

FREEMON, SHAPARD & STORY
CERTIFIED PUBLIC ACCOUNTANTS

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November 2, 2005

The Board of Directors
Texas Boys Choir of Fort Worth
3901 South Hulen Street
Fort Worth, TX 76109

Board Members:

We have audited the financial statements of Texas Boys Choir of Fort Worth (the Charter Holder) for the year ended August 31, 2005, and have issued our report thereon dated November 2, 2005. We have not performed any substantive auditing procedures since that date, and accordingly, this report is based upon our knowledge as of that date and should be read with that understanding.

Our professional standards require that we communicate with you concerning certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management is responsible. We have prepared the following comments to assist you in fulfilling that obligation.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter to the School, our responsibility as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the general-purpose financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Texas Boys Choir of Fort Worth. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The Charterholder's significant accounting policies are disclosed in the notes to the financial statements. During the year ended August 31, 2005, there were no significant changes in previously adopted policies or their applications.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments.

DISAGREEMENTS WITH MANAGEMENT

We have no disagreements with management regarding the application of accounting principles, the scope of our audit, disclosures to be included in the financial statements or the wording of our report on such financial statements.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We experienced no difficulties in dealing with management relating to the performance of our audit. We believe that we have direct and unrestricted access to the Charterholder's management and to the Board of Trustees.

COMMUNICATION OF OTHER MATTERS

INTERNAL CONTROLS AND ACCOUNTING PROCEDURES

I. Investment Policy

We noted that the School had not adopted an investment policy nor appointed an investment officer. We suggest that the board adopt an investment policy, appoint an investment officer, and have that officer attend the necessary annual training to monitor the schools investments.

II. Purchase Orders

A. During our review for purchase orders, we noted that payment authorizations were being utilized rather than purchase orders. Payment authorizations should be used to authorize the payment of invoices received. Purchase orders should however be utilized in advance of items

being purchased to authorize the purchase and ascertain that amounts are provided for in the budget for the expenditure. We recommend that the school obtain documented approval for purchases of goods before a purchase is made through the use of pre-numbered purchase orders.

III. Bank Statements Cutoff Dates

Bank statements should cut off at month end, should include check copies and should reflect daily balances for each account for the monitoring of FDIC coverage and pledged securities. The charterholder currently has some bank accounts that cutoff during the month rather than at year end, don't return check copies and don't reflect daily balance amounts. We suggest that the school contact the affected banks and get these issues corrected or consider moving to another depository bank.

IV. Program Intent Coding

The charter school has not been coding expenditures to the proper program intent code as required by TEA during the year. The school accumulated the correct expenditures and provided us with the worksheets to reclassify these expenses as a year end adjustment. In the future, all expenses should be coded to the correct program intent code throughout the year to make certain that TEA 85% and 90% tests are met.

V. Federal expenditures and cost reports

We noted that the expenditures per the general ledger throughout the year did not agree to expenditures reflected on cost reports submitted to federal grantors until adjusted and corrected at year end. We suggest that the federal expenditures be correctly coded on general ledger throughout the year and reconciled to federal and state cost reports as submitted throughout the year.

VI. Depository Contract Renewal

The depository contract of the charter school must be renewed at least every two years. The previous contract was dated 8/14/03 and wasn't renewed until 10/31/05. We recommend that the school make certain depository contract is bid and renewed at least every two years before expiration of old contract.

VII. Payroll Forms I-9

The employer's portion of payroll forms I-9 (Employment Eligibility Verification Form) are not being completed by the corporation. These forms are required to be properly completed, signed and kept on file by the employer for all employees. We suggest that all payroll files be updated to include properly completed and signed forms I-9.

VIII. Nepotism Statement on Board Application

The current board member application form does not include a statement about nepotism on the application. TEA suggests that this statement be included on the board member application forms.

IX. Coding of Leasehold Improvements

We noted that the leasehold improvements spent by the charterholder were charged to a current period expense rather than being capitalized during the year. These leasehold improvements represent capital assets and should be capitalized when expended in accordance with non-profit accounting standards and subsequently depreciated.

X. Pledged Securities on Bank Deposits

The deposits of the charter school were adequately covered by FDIC insurance and pledged securities. The Boy's choir however, did not have securities pledged by the banks to cover deposits in excess of FDIC coverage and were therefore under-collateralized at year end. We suggest that the Boy's choir require securities to be pledged to cover deposits in excess of FDIC amounts.

XI. Budget Variances

The charter school expenditures exceeded the budget in eight functional categories for the year. We suggest that the board monitor expenses closely, and amend the budget in advance of funds being over-expended each year and thereby authorize the expenditures.

CONCLUSION

We would like to point out that this letter is merely to present areas of suggested improvement to the attention of the Board. We would like to thank the Board for allowing us to perform this audit. The staff was extremely helpful and was always willing to answer our questions. We are available throughout the year to assist you in any manner possible. We are available to assist the School with designing and

implementing new and improved procedures or problem investigations. Should you need our assistance in any of these areas, please do not hesitate to call us.

Sincerely,

Freemon, Shapard and Story

Freemon, Shapard and Story
Certified Public Accountants