

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.
COMPONENT OF
TAOS CHARTER SCHOOL

COMPREHENSIVE FINANCIAL ANNUAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2009
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

 KEYSTONE ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

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STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

OFFICIAL ROSTER
June 30, 2009

Board of Directors

Polly Long	President
Tracie Trotter	Vice President
Mary Emery	Secretary
Jim Thompson	Treasurer
Whitney Goler	Member
Kim Pollis	Member
Nye Reid	Member
Roger Lerman	Member
Susan Moller	Member

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FINANCIAL SECTION

FISCAL YEAR 2009

JULY 1, 2008 THROUGH JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
And the Board of Directors of
Friends of Taos Charter School, Inc.

We have audited the accompanying statement of financial position of the Friends of Taos Charter School, Inc. (a non-profit organization)(a component of Taos Charter School), as of and for the year ended June 30, 2009, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 opinions.

As discussed in Note III to the financial statements, management has not allocated certain capital assets and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net assets, and expense.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Friends of Taos Charter School, Inc, as of June 30, 2009, or the related statement of activities thereof for the year then ended.

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2010, on our consideration of the Friends of Taos Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in assessing the results of our audit.

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Hector H. Balderas, State Auditor
And the Board of Directors of
Friends of Taos Charter School, Inc.

The Foundation has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not a required part of , the basic financial statements

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the 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.

Keystone Accounting, LLC

May 7, 2010

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

STATEMENT OF NET ASSETS
June 30, 2009

ASSETS

Current assets:

Cash and cash equivalents	\$ 142,391
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Noncurrent assets:

Restricted cash	17,645
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Capital assets:

Buildings	734,956
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Less: accumulated depreciation	<u>(36,748)</u>
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Total noncurrent assets	<u>715,853</u>
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Total assets	<u><u>858,244</u></u>
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LIABILITIES

Current liabilities:

Loans payable	\$ 108,718
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Noncurrent liabilities:

Loans payable (less current portion)	<u>336,346</u>
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Total liabilities	<u>445,064</u>
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NET ASSETS

Invested in capital assets, net of related debt	253,144
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Unrestricted	<u>160,036</u>
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Total net assets	<u>413,180</u>
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Total liabilities and net assets	<u><u>858,244</u></u>
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STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
Year ended June 30, 2009

Operating revenue:		
Donations	\$	13,791
Rental		<u>148,000</u>
Total operating revenue		<u>161,791</u>
Operating expenses:		
Supplies		5,095
Equipment rental		390
Insurance		940
Miscellaneous		<u>505</u>
Total operating expenses		<u>6,930</u>
Operating income (loss)		<u>154,861</u>
Non-Operating income (expenses):		
Gain or loss on sale of asset		76,829
Interest expense		<u>(38,603)</u>
Total nonoperating revenues (expenses)		<u>38,226</u>
Change in net assets		193,087
Net assets beginning of year		<u>220,093</u>
Net assets end of year	\$	<u>413,180</u>

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

STATEMENT OF CASH FLOWS
Year ended June 30, 2009

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Cash received from customers	\$	161,791
Cash payments for supplies and maintenance		<u>(6,930)</u>
Net cash provided by operating activities		<u>154,861</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Principal paid on capital debt		(100,650)
Interest paid on capital debt		(38,603)
Proceeds from sales of capital assets		52,788
Gain from sale of capital assets		<u>76,829</u>
Net cash used in capital and related financing activities		<u>(9,636)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Deposits to restricted cash		<u>(10,648)</u>
Net increase (decrease) in cash and cash equivalents		134,577
Cash and cash equivalents at beginning of year		<u>7,814</u>
Cash and cash equivalents at end of year	\$	<u>142,391</u>

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES**

Operating income	\$	154,861
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		<u>-</u>
Net cash provided by operating activities	\$	<u>154,861</u>

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

Notes to the Financial Statements
June 30, 2009

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Friends of Taos Charter School, Inc. (Foundation) is a legally separate, tax exempt component of Taos Charter School (School). The Foundation and is governed by an elected nine-member board. The Council is the basic level of government, which has oversight responsibility and control over all activities related to the Foundation. The Foundation operates for the purpose of providing supporting funds to the Taos Charter School. The Foundation received funds from renting facilities to the School, and donations and fund raising.

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statement.

The Foundation's financial statements include all entities over which the Board exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component unit and no fiduciary units were included in the financial statements.

The Foundation is reported as discretely presented component unit of Taos Charter School as required in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14* Taos Charter School's report can be obtained at:

Taos Charter School
P.O. Box 3009
Rancho de Taos, NM 87557

The Friends of Taos Charter School, Inc., New Mexico (Foundation) was incorporated, and it is administered by a manager, who is overseen by a local advisory board for the purpose of providing supporting funds to the Taos Charter School. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary governments is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Foundation's financial statements to be misleading or incomplete. The Foundation provides the usual municipal services with the exception of education, which administered by other governmental agencies.

As required by GAAP, these financial statements present the Foundation (primary government).

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

Notes to the Financial Statements
June 30, 2009

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Depending upon the significance of the financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units.

1. Blended Component Units.

Legally separate component units for which the Foundation is financially accountable are blended with the primary government because they are, in substance, part of the government's operations. Blended means the data from these units are combined with data of the primary government. The Foundation had no blended component units during the fiscal year ended June 30, 2009.

2. Discretely Presented Component Units.

The financial data of component units are reported in separate columns to emphasize that they are legally separate from the Foundation. The Foundation had no discrete component units during the fiscal year ended June 30, 2009.

3. Related Organizations.

The Foundation appoints members to the boards, but the Foundation's accountability for the organizations does not extend beyond making these appointments and there is no fiscal dependency of these organizations on the Foundation.

B. Financial statement presentation

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

C. Cash and equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

D. Use of Estimates

The preparation of financial statements in conformity with 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

Notes to the Financial Statements
June 30, 2009

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property and equipment

Property and equipment is recorded at cost. Donations of property and equipment are recorded as unrestricted support at their estimated value. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

F. Long-term liabilities

The Foundation borrowed long-term financing for the purpose of financing a portion of the facilities for the Taos Charter School. Funding to service the debt is provided by rent charges for the facilities.

G. Income taxes

The Foundation is a tax exempt organization under Section 501(c)(3) of the Code.

H. Restricted cash

Restricted cash reported on the statement of net assets are contributions made for specific purposes. The money is earmarked for such purposes and should be spent accordingly.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2009, the carrying amount of the Foundation's deposits was \$160,036 and the bank balance was \$160,036. Of this balance \$160,036 was covered by federal depository insurance. The Foundation was not required to have pledged collateral at June 30, 2009.

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

Notes to the Financial Statements
June 30, 2009

II. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Temporary Investments (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. As of June 30, 2009, none of the Foundation's bank balance of \$160,036 was exposed to custodial risk as follows:

Uninsured and uncollateralized	\$	-
Uninsured and collateral held by pledging bank's trust dept not in the District's name		<u>-</u>
Total uninsured		-
Insured (FDIC)		<u>160,036</u>
Total deposits	\$	<u><u>160,036</u></u>

The collateral pledged is listed on Page 19 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

Notes to the Financial Statements
June 30, 2009

III. CAPITAL ASSETS

A. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
Capital assets not being depreciated:				
Land and land rights	\$ 52,788	\$ 102,092	\$ (154,880)	\$ -
Capital assets being depreciated:				
Buildings and improvements	734,956	-	-	734,956
Less accumulated depreciation for:				
Buildings and improvements	<u>(36,748)</u>	<u>-</u>	<u>-</u>	<u>(36,748)</u>
Total capital assets being depreciated, net	<u>698,208</u>	<u>-</u>	<u>-</u>	<u>698,208</u>
Capital assets, net	<u>\$ 750,996</u>	<u>\$ 102,092</u>	<u>\$ (154,880)</u>	<u>\$ 698,208</u>

Construction Commitments

The Foundation did not have any ongoing construction as of June 30, 2009.

Land Purchase

The Foundation had an option to purchase land adjacent to the Taos Charter School. The Foundation exercised its option to purchase the land in the amount of \$154,880. The Foundation in turn sold the land to Taos Municipal Schools for \$233,000, in order for Taos Municipal Schools to expand the Taos Charter Schools Facilities. The Foundation received a gain in the amount of \$76,829 from the sale of the land to Taos Municipal Schools.

**STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.**

Notes to the Financial Statements
June 30, 2009

IV. LONG-TERM DEBT

Short Term Debt

The Foundation engaged a short term debt in the amount of \$102,000 with a 7% interest rate, in order to purchase the land adjacent to the Taos Charter School. The loan was paid off for \$102,000 plus interest of \$1,205, when Taos Municipal Schools purchased the land from the Foundation.

Note Payable

	Original Amount	Balance	Current Balance
Note issued from Centinel Bank of Taos for the Friends of Taos Charter School. The interest rate is from 7.25% annually. Monthly principal and interest payments in the amount of \$11,451 starting July 2006. The note matures on June 2013.	<u>\$ 750,000</u>	<u>\$ 445,064</u>	<u>\$ 108,718</u>

Balances shown for bonds and notes do not include unamortized premiums or deferred amounts on refinancing.

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ending			Total
<u>June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2010	\$ 108,718	\$ 28,701	\$ 137,419
2011	116,868	20,551	137,419
2012	125,628	11,791	137,419
2013	93,850	2,702	96,552
2014	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 445,064</u>	<u>\$ 63,745</u>	<u>\$ 508,809</u>

OTHER SUPPLEMENTAL INFORMATION

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STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2009

	Centinel Bank
Cash on deposit	\$ 160,036
Less FDIC Coverage	<u>(160,036)</u>
Total uninsured funds	<u>\$ -</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Operating	Checking	Centinel Bank	<u>\$ 160,036</u>
	Cash and cash equivalents		\$ 142,391
	Restricted cash		<u>17,645</u>
			<u>\$ 160,036</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Hector H. Balderas, State Auditor
and the Board of Directors
Friends of Taos Charter School, Inc.

We have audited the accompanying statement of financial position of the Friends of Taos Charter School, Inc. (a non-profit organization)(a component of Taos Charter School), as of and for the year ended June 30, 2009, and the related statement of activities and cash flows for the year then ended, and have issued our report thereon dated May 7, 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 Friends of Taos Charter School, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Friends of Taos Charter School, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Friends of Taos Charter School, Inc.'s internal control over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Friends of Taos Charter School, Inc.'s internal control. We considered the deficiencies described in the accompanying schedule of finding and questioned costs to be significant deficiencies in internal control over financial reporting FTCS 2009 – 1 through FTCS 2009 – 7 and FTCS 2009 – 9.

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

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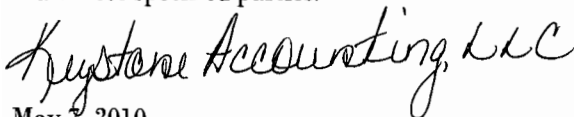
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We identified four deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, of the significant deficiencies described above, we consider items FTCS 2009 – 3 through FTCS 2009 – 5 and FTCS 2009 – 9.

Compliance and other matters

As part of obtaining reasonable assurance about whether Friends of Taos Charter School, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed nine instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of audit findings as findings FTCS 2009 – 1 through FTCS 2009 – 9.

The Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the Friends of Taos Charter School, Inc., the State Auditor, the New Mexico Legislature, New Mexico Public Education Department, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.


May 7, 2010

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2009

A. PRIOR YEAR AUDIT FINDINGS

No Audit Findings to report.

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL. INC.

SCHEDULE OF AUDIT FINDINGS
Year Ended June 30, 2009

B. FINDINGS—FINANCIAL STATEMENTS AUDIT

FTCS 2009 – 1 PREPARATION OF FINANCIAL STATEMENTS

Condition: The financial statements were prepared by the auditor.

Criteria: As per SAS 112, management is required to have an internal control system of financial reporting including the preparation of the financial statements.

Effect of condition: Management's ability to ascertain the accuracy and completeness of the financial statements has been diminished.

Cause: Management does not have internal controls in place that are necessary for the preparation of the financial statements.

Recommendation: Management should develop a plan and system of controls that enable them to review the accuracy and completeness of the financial statements.

Management's Response: The Friends of Taos Charter School will present a plan to its board members for the preparation and review of its financial statements in future fiscal years.

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL. INC.

SCHEDULE OF AUDIT FINDINGS
Year Ended June 30, 2009

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

FTCS 2009 – 2 LATE AUDIT REPORT

Condition: The New Mexico State Auditor required the audit to be completed and submitted to his office by November 15, 2009. The filing date of the completed annual audit is subsequent to the required due date.

Criteria: According to the State of New Mexico, Office of the State Auditor publication 2 NMAC 2.2 Requirements for Contracting and Conducting Audits of Agencies, Section 9.1, the filing date for audit reports for Foundation is November 15th following the end of the fiscal year.

Effect of condition: The Foundation is not in compliance with NMAC 2.2.2.9A(1), the effect is that the State is not getting timely information for budgeting.

Cause: The Foundation began contracting for the Audit of the fiscal year ended June 30, 2009 in March of 2009, and the contracting was finalized the end of July of 2009.

Recommendation: The contracting for audit services should be initiated and completed in a time that allows for the audit to be completed by the required due date.

Management's Response: The Taos Charter School should work with the Taos Municipal School District to ensure that the audit is initiated and completed by the required reporting date.

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

SCHEDULE OF AUDIT FINDINGS
Year Ended June 30, 2009

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

FTCS 2009 – 3 CAPITAL ASSET LIST AND DEPRECIATION SCHEDULE

Condition: The capital asset schedule and depreciation schedule was not complete and accurate at the time of the audit.

Criteria: Section 12-6-10 NMSA 1978 requires each agency to have a complete and accurate capital asset list, and GASB 34 requires the agency to have a complete depreciation schedule.

Effect of condition: The Foundation is in violation of 12-6-10 NMSA 1978 and without proper record keeping and monitoring the Foundation could be at risk of misappropriation of capital assets.

Cause: The Foundation does not have an inventory of capital assets and depreciation.

Recommendation: The Foundation should update the capital assets and take a physical inventory every two years.

Management's Response: The Foundation is currently preparing an updated capital assets inventory and will prepare a policy addressing the need for an annual physical inventory to address this issue.

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL. INC.

SCHEDULE OF AUDIT FINDINGS
Year Ended June 30, 2009

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

FTCS 2009 – 4 DOCUMENTATION OF VOIDED CHECKS WERE MISSING

Condition: Two of thirteen checks tested were missing.

Criteria: Records are to be filed and retained within the Foundation as prescribed in 1978 NMSA 14-3-13.

Effect of Condition: Missing documentation can be susceptible to misuse of funds.

Cause: Management should use documentation in numerical order and keep all back up documents to assure is missing documentation for proper documentation.

Recommendation: Proper controls should be put into place to ensure that all documentation is used in numerical order and keep all documentation as proof of is kept.

Management's Response: The Foundation will revisit its business practices to ensure that proper documentation is kept and provided to auditors in future Foundation audits.

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL. INC.

SCHEDULE OF AUDIT FINDINGS
Year Ended June 30, 2009

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

FTCS 2009 – 5 BACKUP DOCUMENTATION FOR DISBURSEMENT MISSING

Condition: Invoice, purchase order and requisition was missing for five of thirteen disbursements tested, which totaled \$690.

Criteria: A system of internal controls designed to prevent and/or detect errors or violations of state and federal law is required as per 1978 NMSA 6-5-2, 6-NMAC-2.2.1.11 and 6-NMAC-2.2.1.14.

Effect of Condition: The Foundation's internal controls over cash disbursements were limited in its ability to prevent and/or detect errors or violations of law due to the improper use of documents.

Cause: Management is disbursing funds without proper documentation.

Recommendation: Proper controls should be put into place to ensure that all documentation is kept.

Management's Response: The Foundation will revisit its business practices to ensure that proper documentation is kept and provided to auditors in future Foundation audits.

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL. INC.

SCHEDULE OF AUDIT FINDINGS
Year Ended June 30, 2009

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

FTCS 2009 – 6 PRE-NUMBERED RECEIPTS WERE NOT USED

Condition: The Foundation did not use pre-numbered receipts in numerical order thereby limiting the level of internal control over cash receipts.

Criteria: A system of internal controls designed to prevent and/or detect errors or violations of state and federal law is required as per 1978 NMSA 6-5-2, 6-NMAC-2.2.1.11 and 6-NMAC-2.2.1.14.

Effect of condition: The Foundation's internal controls over cash receipts were limited in its ability to prevent and/or detect errors or violations of law due to the improper use of pre-numbered documents.

Cause: The Foundation is not controlling the issuance and collection of pre-numbered receipt books.

Recommendation: The administration office should control the issue and collection of pre-numbered receipt books to ensure that they are used in numerical order and are reviewed for any missing or suspicious receipts.

Management's response: The Foundation will prepare a policy addressing the need for stricter controls over the custody, use and review of pre-numbered receipts.

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

SCHEDULE OF AUDIT FINDINGS
Year Ended June 30, 2009

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

FTCS 2009 – 7 UNTIMELY DEPOSITS

Condition: Two of the eleven receipts tested were not deposited within one banking day.

Criteria: NMAC 6.20.2.14(c) states that money received and receipted shall be deposited in the bank within 24 hours or one banking day.

Effect of condition: The foundation is in violation of NMAC 6.20.2.14(c). Cash retained by management for extended periods of time are susceptible to misuse or fraud.

Cause: Deposits at times were taking more than 24 hours to be deposited in the bank.

Recommendation: Receipts should be deposited within one banking day

Management response: The Foundation will revisit its business practices to ensure that all deposits are made within one banking day.

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

SCHEDULE OF AUDIT FINDINGS
Year Ended June 30, 2009

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

FTCS 2009 – 8 BOARD MEMBER MISSING FROM EXIT CONFERENCE

Condition: There was not a member of the Board of Directors present at the exit conference for the audit report.

Criteria: SAO Rule 2.2.2.10 J states that a member of the governing body shall be present at the exit conference.

Effect of condition: Friends of Taos Charter School, Inc. is in violation of SAO Rule 2.2.2.10 J which requires a member of the governing body to be present at the exit conference.

Cause: There was not a member of the governing body present at the exit conference.

Recommendation: There should be a member of the governing body present at the exit conference.

Management response: No response

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL. INC.

SCHEDULE OF AUDIT FINDINGS
Year Ended June 30, 2009

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

FTCS 2009 – 9 SELL OF LAND TO A RELATED PARTY WITH A CAPITAL GAIN

Condition: Friends of Taos Charter School, Inc purchased land with an option purchase, then sold the land to Taos Municipal Schools that resulted in a gain of \$76,829.

Criteria: 22-21-1 NMSA 1978 states that no related party shall receive any commission or profit from the sale or instructional material, furniture, and equipment etc.

Effect of condition: Friends of Taos Charter School is in violation of 22-21-1 NMAC 1978.

Cause: Friends of Taos Charter School had an option to purchase land which was purchased for \$52,788. Friends of Taos Charter School exercised the option to purchase the land for \$102,092 in February 2009. In May 2009 Friends of Taos Charter School sold to Taos Municipal Schools the 1.62 acres for \$233,000, which resulted in a gain of \$76,829.

Recommendation: The foundation should not sell land to the School for a gain.

Management response: No response

REQUIRED DISCLOSURES

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STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL, INC.

REQUIRED DISCLOSURES
Year Ended June 30, 2009

The financial statements were prepared by the independent public accountant.

An exit conference was held May 13, 2010 during which the audit findings were discussed. The exit conference was attended by the following individuals:

FRIENDS OF TAOS CHARTER SCHOOL, INC.

None

TAOS CHARTER SCHOOL

Nancy O'Bryan	Director
Debbie Martinez	Fiscal Administrative Assistant

KEYSTONE ACCOUNTING, LLC

Phil Rasband, C.P.A.	Partner
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