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J. K. HAYNES ELEMENTARY CHARTER SCHOOL

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

FOR THE YEAR ENDED

JUNE 30, 2008

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 1/14/09

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**J. K. HAYNES ELEMENTARY CHARTER SCHOOL
REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
JUNE 30, 2008**

BOBBIE L. HOWARD, CPA

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The Board of Directors
J. K. Haynes Elementary Charter School
Baton Rouge, LA

INDEPENDENT AUDITOR'S REPORT

I have audited the financial statements of **J. K. Haynes Elementary Charter School** a non-profit organization as of **June 30, 2008**; and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of **J. K. Haynes Elementary Charter School's** management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 amount 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **J. K. Haynes Elementary Charter School** as of **June 30, 2008**, 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.



Bobbie L. Howard
Certified Public Accountant
Houma, La

December 15, 2008

J. K. HAYNES ELEMENTARY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash	\$117,070.00
Due from EBRSB (Note C)	<u>89,489.00</u>

TOTAL CURRENT ASSETS **\$ 206,559.00**

FIXED ASSETS

Fixtures & Equipment, Net	\$ 3,460.00
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TOTAL FIXED ASSETS **3,460.00**

NON CURRENT ASSETS

Deposits	\$ 3,056.00
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TOTAL NON CURRENT ASSETS **3,056.00**

TOTAL ASSETS **\$ 213,075.00**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 13,036.00
Other liabilities	2,979.00
Payroll Taxes Payable	<u>22,563.00</u>

TOTAL CURRENT LIABILITIES **\$ 38,578.00**

NET ASSETS

Unrestricted Net Assets	<u>\$ 174,497.00</u>
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TOTAL LIABILITIES AND NET ASSETS **\$ 213,075.00**

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

J. K. HAYNES ELEMENTARY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2008

SUPPORT AND REVENUES

East Baton Rouge School Board	\$1,482,840.00	
Rental Contributions	98,550.00	
Other support	<u>6,306.00</u>	
TOTAL REVENUE AND SUPPORT		<u><u>\$1,587,696.00</u></u>

EXPENSES

Program services	\$ 866,701.00	
Supporting services	<u>612,967.00</u>	
TOTAL EXPENSES		\$1,479,668.00
 CHANGE IN NET ASSETS		 \$ 108,028.00
 NET ASSETS, BEGINNING OF YEAR		 \$ 66,469.00
NET ASSETS, END OF YEAR		<u><u>\$ 174,497.00</u></u>

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

J. K. HAYNES ELEMENTARY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED
JUNE 30, 2008

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>
Salaries	\$420,291.00	\$ 46,700.00
Employee benefits and payroll taxes	82,309.00	35,275.00
Professional fees and contract services	114,872.00	56,579.00
Supplies	-	3,740.00
Instructional material and supplies	30,867.00	-
Postage and shipping	-	333.00
Utilities	-	34,031.00
Repair and maintenance	-	8,260.00
Insurance	-	19,807.00
Other expense	-	47,554.00
Food Cost	160,327.00	-
Equipment rental & maintenance	13,766.00	30,928.00
Depreciation expense	-	2,226.00
Professional development	-	1,545.00
Waste company	-	4,371.00
Rental-building	-	106,926.00
Facilities & equipment other	-	757.00
Office supplies	-	2,295.00
Telephone	-	5,782.00
Janitorial	-	24,177.00
Transportation	44,269.00	-
Travel & meeting	-	3,723.00
Indirect	-	<u>177,959.00</u>
Total	<u><u>\$866,701.00</u></u>	<u><u>\$612,967.00</u></u>

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

J. K. HAYNES ELEMENTARY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$108,028.00
Adjustments to reconcile increase in net assets To net cash provided by operating activities	
Depreciation	\$ 2,226.00
(Increase) decrease in operating assets:	
Grant receivable	(8,879.00)
Increase (decrease) in operating liabilities	
Accounts payable	6,836.00
Payroll taxes payable	(17,797.00)
Other	<u>2,979.00</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 93,393.00
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(3,208.00)
NET CASH USED BY INVESTING ACTIVITIES	(3,208.00)
NET INCREASE IN CASH AND CASH EQUIVALENTS	90,185.00
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26,885.00
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>117,070.00</u>

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

J. K. HAYNES ELEMENTARY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of **J. K. Haynes Elementary Charter School** is presented to assist an understanding of the School's financial statements. The financial statements and notes are representation of the School's management who is responsible for their integrity and objectivity. These accounting policies conform to Generally Accepted Accounting Principles and have been consistently applied in the preparation of the financial statements. The School reports to the East Baton Rouge Parish School Board (EBRPSB).

Nature of Operations

The Charter School provides educational services for Pre-Kindergarten through Fifth grades. The School was located at 356 East Boulevard, Baton Rouge, Louisiana in the Mount Zion Building. As of January, 2007 the School moved to the Harding Elementary School Site—8600 Elm Grove Garden Drive in Baton Rouge, Louisiana. The Board of Directors is the intermediate authority and it consists of fifteen members with the majority of the members domiciled in East Baton Rouge Parish. The Charter School has a director who oversees and manages the daily operations of the School.

Income Taxes

The Charter School is a nonprofit organization organized under the State of Louisiana and is exempt from taxation under section 501 (c) (3) of the internal Revenue Code.

Principles of Accounting

The financial statements of J. K. Haynes Elementary Charter School are prepared in accordance with accounting principles generally accepted in the United States of America and are prepared on the accrual basis.

Basis of Presentation

Under FAS No. 116, J. K. Haynes Elementary Charter School (JKHECS) must recognize contributions received as revenue, including unconditional promises to give, in the period received at their fair value. At the same time, contributions made, including unconditional promises to give, must be recognized as expenses in the period made at their fair value. At June 30, 2008, JKHECS received no contributions or promises.

Under FAS 117, JKHECS is required to report information regarding its financial position and

J. K. HAYNES ELEMENTARY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2008

activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, JKHECS is required to present a statement of cash flows. Revenues received and expenses incurred in conducting the activities of JKHECS are included in the unrestricted net assets category.

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 disclosure 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.

Support and Revenue

East Baton Rouge School Board- The School received an allocation based on the Minimum Foundation Program dollars per child from East Baton Rouge Parish School Board. This amount is allocated per child and is distributed to the School. This amount is offset by certain services provided by the School Board such as transportation and food.

Donated facilities

J.K. Haynes lease a school building owned by the East Baton Rouge Parish School Board for \$100 per month at below the facilities market value rate. The difference between the facilities rent at fair market value and month rent expense is reflected as rental expense and rental contribution in the amount of \$98,550.00.

Budgetary Data

J. K. Haynes formally adopts a budget. The budgetary data are submitted to East Baton Rouge Parish School Board for approval.

NOTE B: CASH IN BANK

J.K. Haynes maintains its cash balance at one financial institution. The balance are insured by the Federal Deposit Insurance Corporation up to \$100,000. Cash at that institution exceeded federally insured limits the amount in excess of FDIC limited total \$17,070.

J. K. HAYNES ELEMENTARY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2008

NOTE C: DUE FROM EAST BATON ROUGE SCHOOL BOARD (EBRSB)

Amounts due from EBRBSB (\$89,489) consist of receivables for funding allocations based on provisions in the charter.

NOTE D: FURNITURE & EQUIPMENT

J. K. Haynes follows the practice of capitalizing all property and equipment acquisitions over \$500.00. Depreciation is computed under the straight-line method for all depreciable assets over their respective estimated useful lives. J K. Haynes depreciates property and equipment over a five year period

At June 30, 2008 property and equipment consisted of the following:

	<u>Balance</u>		<u>Balance</u>
	<u>June 30, 2007</u>	<u>Additions</u>	<u>June 30, 2008</u>
Furniture & Equipment:	\$ 32,132	\$3,208	\$ 35,340
Less:			
Accumulated Depreciation:	(29,654)	(2,226)	(31,880)
TOTAL	\$ 3,372	\$ 972	\$ 3,460
	=====	=====	=====

NOTE E: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among instructional and management and general in the accompanying statement of functional expenses.

J. K. HAYNES ELEMENTARY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2008

NOTE F: OPERATING LEASE

J. K. Haynes signed operating lease for the office and classroom spaces at \$100.00 per month. minimum rental payments under the leases for the year ended June 30, 2008 was \$1200.00.

NOTE G: PENSION PLAN

At **June 30, 2008**, the School's employees participate in a defined benefit pension plan, The Teacher's Retirement System of Louisiana (TRSL). The plan is a cost sharing for multiple employers.

The retirement plan--The system is administered and controlled by a Board of Trustees. All teachers are covered under the TRSL's Regular Plan.

The system is primarily funded by employees and employer contributions. Contribution rates (employees 8% & employers 16.6% percent) are established by state law. The School's contributions to TRSL for the year ended **June 30, 2008** was equal to the required contribution for the year. At **June 30, 2008**, the School contributed **\$73,191.00** to TRSL.

NOTE H: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been determined utilizing available market information and appropriate valuation methodologies. The School considers the carrying amounts of cash to approximate fair value.

NOTE I: PER DIEM TO BOARD OF DIRECTORS

During the year ended June 30, 2008, no board member received per diem in his or her capacity as director.

NOTE J: ACCOUNTS PAYABLE

At June 30, 2008, accounts payable consisted of the following:

Accounts Payable—vendors	\$13,036
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J. K. HAYNES ELEMENTARY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2008

NOTE K: PAYROLL TAXES PAYABLE

At June 30, 2008, salaries, taxes and other payables consisted of the following:

Payroll taxes	\$22,563
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NOTE L: CONCENTRATION OF REVENUE SOURCE

J. K. Haynes Elementary Charter School receives primarily all of its support from East Baton Rouge Parish School Board through the State of Louisiana's Minimum Foundation Program. If the amount of support received should fall below award budgeted levels, JKHECS's operating results could be adversely affected.

NOTE M: CONTINGENCIES AND COMMITMENTS

J. K. Haynes Elementary Charter School is a recipient of funding from East Baton Rouge Parish School Board through the State of Louisiana's Minimum Foundation Program. This funding is governed by various guidelines, regulations and contractual agreements. The administration of the program and activities funded is under the control and administration of JKHECS and is subject to audit and/or review by the applicable funding source. Any funds found to be not properly spent in accordance with the terms; conditions and regulations of the funding sources may be subject to recapture.

BOBBIE L. HOWARD, CPA

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

To The Board of Directors J. K. Haynes Elementary Charter School

I have audited the financial statements of **J. K. Haynes Elementary Charter School** (a non-profit organization) as of and for the year ended **June 30, 2008**, and have issued my report thereon dated **December 15, 2008**. I conducted our audit in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit in Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered **J. K. Haynes Elementary Charter School's** internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the J. K. Haynes Elementary Charter School internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the organization'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 the 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 organization'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 organization financial statements that is more than inconsequential will not be prevented or detected by the organization'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 will not be prevented or detected by the organization's internal control.

My consideration of 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 internal control that might be significant or material weaknesses. I 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 J.K. Haynes Elementary Charter School are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 my audit, and accordingly, we do not express such an opinion. The results of my tests disclosed 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 findings and responses as items 2008-1

J.K. Haynes Elementary Charter School response to the finding identified in my audit is described in the accompanying schedule of findings and responses. I did not audit J.K. Haynes Elementary Charter School response and, accordingly, I express no opinion on it.

This report is intended for the information management, the board of directors, the Legislative Auditor's of the State of Louisiana, the EBRPSB, and the United States Department of Education and is not included 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 for the State of Louisiana as a public document.



**Bobbie L. Howard,
Certified Public Accountant
Houma, LA 70360**

December 15, 2008

J. K. HAYNES ELEMENTARY CHARTER SCHOOL
Schedule of Findings and Responses
For the Year Ended
June 30, 2008

SUMMARY OF AUDITORS' RESULTS

1. The auditors report expresses an unqualified opinion on the financial statements.
2. No control deficiencies disclosed during the audit of the financial statement.
3. One instances of noncompliance material to the financial statements were disclosed during the audit.
4. Internal control over major federal award programs. N/A
5. Type of auditors' report issued on compliance for major programs: N/A
6. Audit findings that are required to be reported in accordance with Section 510(a) OMB Circular A-133. N/A
5. Identification of Major Program: N/A
6. Dollar threshold used to distinguish between type A and type B program: N/A
7. Auditee qualified as low-risk auditee? N/A

J. K. HAYNES ELEMENTARY CHARTER SCHOOL
Schedule of Findings and Responses
For the Year Ended
June 30, 2008

FINDING-FINANCIAL STATEMENTS AUDIT

2008-1 **Timely Payment of Payroll Taxes**

Condition: I noted during my testing that the organization did not make timely payroll tax deposits.

Criteria: The Internal Revenue Service requires timely payment of payroll taxes in order to be in compliance with payroll tax law.

Effect: This condition has the effect of incurring excess penalties and interest on unpaid balances.

Recommendation: Procedures should be implemented to insure that all payroll tax deposits are made timely.

J. K. HAYNES ELEMENTARY CHARTER SCHOOL
8600 Elm Grove Garden Drive, Baton Rouge, Louisiana 70807
Telephone: (225) 774-1311 Fax: (225) 774-1323

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2008

J. K. Haynes Elementary Charter School respectfully submits the following corrective action plan for the year ended June 30, 2008.

Firm Name: **Bobbie L. Howard, CPA**
921 Church St. - Rear Entrance
Houma, LA 70360

Audit Period: **For the Year Ended June 30, 2008**

The findings from the June 30, 2008 Schedule of Findings and Responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDING – FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS:

2008—01 TIMELY PAYMENT OF PAYROLL TAXES

Recommendation: Procedures should be implemented to insure that all payroll tax deposits are made timely.

Action Taken: We concur with the recommendation, and it was implemented effective immediately. We have taken steps to add these duties to new staff. This has been corrected in the new fiscal year.

If the oversight agency has questions regarding this plan, please call Diana O. Haynes at J. K. Haynes Elementary Charter School at (225) 774-1311.

Sincerely,

Diana O. Haynes
Director

**J. K. HAYNES ELEMENTARY CHARTER SCHOOL
FOR THE YEAR ENDED
JUNE 30, 2008**

**Summary Schedule of Prior Audit Findings
For the Year Ended
June 30, 2008**

2007-1 **Timely Payment of Payroll Taxes**

Condition: I noted during my testing that the organization did not make timely payroll tax deposits.

Recommendation: Procedures should be implemented to insure that all payroll tax deposits are made timely.

Current status: The recommendation was adopted in December 2007. But was only partially implemented, similar findings noted in the 2008 audit. With the addition of new staff the implementation was effective immediately.