabilities at June 30, 2010.

Recommendation

Although the penalties and interest assessments mentioned above related to tax returns due in the fiscal years prior to June 30, 2009, **the School** had no payroll taxes or W-2 filings delinquencies or penalty assessments reported by the IRS for the tax returns filed during the June 30, 2010 and 2009 fiscal years. We recommend that **the School** re-evaluate current internal controls to ensure that tax returns are timely and properly filed and to prevent **the School** from using School funds to pay any assessed penalties and interest.

**FRIENDS OF KING SCHOOL
STATUS OR PRIOR YEAR COMMENTS**

<u>Comment</u>	<u>Resolved</u>	<u>Current Year Comment</u>
09-01 Utilization of Budget	No	10-01
09-02 Monthly and Year End Financial Statements	Partially	10-02
09-03 Misclassification and Coding of Transactions	Partially	10-03
09-04 Disaster Recover Program	Yes	N/A

This report is intended solely for the information and use of management, the School's Board of Directors, the Louisiana Recovery District, the Louisiana Legislative Auditor and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 28, 2010

FRIENDS OF KING SCHOOL
INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

	<u>PAGE</u>
AGREED-UPON PROCEDURES REPORT	1
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514-PERFORMANCE AND STATISTICAL DATA):	6
Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	9
Schedule 2 - Education Levels of Public School Staff	10
Schedule 3 - Number and Type of Public Schools	11
Schedule 4 - Experience of Public Principals and Full-time Classroom Teachers	12
Schedule 5 - Public School Staff Data	13
Schedule 6 - Class Size Characteristics	14
Schedule 7 - Louisiana Educational Assessment Program (LEAP) for the 21 st Century	15
Schedule 8 - The Graduation Exit Exam for the 21 st Century.....	16
Schedule 9 - The iLEAP Tests	17



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**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
Friends of King School

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the **Friends of King School (the School)** and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the accompanying performance and statistical data and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management, Board of Directors, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 28, 2010

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS

Our procedures and findings relate to the accompanying schedules and are as follows:

***General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources (SCHEDULE 1)***

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

No differences noted.

Education Levels of Public School Staff (SCHEDULE 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total number of full-time classroom teachers per this schedule and to the School's supporting payroll records as of October 1, 2009.

No differences noted except for the School had incorrectly listed on the original schedule we received from the School an employee as a full-time teacher. The accompanying schedule has been corrected.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Education Levels of Public School Staff (SCHEDULE 2), Continued

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total of principals and assistant principals per this schedule.

No differences noted.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2009 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

No differences noted except for **the School** had incorrectly listed on the original schedule we received from **the School** an employee as a full-time teacher. The accompanying schedule has been corrected.

Number and Type of Public Schools (SCHEDULE 3)

5. We did not obtain a list of schools by type as reported on the schedule. Also, we did not compare the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

This procedure was not applicable because **the School** operates only one charter school, which includes grades Pre-K through 10th.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Experience of Public Principals and Full-time Classroom Teachers (SCHEDULE 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2009 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

No differences noted except for **the School** had incorrectly listed on the original schedule we received from **the School** an employee as a full-time teacher. The accompanying schedule has been corrected.

Public School Staff Data (SCHEDULE 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

No differences noted except for **the School** had incorrectly listed on the original schedule we received from **the School** an employee as a full-time teacher. The accompanying schedule has been corrected.

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

No differences noted except for **the School** had incorrectly listed on the original schedule we received from **the School** an employee as a full-time teacher. The accompanying schedule has been corrected.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Class Size Characteristics (SCHEDULE 6)

9. We obtained a list of classes by school, school type and class size as reported on the schedule. We then traced a random sample of 10 classes to the October 1, 2009 roll books for those classes and determined if the class was properly classified on the schedule.

No differences noted.

**Louisiana Educational Assessment Program (LEAP) for
the 21st Century (SCHEDULE 7)**

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **the School**.

No differences noted.

Graduation Exit Exam for the 21st Century (SCHEDULE 8)

11. We did not obtain test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **the School**.

This procedure was not applicable because **the School** operates only one charter school, which includes grades Pre-K through 10th.

The iLEAP Tests (SCHEDULE 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **the School**.

No differences noted.

FRIENDS OF KING SCHOOL
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA)

SCHEDULE 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum, Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

SCHEDULE 2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph.D. or Ed.D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

SCHEDULE 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

SCHEDULE 4 - Experience of Public Principals and Full-time Classroom Teachers

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

FRIENDS OF KING SCHOOL
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA), CONTINUED

SCHEDULE 5 - Public School Staff Data

This schedule includes average classroom teachers salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

SCHEDULE 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20; 21-26, 27-33, and 34+students. This data is currently reported to the Legislature in the Annual School Report (ASR).

**SCHEDULE 7 - Louisiana Educational Assessment Program (LEAP)
for the 21st Century**

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

SCHEDULE 8 - The Graduation Exit Exam for the 21st Century

This schedule represents student performance testing data and includes summary scores by district for grades 10 and 11 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

FRIENDS OF KING SCHOOL
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA), CONTINUED

SCHEDULE 9 - The iLEAP Tests

This schedule represents student performance testing data and includes statewide and district summary scores for grades 3, 5, 6, 7 and 9 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory.

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2010**

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 2,795,663	
Other Instructional Staff Activities	315,241	
Employee Benefits	761,098	
Purchased Professional and Technical Services	120,294	
Instructional Materials and Supplies	380,763	
Instructional Equipment	<u>244,591</u>	
Total Teacher and Student Interaction Activities		\$ 4,617,650

Other Instructional Activities

Pupil Support Activities	413,259	
Less: Equipment for Pupil Support Activities	<u>-</u>	
Net Pupil Support Activities		413,259

Instructional Staff Services	89,767	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		89,767

School Administration	776,756	
Less: Equipment for School Administration	<u>-</u>	
Net School Administration		<u>776,756</u>

Total General Fund Instructional Expenditures		<u>\$ 5,897,432</u>
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Total General Fund Equipment Expenditures		<u>\$ -</u>
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Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-
Sales and Use Taxes	<u>-</u>
Total Local Taxation Revenue	<u>\$ -</u>

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	-
Earnings from Other Real Property	<u>-</u>
Total Local Earnings on Investment in Real Property	<u>\$ -</u>

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	<u>-</u>
Total State Revenue in Lieu of Taxes	<u>\$ -</u>

Nonpublic Textbook Revenue	<u>\$ -</u>
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Nonpublic Transportation Revenue	<u>\$ -</u>
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See accompanying independent accountants' report on applying agreed-upon procedures.

Education Levels of Public School Staff
As of October 1, 2009

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	39	87%						
Master's Degree	4	9%						
Master's Degree +30	2	4%			1	50%		
Specialist in Education		0%						
Ph.D. or Ed.D.		0%			1	50%		
Total	45	100%			2	100%		

See accompanying independent accountants' report on applying agreed-upon procedures.

Number and Type of Public Schools
For the Year Ended June 30, 2010

Type	Number
Elementary:	
Middle/Jr. High	
Secondary	
Combination	1
Total	1

See accompanying independent accountants' report on applying agreed-upon procedures.

FRIENDS OF KING SCHOOL

Schedule 4

**Experience of Public Principals and Full-time Classroom Teachers
As of October 1, 2009**

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ yrs.	Total
Assistant Principals							1	1
Principals							1	1
Classroom Teachers	2	4	11	3	9	4	12	45
Total	2	4	11	3	9	4	14	47

See accompanying independent accountants' report on applying agreed-upon procedures.

Public School Staff Data
 For the Year Ended June 30, 2010

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Excluding Extra Compensation	\$ 49,750.50	48,647.54
Average Classroom Teachers' Salary Including Extra Compensation	49,879.39	48,647.54
Number of Teachers' Full-time Equivalents (FTEs) used in Computation of Average Salaries	45	36

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers and ROTC teachers receive more compensation.

See accompanying independent accountants' report on applying agreed-upon procedures.

Class Size Characteristics
As of October 1, 2009

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary								
Elementary Activity Classes								
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination	44.0%	73	52.4%	87	3.6%	6	0.0%	0
Combination Activity Classes	53.6%	15	42.9%	12	3.6%	1	0.0%	0

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students.

See accompanying independent accountants' report on applying agreed-upon procedures.

Louisiana Educational Assessment Program (LEAP) for the 21st Century
For the Year Ended June 30, 2010

District Achievement Level Results	English Language Arts						Mathematics					
	2010		2009		2008		2010		2009		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	6	10.0%	1	2.0%	4	8.0%	4	7.0%	1	1.8%	7	14.0%
Mastery	13	22.0%	22	39.0%	19	38.0%	21	36.0%	14	25.0%	18	36.0%
Basic	36	61.0%	29	52.0%	20	40.0%	27	46.0%	39	69.6%	18	36.0%
Approaching Basic	4	7.0%	4	7.0%	6	12.0%	4	7.0%	2	3.6%	6	12.0%
Unsatisfactory	0	0.0%	0	0.0%	1	2.0%	3	4.0%	0	0.0%	1	2.0%
Total	59	100.0%	56	100.0%	50	100.0%	59	100.0%	56	100.0%	50	100.0%

District Achievement Level Results	Science						Social Studies					
	2010		2009		2008		2010		2009		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	2	3.0%	0	0.0%	0	0.0%	0	0.0%	1	1.8%	1	2.0%
Mastery	12	20.0%	12	21.1%	9	18.0%	13	22.0%	16	28.1%	13	26.0%
Basic	33	56.0%	39	68.4%	37	74.0%	40	68.0%	35	61.4%	32	64.0%
Approaching Basic	11	19.0%	6	10.5%	3	6.0%	5	8.0%	3	5.3%	3	6.0%
Unsatisfactory	1	2.0%	0	0.0%	1	2.0%	1	2.0%	2	3.5%	1	2.0%
Total	59	100.0%	57	100.0%	50	100.0%	59	100.0%	57	100.0%	50	100.0%

District Achievement Level Results	English Language Arts						Mathematics					
	2010		2009		2008		2010		2009		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	0	0.0%	0	0.0%	0	0.0%	1	2.0%	0	0.0%	1	5.0%
Mastery	4	10.0%	1	2.0%	2	10.0%	0	0.0%	0	0.0%	0	0.0%
Basic	18	44.0%	28	61.0%	10	45.0%	19	46.0%	34	73.9%	9	40.0%
Approaching Basic	17	41.0%	17	37.0%	10	45.0%	16	39.0%	12	26.1%	11	50.0%
Unsatisfactory	2	5.0%	0	0.0%	0	0.0%	5	13.0%	0	0.0%	1	5.0%
Total	41	100.0%	46	100.0%	22	100.0%	41	100.0%	46	100.0%	22	100.0%

District Achievement Level Results	Science						Social Studies					
	2010		2009		2008		2010		2009		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	0	0.0%	1	2.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Mastery	0	0.0%	0	0.0%	1	4.5%	2	5.0%	2	4.3%	3	13.6%
Basic	15	37.0%	16	34.8%	7	31.8%	23	56.0%	27	58.7%	12	54.5%
Approaching Basic	20	49.0%	23	50.0%	11	50.0%	10	24.0%	16	34.8%	7	31.8%
Unsatisfactory	6	14.0%	6	13.0%	3	13.6%	6	15.0%	1	2.2%	0	0.0%
Total	41	100.0%	46	100.0%	22	100.0%	41	100.0%	46	100.0%	22	100.0%

See accompanying independent accountants' report on applying agreed-upon procedures.

The Graduate Exit Exam for the 21st Century
 For the Year Ended June 30, 2010

District Achievement Level Results	English Language Arts						Mathematics					
	2010		2009		2008		2010		2009		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 10												
Advanced	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Mastery	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Basic	77	77%	0	0%	0	0%	69	0%	0	0%	0	0%
Approaching Basic	19	19%	0	0%	0	0%	19	0%	0	0%	0	0%
Unsatisfactory	4	4%	0	0%	0	0%	12	0%	0	0%	0	0%
Total	100	100%	0	0%	0	0%	100	0%	0	0%	0	0%

District Achievement Level Results	Science						Social Studies					
	2010		2009		2008		2010		2009		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 11												
Advanced	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Mastery	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Basic	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Approaching Basic	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Unsatisfactory	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Total	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%

Note: This schedule does not apply.

See accompanying independent accountants' report on applying agreed-upon procedures.

The *ILEAP* Tests
For the Year Ended June 30, 2010

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	0	0.0%	1	2.0%	0	0.0%	0	0.0%
Mastery	12	20.0%	4	7.0%	9	15.0%	8	14.0%
Basic	28	47.0%	32	54.0%	34	58.0%	26	61.0%
Approaching Basic	17	29.0%	18	31.0%	16	27.0%	13	22.0%
Unsatisfactory	2	4.0%	4	6.0%	0	0.0%	2	3.0%
Total	59	100.0%	59	100.0%	59	100.0%	59	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Mastery	9	16.0%	5	9.0%	7	12.0%	0	0.0%
Basic	34	59.0%	36	62.0%	28	48.0%	28	48.0%
Approaching Basic	13	22.0%	11	19.0%	14	24.0%	18	31.0%
Unsatisfactory	2	3.0%	6	10.0%	9	16.0%	12	21.0%
Total	58	100.0%	58	100.0%	58	100.0%	58	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	2	6.0%	2	4.0%	0	0.0%	2	4.0%
Mastery	8	14.0%	5	10.0%	7	14.0%	4	8.0%
Basic	27	54.0%	25	50.0%	17	34.0%	25	50.0%
Approaching Basic	12	24.0%	10	20.0%	19	38.0%	12	24.0%
Unsatisfactory	1	2.0%	8	16.0%	7	14.0%	7	14.0%
Total	50	100.0%	50	100.0%	50	100.0%	50	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	2	4.0%	2	4.0%	0	0.0%	2	4.0%
Mastery	8	16.0%	5	10.0%	7	14.0%	4	8.0%
Basic	27	54.0%	25	50.0%	17	34.0%	25	50.0%
Approaching Basic	12	24.0%	10	20.0%	19	38.0%	12	24.0%
Unsatisfactory	1	2.0%	8	16.0%	7	14.0%	7	14.0%
Total	50	100.0%	50	100.0%	50	100.0%	50	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 9								
Advanced	0	0.0%	0	0.0%				
Mastery	0	0.0%	1	3.0%				
Basic	10	27.0%	21	57.0%				
Approaching Basic	25	68.0%	9	24.0%				
Unsatisfactory	2	5.0%	6	16.0%				
Total	37	100.0%	37	100.0%				

See accompanying independent accountants' report on applying agreed-upon procedures.

The iLEAP Tests
For the Year Ended June 30, 2009

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	1	1.6%	4	6.6%	0	0.0%	0	0.0%
Mastery	9	14.8%	9	14.8%	13	21.3%	17	27.9%
Basic	34	55.7%	29	47.5%	30	49.2%	31	50.8%
Approaching Basic	11	18.0%	15	24.6%	14	23.0%	9	14.8%
Unsatisfactory	6	9.8%	4	6.6%	4	6.6%	4	6.6%
Total	61	100.0%	61	100.0%	61	100.0%	61	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	1	2.0%	1	2.0%	1	2.0%	1	2.0%
Mastery	8	16.3%	2	4.1%	1	2.0%	4	8.2%
Basic	26	53.1%	29	59.2%	20	40.8%	28	57.1%
Approaching Basic	10	20.4%	9	18.4%	22	44.9%	14	28.6%
Unsatisfactory	4	8.2%	8	16.3%	5	10.2%	2	4.1%
Total	49	100.0%	49	100.0%	49	100.0%	49	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Mastery	7	15.2%	3	6.5%	0	0.0%	1	2.2%
Basic	28	60.9%	23	50.0%	21	45.7%	20	43.5%
Approaching Basic	7	15.2%	10	21.7%	20	43.5%	18	39.1%
Unsatisfactory	4	8.7%	10	21.7%	5	10.9%	7	15.2%
Total	46	100.0%	46	100.0%	46	100.0%	46	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0.0%	1	2.0%	1	2.0%	0	0.0%
Mastery	2	4.0%	0	0.0%	0	0.0%	3	6.0%
Basic	15	30.0%	23	46.0%	11	22.0%	19	38.0%
Approaching Basic	21	42.0%	16	32.0%	27	54.0%	17	34.0%
Unsatisfactory	12	24.0%	10	20.0%	11	22.0%	11	22.0%
Total	50	100.0%	50	100.0%	50	100.0%	50	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 9								
Advanced	0	0.0%	1	3.7%				
Mastery	0	0.0%	0	0.0%				
Basic	12	44.4%	9	33.3%				
Approaching Basic	15	55.6%	10	37.0%				
Unsatisfactory	0	0.0%	7	25.9%				
Total	27	100.0%	27	100.0%				

See accompanying independent accountants' report on applying agreed-upon procedures.

The *ILEAP* Tests
For the Year Ended June 30, 2008

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2008		2008		2008		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	1	1.6%	1	1.6%	1	1.6%	0	0.0%
Mastery	9	14.3%	10	15.9%	4	6.3%	3	4.8%
Basic	31	49.2%	24	38.1%	27	42.9%	41	65.1%
Approaching Basic	13	20.6%	16	25.4%	25	39.7%	14	22.2%
Unsatisfactory	9	14.3%	12	19.0%	6	9.5%	5	7.9%
Total	63	100.0%	63	100.0%	63	100.0%	63	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2008		2008		2008		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Mastery	3	6.8%	0	0.0%	1	2.3%	4	9.1%
Basic	22	50.0%	22	50.0%	10	22.7%	22	50.0%
Approaching Basic	10	22.7%	6	13.6%	22	50.0%	10	22.7%
Unsatisfactory	9	20.5%	16	36.4%	11	25.0%	8	18.2%
Total	44	100.0%	44	100.0%	44	100.0%	44	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2008		2008		2008		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0.0%	1	1.9%	0	0.0%	0	0.0%
Mastery	2	3.8%	1	1.9%	1	1.9%	3	5.8%
Basic	26	50.0%	16	30.8%	20	38.5%	17	32.7%
Approaching Basic	16	30.8%	17	32.7%	21	40.4%	25	48.1%
Unsatisfactory	8	15.4%	17	32.7%	10	19.2%	7	13.5%
Total	52	100.0%	52	100.0%	52	100.0%	52	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2008		2008		2008		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Mastery	4	10.3%	0	0.0%	2	5.1%	2	5.1%
Basic	17	43.6%	11	47.8%	13	33.3%	17	43.6%
Approaching Basic	13	33.3%	9	39.1%	14	35.9%	14	35.9%
Unsatisfactory	5	12.8%	3	13.0%	10	25.6%	6	15.4%
Total	39	100.0%	23	100.0%	39	100.0%	39	100.0%

See accompanying independent accountants' report on applying agreed-upon procedures.

Response to Audit Findings and Management Letter

Fiscal Year Ending June 30, 2010

Friends of King School

Mrs. Hilda Young, President

Mr. George Rabb, Treasurer

Dr. Doris Hicks, Chief Executive Officer

FRIENDS OF KING CHARTER SCHOOL
1617 CAFFIN AVENUE ~ NEW ORLEANS, LA 70117

December 31, 2010

via email: mbb Bruno@btcpas.com

Michael Bruno, CPA
Bruno & Tervalon, LLP
4298 Elysian Fields Avenue
New Orleans, Louisiana 70117

Re: Friends of King School's Response to Audit Findings and Management Letter
by Bruno & Tervalon, LLC

Dear Mr. Bruno:

What follows is the Friends of King School's Response to the Audit Findings by Bruno & Tervalon, LLP. We provide a general statement by Introduction, and then address each finding specifically.

INTRODUCTION

This year's audit of the Friends of King School (the School) finances was plagued by unfortunate miscommunications between members of the School's staff; the School's Board of Directors; the Bruno & Tervalon, LLC (the Auditor) field staff; and Bruno & Tervalon management. The School's frustration with the process, which began in August and was not completed by the Bruno & Tervalon staff until December 29, 2010,¹ has been documented by email, countless telephone conversations, and many meetings. While we are grateful to our auditor's for their time, and willingness to make corrections when there were problems, *it is our sincere hope that during our next audit year, the School is not burdened by new audit staff unfamiliar with charter school regulations and accounting practices.*

It is our belief that the auditor's report, while accurate to the degree of information collected, reflects no change in practices by the school that had never been reported previously as deficiencies. *Further, the School is perplexed that all of the auditor's findings reflect speculation concerning bad financial events that have not occurred, nor have ever occurred and therefore are actually Management Letter Comments and not audit report findings.* Notwithstanding, the School is mindful and responsive to all preventive action policies suggested, and we will continue to work diligently throughout the year to insure whenever new policies and procedures are suggested, they are reviewed and adopted with all deliberate speed.

¹ The final audit report was not transmitted to the School until 6:11p on December 29, 2010, allowing the School less than 24 hours to prepare and submit its response.

SECTION III: Findings and Questioned Costs Related to Federal Awards

10-01 Program Expense Ledgers Title I Cluster (CFDA 84.010 and 84.389A)

Criteria

2 CFR part 215 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Condition

We noted during our audit that the Title I Cluster Program expense ledgers for the year ended June 30, 2010 did not agree to the amounts of expense claimed for reimbursement in the reports filed with the grantor for the same period.

Questioned Costs

None.

Effect

Reimbursements request reports potentially could be inaccurate and include claims for unallowed costs.

Cause

The School had not established a procedure that would require that program expense ledgers for its Title expenditures reconcile to the expense details claimed as reimbursable grant costs.

Recommendation

We recommend that **the School** take immediate actions to ensure that program expense ledgers are timely reconciled to all costs that are allowable under its awarded grants in the period that the reimbursement reports are filed and are monitored at least quarterly to ensure the program expense ledger account totals agree with the reimbursement reports accumulated totals to date.

Response and Status

There are no questioned costs in this area, which finding reflects the fact that the School's staff is diligent in its audit, review, and reconciliation practices with the School's expense ledgers. The School has established protocols for the reconciliation of expense details. Management disputes this finding noting that each expense reimbursement request is created using information contained in the general ledger. During preparation, the reimbursement request is reconciled with the general ledger and that reconciliation is attached to our copy of the request and maintained in an internal binder. That binder was available for review by the audit staff during fieldwork testing. A reconciliation of the 12 month general ledger to each reimbursement request was provided to the staff. Standard, immaterial, fiscal year end, adjustments were included in the reconciliation. We have continued to follow this procedure for requests for FYE June 30, 2011 and will continue to review and reconcile the general

ledger in a timely manner.. In addition, the School has requested the Auditor provide to it a revised sample protocol with procedures that will be reviewed and considered when conducting our annual review of our existing procedures. . The School anticipates receipt of same by January 31, 2011.

10-02 Suspension and Debarment
Title I Cluster (CFDA 84.010 and 84.389A)

Criteria

Pursuant to 2 CFR part 180 states in part – “effective November 26, 2003, when a non-federal entity enters into a covered transaction with an entity at a lower tier (between a participant in a covered transaction and another person), the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded.”

Condition

We noted during our testing of cash disbursements made to vendors that **the School** entered into procurement contracts for goods and services exceeding the \$25,000 covered transactions threshold without documenting their verification that the vendor was not suspended, debarred or otherwise excluded. We determined in our audit that no tested vendor was suspended, debarred or otherwise excluded.

Questioned Costs

None.

Effect

Since **the School** lacked documentation to support it verified that the tested vendors were not suspended, debarred or otherwise excluded, **the School** may have entered into covered transactions, as defined in federal regulations, with vendors that were suspended, debarred, or otherwise excluded parties.

Cause

Management lacked written procedures to ensure suspension and debarment rules and regulations, as outlined under the criteria stated above, were complied with.

Recommendation

For those procurement transactions exceeding the \$25,000 covered transaction threshold, we recommend that **the School** implement either or both of the following control procedures as considered necessary, to ensure that potential vendor/contractors are not suspended debarred or otherwise excluded: 1) verify by checking the Excluded Parties List System maintained by the General Services Administration; or 2) include a certification clause or condition in the contract or obtain a separately submitted certification. This verification process should always be documents, preferably in procurement files.

Response and Status

Management notes that there are no questioned costs in this area, because the School reviews vendor's status on the listed websites. This was communicated to the audit staff. The School noted that for each and every transaction staff verified with three sources: the Louisiana Division of Administration; the Louisiana Department of Education; and the federal Excluded Parties List System. This verification system is part of the School's procurement policy. Effective December 17, 2010, management will request a completed and signed copy of Small Business Administration Form 1624, Certification Regarding Debarment, Suspension,

Ineligibility and Voluntary Exclusion Form be completed for all procurement transactions exceeding \$25,000 and place in the vendor file. In addition, the School will continue to review the above noted sources for updated information on debarment.

10-03 **Cost and Price Analysis**
Title I Cluster (CFDA 84.010 and 84.389A)

Criteria

2 CFR part 215.45 states – “Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allowability and allowability”.

Condition

During our test of procurement requirements, the School was unable to provide us with a sufficient documentation for those procurement transactions we selected for testing, that a cost or price analysis was conducted and document in the procurement files.

Questioned Costs

None.

Effect

Since the cost or price analysis for certain tested procurement actions were not documented in procurement files, the School is in noncompliance 2 CFR Section 215.45.

Cause

Lack of adequate documentation evidencing that procurement regulations were complied with.

Recommendation

We recommend that the School re-evaluate current procurement procedures and take the necessary actions to ensure that some form of cost or price analysis is conducted and documentation maintained in vendor files in connection with every procurement action, as required under the criteria stated above.

Response and Status

*Since inception the School had adopted and adhered to the State of Louisiana Division of Administration's Office of Purchasing & Travel Procurement Handbook ([http://
doa.louisiana.gov/osp/publications/procurementhandbook.pdf](http://doa.louisiana.gov/osp/publications/procurementhandbook.pdf)). The selected purchases were made from the State of Louisiana's State Purchasing Vendors List, and through the Approved Catalog's Contract List ([http://
doa.louisiana.gov/osp/contracts/
approvedcatalogs/catalogs.htm](http://doa.louisiana.gov/osp/contracts/approvedcatalogs/catalogs.htm)). The Auditor has indicated a cost and price analysis must be conducted for all purchases. The School disputes this finding to the extent the Auditor could not and has not produced any legal authority to refute the School's contention that by complying with the State of Louisiana Division of Administration's Procurement Policy, and purchasing through approved state vendors the School has complied with 2 CFR part 215.45.*

10-04 **Cash Disbursements**
Title I Cluster (CFDA 84.010 and 84.389A)

Criteria

2 CFR part 215.45 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal controls designed to reasonable ensure compliance with Federal laws, regulations, program compliance requirements and accurate financial reporting.

Condition

We noted the following during our test of cash disbursements of Title I transactions:

- Three (3) out of forty (40) transactions were not recorded in the proper general ledger accounts;
- Two (2) out of forty (40) transactions were recorded in the improper accounting period;
- Two (2) out of forty (40) transactions lacked adequate supporting documentation;
- Ten (10) out of forty (40) transactions lacked evidence of review and approval by the grant's manager for allowable cost determination; and
- Two (2) out of forty (40) transactions were for costs of late fees and finance charges amounting to approximately \$20 which is considered unallowable per 2 CFR Part 230 - Cost Principles for Non-Profit Organizations. Because of the nominal amount of late fees and finance charges charged to the Title I program, we did not report the amount as questioned costs.

Effect

The School has not adhered to its cash disbursement procedures for those exceptions noted above.

Cause

Internal controls over case disbursements were not adhered to.

Recommendation

We recommend that the **School** take the necessary steps to ensure that amounts recorded to accounting records are recorded in the proper general ledger accounts, in the proper period and are supported by adequate documentation in all instances. Also, we recommend that all requested expenses be approved by the grant's manager to ensure allowability and allocability for each federal program in all instances.

Response and Status

The School disputes the above finding. Support of general ledger account coding, proof of Grant Administrator's allowable cost determination and other general supporting documentation of all selected transactions were provided on multiple occasions to the audit staff, during fieldwork testing. Upon initial review of the draft of the audit report and during multiple meetings to discuss the draft with management of the audit firm, Management

requested a list of the noted items so that the information could be provided. The information was not provided until December 28, 2010. Management will continue to comply with Federal laws, regulations and program compliance requirements.

FRIENDS OF KING SCHOOL – CURRENT YEAR COMMENTS BY THE AUDITOR

10-01 Utilization of Budgets

As part of applying for grants, the School prepares budgets for each awarded grant. Additionally, the School prepares entity-wide quarterly budgets in a format required by the Department of Education. These budgets are not incorporated in the combined and combining financial statements submitted monthly to the Board of Directors. Budgets are a useful tool for planning, controlling and monitoring the School's operations.

Recommendation

We continue to recommend that the use of budgets be formalized as a recurring part of the School's system of monthly financial accounting, reporting, and monitoring of the School's operations.

Response and Status

Management agrees that budgets are and continue to be a resource and thus review them on a quarterly basis by reviewing and approving the budget vs. actual report that is submitted to the state. Management believes that because the school's largest expense, salaries, has little variance, the quarterly review have been sufficient. The Finance Committee, headed by the Board Treasurer, meets monthly and reviews the Financial Statements. Management will incorporate budget to actual reviews in the monthly Financial Statement review and improve documentation of this review

10-02 Monthly and Year End Financial Statements

Although financial statements are presented to the Board of Directors monthly, these statements are still not completely accurate or reliable. Also, grant reimbursement requests for the 2010 fiscal year were not timely prepared and submitted to the funding agencies causing the interim financial statement to be inaccurate.

Recommendation

We continue to recommend that the Board of Directors, through the Finance Committee, require management to remit to the Finance Committee reliable accrual basis financial statements within thirty (30) days following the month end. The statements should reflect billings for reimbursement of expenses to grantor agencies that the School is entitled to. The financial statements should incorporate the approved budget with a comparison of actual to date and variance. The management of the School should focus its efforts to correct the actions that have caused interim financial reports to be unreliable and immediately implement the necessary internal controls that ensures reliable financial reporting.

Response and Status

The Finance Committee, headed by the Board Treasurer, will continue to review the monthly financial statements, noting budget vs. actual and the status of reimbursement requests, during its monthly meetings. The Finance Committee will improve its documentation of this review and discussion with the full Board of Directors during the monthly Board meetings. Management has purchased new accounting software that will improve the efficiency of report preparation, allow better tracking of reimbursement requests and increase reporting capacity to the Board.

10-03

Misclassification and Coding of Transactions

We continue to note a number of posting and misclassification errors in the general ledger. All accounts in the general ledger should be properly classified in the financial statements.

Recommendation

We continue to recommend that top management, together with the Board of Directors, emphasize that the person responsible for coding transactions exercise a greater level of due care in properly coding transactions posted to the financial records of the School. Further, we recommend that a monitoring process be established to ensure that transactions are coded properly prior to being posted to the financial records as well as being timely corrected should an incorrect posting be made.

Response and Status

Management will utilize the above mentioned software to ensure compliance in this area. Management has hired a Director of Finance who routinely reviews and monitors the general ledger.

10-04

Deficit in Operations

As noted on the Statement of Activities for the year ended June 30, 2010, the School ended its fiscal year with a decrease in change in net assets of \$560,238. In our review of minutes of board of directors meetings, we noted no evidence of discussions during the course of the year relative to plans and actions to prevent or minimize the occurrence of the deficit.

Recommendation

We recommend that minutes of the meeting of the Finance Committee reflect evidence of the Committee's and Board's awareness of any projected deficit or excess expenses in financial operations. We also recommend that at the point in the fiscal year a deficit is anticipated, the original budget be amended, accordingly, and presented to the Finance Committee for approval.

Response and Status

Management will ensure improved documentation of the Finance Committee's and Board of Director's review of the monthly financial statements. Management will require budget revisions if a deficit is ever anticipated.

10-05

Penalties and Interest

The IRS assessed the School penalties and interest for late filing of two (2) 941 tax returns due for the June 30, 2007 and December 31, 2008 quarters and for failure to properly deposit payroll taxes relating to the December 31, 2006 quarter 941 tax returns. **The School** requested abatement relating to the above mentioned penalty assessments; however, the IRS denied **the School's** request and determined the School was liable for the penalties and interest in the amount of \$54,378 at June 31, 2010. The assessment was paid by **the School** in full as of the audit date.

In addition, **the School** was assessed by the IRS a penalty, on September 7, 2009, of \$70,260 and associated interest for the IRS' assertion that **the School** failed to file W-2's for the 2006 calendar year. The School disputes this penalty assessment. As of the date of the audit report, the School has not paid the related penalty and interest and has requested full abatement of the penalty and interest assessments. The amount is reflected in the accrued liabilities as June 30, 2010.

Recommendation

Although the penalties and interest assessments mentioned above related to tax returns due in the fiscal years prior to June 30, 2009, **the School** had no payroll taxes or W-2 filings delinquencies or penalty assessments reported by the IRS for the tax returns filed during the June 30, 2010 and 2009 fiscal years. We recommend that the School re-evaluate current internal controls to ensure that tax returns are timely and properly filed and to prevent **the School** from using School funds to pay any assessed penalties and interest.

Response and Status

Management requested and received a partial abatement of penalties associated with the December 31, 2007 941. In 2006, Management hired a third party to prepare all tax filings. The third party was responsible for all filing and thus, is currently negotiating with the IRS for abatement of the penalties. As noted above, no penalties have been assessed for the past two fiscal years. Management will continue to monitor the third party vendor to ensure that all required filings are done in a timely manner and any discrepancies resolved efficiently.