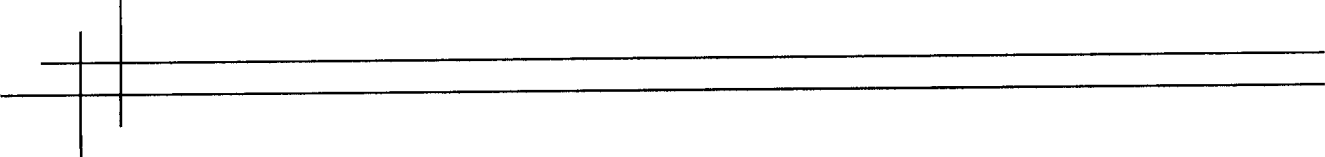




FRIENDS OF TAOS CHARTER SCHOOL
RANCHOS DE TAOS, NEW MEXICO

ANNUAL FINANCIAL REPORT
June 30, 2008

De'Aun Willoughby CPA, PC
Certified Public Accountant
Melrose, New Mexico



FRIENDS OF TAOS CHARTER SCHOOL
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For the Year Ended June 30, 2008

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FRIENDS OF TAOS CHARTER SCHOOL
Official Roster
June 30, 2008

EXECUTIVE COMMITTEE

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(505) 253-4313

Independent Auditor's Report

Mr. Hector H. Balderas
State Auditor of the State of New Mexico
Members of the Board of Friends of Taos Charter School

Mr. Balderas and Members of the Board

We have audited the accompanying balance sheet of Friends of the Taos Charter School (Foundation), as of June 30, 2008 and the related statements of income, expenses and changes in Equity and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 with 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2008 on our consideration of the District'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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of Friends of Taos Charter School as of June 30, 2008 and the results of its operations and cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Foundation has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements and the combining and individual financial statements and budgetary comparisons presented as supplemental information.

De'Aun Willoughby CPA PC

November 12, 2008

FRIENDS OF TAOS CHARTER SCHOOL

Balance Sheet

June 30, 2008

ASSETS

Current Assets

Cash and cash equivalents	\$ 7,814
Total Current Assets	<u>7,814</u>

Restricted Cash

Landscape	1,641
Loan Reserve	5,356
	<u>6,997</u>

Capital Assets

Land	52,788
Building	734,956
Less: Accumulated Depreciation	<u>(36,748)</u>
Total Capital Assets	<u>750,996</u>

Total Assets \$ 765,807

LIABILITIES AND EQUITY

Current Liabilities

Current Portion of Long-term Debt	\$ 100,658
Total Current Liabilities	<u>100,658</u>

Long-term Debt

Bank Mortgage	545,714
Less Current Portion Due	<u>(100,658)</u>
Total Long-term Debt	<u>445,056</u>

Total Liabilities 545,714

Equity

Invested in Capital Assets, Net of Related Debt	205,282
Restricted for:	
Capital Projects	1,641
Debt Service	5,356
Unrestricted	<u>7,814</u>
Total Equity	<u>220,093</u>

Total Liabilities and Equity \$ 765,807

The accompanying notes are an integral part of these financial statements

FRIENDS OF TAOS CHARTER SCHOOL
Statement of Income, Expenses and Changes in Equity
For the Year Ended June 30, 2008

Campaign Results	
Restricted Contributions	\$ 2,920
Unrestricted Contributions	42,998
	<u>45,918</u>
Other Revenues	
Rents	146,033
Total Other Revenues	<u>146,033</u>
Total Revenues	<u>191,951</u>
Expenses	
Restricted Landscaping	2,038
Depreciation	14,699
Insurance	940
Fundraising	7,500
Miscellaneous	595
Total Expense	<u>25,772</u>
Operating Income (Loss)	<u>166,179</u>
Nonoperating Revenue (Expenses)	
Interest Expense	<u>(44,530)</u>
Total Nonoperating Revenue (Expense)	<u>(44,530)</u>
Net Income	121,649
Equity at Beginning of Year	<u>98,444</u>
Net Assets at End of Year	<u>\$ 220,093</u>

The accompanying notes are an integral part of these financial statements

FRIENDS OF TAOS CHARTER SCHOOL
Statement of Cash Flows
For the Year Ended June 30, 2008

Cash Flows from Operating Activities	
Operating Income (Loss)	\$ 166,179
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities	
Depreciation	14,699
Net Cash Provided by Operating Activities	<u>180,878</u>
Cash Flows from Capital & Related Financing Activities	
Purchase of Land	(52,788)
Principal Paid	(92,884)
Interest Paid	(44,530)
Net Cash Provided by Capital & Related Financing Activities	<u>(190,202)</u>
Net Increase (Decrease) in Cash	(9,324)
Cash and Cash Equivalents at Beginning of Year	<u>24,135</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>14,811</u></u>
Cash and Cash Equivalents	\$ 7,814
Restricted Cash	<u>6,997</u>
Total Cash	\$ <u><u>14,811</u></u>

The accompanying notes are an integral part of these financial statements

NOTE A: ORGANIZATION

The Foundation has been in existence since August 2000 and is currently operating under the provisions of a 501(c) 3 nonprofit organization by the authority of the Internal Revenue Service. The Foundation operates with a local advisory board form of organization for the purpose of providing supporting funds to the Taos Charter School.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 principals generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates

Management uses estimates and assumptions, such as depreciation, in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Foundation considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The cash and cash equivalents included only demand deposits with banks.

Fixed Assets and Depreciation

Property and equipment are recorded at acquisition for cost and are depreciated using the straight-line basis over the useful life of 50 years for the building.

Long-Term Liabilities

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

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.

NOTE C: CASH AND INVESTMENTS

Centinel Bank	Balance Per Bank 06-30-08	Reconciled Balance	Type
The Friends of Taos Charter School	\$ 14,811	\$ 14,811	Checking
TOTAL Deposited	14,811	14,811	
	(14,811)		
Uninsured Amount	\$ 0		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 14,811
Collateralized:	
Collateral held by the pledging bank in Charter's name	0
Uninsured and uncollateralized	0
Total Deposits	\$ 14,811

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk. As of June 30, 2008 none of the Foundation's bank balance of \$14,811 was exposed to custodial credit risk.

NOTE D: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2008, is as follows:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Governmental Activities				
Capital Assets not being Depreciated				
Land	0	52,788	0	52,788
Capital Assets being Depreciated				
Buildings & Improvements	\$ 734,956	\$ 0	\$ 0	\$ 734,956
Total Capital Assets	734,956	52,788	0	787,744
Less Accumulated Depreciation				
Buildings & Improvements	22,049	14,699		36,748
	22,049	14,699	0	36,748
Capital Assets, net	\$ 712,907	\$ 38,089	\$ 0	\$ 750,996

NOTE E: NOTES PAYABLE

At June 30, 2008, notes payable consist of the following:

	Interest	Principal	Total
2009	36,756	100,658	137,414
2010	29,210	108,204	137,414
2011	21,100	116,314	137,414
2012	12,380	125,033	137,413
2013	3,172	95,505	98,677
	102,618	545,714	648,332

NOTE F: RELATED PARTY TRANSACTIONS

The Foundation meets the criteria of GASB Statement No. 14 and is a component unit of the Taos Charter School.

De'Aun Willoughby CPA, PC

Certified Public Accountant

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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*

Mr. Hector H. Balderas
State Auditor of the State of New Mexico
Members of the Board of Friends of Taos Charter School

Mr. Balderas and Members of the Board

We have audited the financial statements of the Friends of Taos Charter School (Foundation) as of and for the year ended June 30, 2008. 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 Foundation's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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 Foundation's 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 Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

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 Foundation's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies 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 Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the administration, the board members, the Public Education Department, the Office of the State Auditor, the New Mexico State Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

 CPA PC

November 12, 2008

STATE OF NEW MEXICO
FRIENDS OF TAOS CHARTER SCHOOL
Schedule of Findings and Recommendations
For the Year Ended June 30, 2008

Prior Year Audit Findings

06-1 Late Audit Report-Compliance-Resolved

Current Year Audit Findings

There are no current year audit findings.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA, however they are the responsibility of management.

Exit Conference

An exit conference was held November 12, 2008, those present were Polly Long-President, Jim Thompson-Treasurer, and De'Aun Willoughby, CPA.