

Big Brothers Big Sisters of North Texas
Audited Financial Statements
December 31, 2005

Big Brothers Big Sisters of North Texas

December 31, 2005

Table of Contents

	Page
Independent Auditor's Report	1
Statement of Financial Position, December 31, 2005	3
Statement of Activities, December 31, 2005	4
Statement of Cash Flows, December 31, 2005	5
Statement of Functional Expenses, December 31, 2005	6
Schedule of Expenditures of Federal Awards, for the year ended December 31, 2005	7
Notes to Financial Statements	8
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>	15
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	17
Schedule of Findings and Questioned Costs, for the year ended December 31, 2005	19



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters of North Texas

We have audited the accompanying statement of financial position of Big Brothers Big Sisters of North Texas (a nonprofit organization) as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Big Brothers Big Sisters of North Texas 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 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 Big Brothers Big Sisters of North Texas as of December 31, 2005, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2006, on our consideration of Big Brothers Big Sisters of North Texas' 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 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 read in conjunction with this report in considering the results of our audit.

To the Board of Directors
Big Brothers Big Sisters of North Texas

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Big Brothers Big Sisters of North Texas taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2005, is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, 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.

Albright, Hill & Sumpter

Albright, Hill & Sumpter, PC
Certified Public Accountants

April 3, 2006

Big Brothers Big Sisters of North Texas
Statement of Financial Position
December 31, 2005

Assets

Cash in bank	\$	845,019
Investments		7,840
Unconditional promises to give (net)		1,571,018
Prepaid expenses and deposits		43,399
Buildings and improvements		610,207
Furniture, fixtures, and equipment		543,499
Accumulated depreciation		<u>(787,133)</u>
 Total Assets	 \$	 <u><u>2,833,849</u></u>

Liabilities and Net Assets

Accounts payable	\$	291,478
Payroll liabilities		281,005
Scholarships payable		<u>298,338</u>
 Total Liabilities		 <u><u>870,821</u></u>
 Unrestricted net assets		 1,895,718
Temporarily restricted net assets		<u>67,310</u>
 Total Net Assets		 <u><u>1,963,028</u></u>
 Total Liabilities and Net Assets	 \$	 <u><u>2,833,849</u></u>

The accompanying notes are an integral part of this statement.

Big Brothers Big Sisters of North Texas

Statement of Activities

For the year ended December 31, 2005

	Unrestricted	Temporarily Restricted	Total
Support, contributions and income:			
Contributions	\$ 781,454	\$ 14,483	\$ 795,937
Foundations and grants	2,238,972	-	2,238,972
Special events	2,304,089	-	2,304,089
United Way grants	754,073	-	754,073
In-kind contributions	61,666	-	61,666
Investment income	2,353	-	2,353
Gain on sale of assets	325,209	-	325,209
Miscellaneous income	83,048	-	83,048
Net assets released from restrictions	89,393	(89,393)	-
Total	<u>6,640,257</u>	<u>(74,910)</u>	<u>6,565,347</u>
Program services:			
Program expense	4,769,427	-	4,769,427
Supporting services:			
Administrative expense	562,707	-	562,707
Fund raising expense	1,029,000	-	1,029,000
Other expense:			
Uncollectible promises to give	419,228	-	419,228
Total	<u>6,780,362</u>	<u>-</u>	<u>6,780,362</u>
Changes in net assets before other changes	(140,105)	(74,910)	(215,015)
Other changes:			
Reduction in scholarship payable	326,839	-	326,839
Total change in net assets	186,734	(74,910)	111,824
Net Assets - January 1, 2005	1,708,984	142,220	1,851,204
Net Assets - December 31, 2005	<u>\$ 1,895,718</u>	<u>\$ 67,310</u>	<u>\$ 1,963,028</u>

The accompanying notes are an integral part of this statement.

Big Brothers Big Sisters of North Texas
Statement of Cash Flows
For the year ended December 31, 2005

Cash Flows from Operating Activities:

Change in net assets	\$	111,824
Depreciation		80,683
Net realized and unrealized gains on investments		(1,863)
Gain on sale of assets		(325,209)
Net increase in receivables		(236,755)
Net decrease in prepaid expense		13,944
Net increase in accounts and payroll liabilities		318,218
Net decrease in scholarships payable		<u>(355,339)</u>
 Net cash used in operations		 <u>(394,497)</u>

Cash Flows from Investing Activities:

Purchase of fixed assets		(73,298)
Proceeds from sale of fixed assets		<u>1,018,033</u>
 Net cash provided by investing activities		 <u>944,735</u>

Cash Flows from Financing Activities:

Net cash used in financing activities		<u>-</u>
 Increase in cash		 550,238
Cash at beginning of year		<u>294,781</u>
 Cash at end of year		 <u>\$ 845,019</u>

The accompanying notes are an integral part of this statement.

Big Brothers Big Sisters of North Texas

Statement of Functional Expenses
For the year ended December 31, 2005

	Program Expenses	Administrative Expense	Fund Raising Expense	Total
Salaries and related taxes	\$ 3,243,940	\$ 354,251	\$ 334,814	\$ 3,933,005
Employee relations	34,376	2,713	13,368	50,457
Employee related insurance	378,893	61,858	48,437	489,188
Retirement expense	40,113	5,362	12,501	57,976
Equipment expense	83,356	7,624	26,909	117,889
Other insurance	56,832	7,103	12,256	76,191
Occupancy	66,519	13,816	15,093	95,428
Office supplies	41,575	5,179	14,930	61,684
Outside services	25,764	13,830	27,781	67,375
Utilities	37,193	7,054	7,982	52,229
Local travel	80,110	15,509	19,621	115,240
Board expense	4,121	7,094	2,317	13,532
Memberships and licensing	39,187	5,941	12,325	57,453
Public relations/marketing	70,857	15,968	28,299	115,124
Telephone	92,232	16,869	14,168	123,269
Out-of-town travel	14,091	11,017	2,172	27,280
Postage and publications	12,057	2,647	3,811	18,515
Miscellaneous	6,038	551	1,873	8,462
Program activities	382,165	-	-	382,165
Direct fund raising expense	-	-	417,989	417,989
Depreciation	60,008	8,321	12,354	80,683
Total	\$ 4,769,427	\$ 562,707	\$ 1,029,000	\$ 6,361,134

The accompanying notes are an integral part of this statement.

Big Brothers Big Sisters of North Texas
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2005

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying	Federal Expenditures
U.S. Department of Education/Texas Education Agency	84.999	-	\$ 1,050,000
U.S. Department of Education/school based	84.184B	-	578,011
U.S. Department of Health and Human Services/BBBS-Alamo	-	90CV0001/02	128,613
U.S. Department of Education/Criminal Justice Division-State of Texas	-	JA-05-J21-16278-04	26,781
U.S. Department of Housing and Urban Development/City of Arlington- Community Development Block Grant	-	B-05-MC-48-008	<u>27,364</u>
Total Expenditures of Federal Awards			<u>\$ 1,810,769</u>

The accompanying notes are an integral part of this statement.

Big Brothers Big Sisters of North Texas
Notes to Financial Statements
For the year ended December 31, 2005

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Big Brothers Big Sisters of North Texas (the Organization) is a nonprofit organization formed to provide children from diverse and typically single parent backgrounds with the opportunity to improve their self-esteem through positive one-to-one relationships with adult volunteers.

The Organization is currently operating from seven separate locations: Collin County, Dallas County, Denton County, Grayson County, Lamar County, Arlington, and Fort Worth.

Income Tax Status

The Organization is recognized by the Internal Revenue Service as exempt from federal income tax under section 501 (c)(3) of the Internal Revenue Code and is not a private foundation as defined in the code.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting meaning revenues are recognized when earned and expenses are recorded when incurred.

Financial Statement Presentation

The Organization has adopted SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, under which the organization 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.

Estimates

Management uses estimates and assumptions in the preparation of these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates. Major estimates involve valuation of unconditional promises to give, lives used to depreciate fixed assets, and scholarships payable.

Big Brothers Big Sisters of North Texas
Notes to Financial Statements
For the year ended December 31, 2005

Support

The organization is supported primarily by contributions and grants from individuals, corporations, other nonprofit organizations, and government agencies.

Donated Services

Numerous individuals donate significant amounts of time to the Organization. Management estimates the total time to be 486,000 volunteer hours during 2005. No donations of services were found that met the criteria to be recorded as revenue on the Organization's financial statements.

Functional Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies by management. Supporting services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Joint Costs

The Organization achieves some programmatic goals through special events. Therefore, \$139,330 of special events costs were allocated to program expense on the statement of functional expenses.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Cash Flow Information

During 2005, the Organization paid interest in the amount of \$2,812 and no income tax.

Property and Equipment

Property and equipment have been recorded at acquisition cost or market value if donated. Routine maintenance and repair costs are expensed as incurred.

Big Brothers Big Sisters of North Texas
Notes to Financial Statements
For the year ended December 31, 2005

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment above a set amount are capitalized as fixed assets.

NOTE 2 - RELATED ENTITIES

A separate entity known as Big Brothers Big Sisters of North Texas Foundation was formed in February 2003. The purpose of the Foundation is to assist the Organization. Although there are common board members, in management's opinion, the Foundation is not controlled by the Organization.

During 2005, the organization received payments totaling \$305,342 from the foundation which represents donations, expense reimbursements, and loans. All loans totaling \$155,000 were repaid by December 31, 2005.

In addition, the Organization enters into various transactions with other Big Brother Big Sister affiliates across the country that is related entities in purpose only.

NOTE 3 - INVESTMENTS

Investments in marketable securities are reported at fair market value in accordance with SFAS No. 124, *Accounting for Certain Investments held by Not-for-Profit Organizations*. The Organization's investments in marketable securities as of December 31, 2005 consist of the following:

Common Stock	\$ 7,090
Oil & Mineral Interest	<u>750</u>
	<u>\$ 7,840</u>

Investment income for 2005 consisted of the following:

Interest income	\$ 490
Realized gains on redemption of investments	355
Unrealized gains on investments	<u>1,508</u>
	<u>\$ 2,353</u>

NOTE 4 - SALE OF PROPERTY

During 2005 two properties consisting of land and buildings were sold. These sales are detailed below:

Big Brothers Big Sisters of North Texas
Notes to Financial Statements
For the year ended December 31, 2005

Location	Gain on Sale
Dallas	\$ 98,063
Fort Worth	<u>227,146</u>
	<u>\$ 325,209</u>

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. These unconditional promises to give are received from various sources.

An allowance for uncollectible unconditional promises to give was established based on an aging of open accounts at the balance sheet date and prior year experience. The allowance for uncollectible amount was established through consultation by management with the audit committee. Promises to give beyond 2005 were discounted at 2.5%.

Unconditional promises to give at December 31, 2005, were as follows:

Unconditional promises to give	\$2,024,509
Less allowance for uncollectible	(442,471)
Less discount to net present value	(11,020)
Net unconditional promises to give	<u>\$1,571,018</u>
Receivable in one year or less	\$1,328,643
Receivable between one to five years	\$ 242,375

NOTE 6 – EMPLOYEE RETIREMENT PLAN

The Organization provides a defined contribution retirement plan for its employees. Employees may contribute a portion of their earnings to this plan with the Organization matching a portion of these contributions. During 2005, the Organization provided matching funds totaling \$57,976 to match contributions to this plan and to settle liabilities from prior plans.

Big Brothers Big Sisters of North Texas
Notes to Financial Statements
For the year ended December 31, 2005

NOTE 7 – SCHOLARSHIPS PAYABLE

The Organization awarded college scholarships to deserving students several years ago. Commitment letters were signed with these students. The amount of scholarship payments due under this program scheduled for 2005 total \$128,000. During 2005 scholarship payments in the amount of \$28,500 were disbursed.

Due to the failure of participants to claim these scholarships, the balance was reduced by \$326,839 during the audit period with this reduced amount recognized as other changes in net assets on the attached financial statements.

NOTE 8 – RESTRICTED NET ASSETS

Temporarily restricted net assets represent contributions for which the donors impose restrictions on the use of the funds. As of December 31, 2005, the net assets were temporarily restricted for the following purposes:

School based mentoring	\$ 14,536
Scholarships	22,280
Special events and activities	12,507
Technology	16,556
School supplies	<u>1,431</u>
	<u>\$ 67,310</u>

During 2005, net assets were released from restrictions and utilized as follows: scholarships - \$5,826; holiday gifts - \$501; special events - \$2,244; school based mentoring - \$1,500; and technology \$79,322.

As of December 31, 2005, all other net assets were unrestricted.

NOTE 9 – SPECIAL EVENT REVENUE

During 2005, the following special events generated significant revenue as indicated below:

Event	Revenue Generated
Bowl for kid's sake	\$ 768,012
Gala	\$ 722,205
Celebrity golf	\$ 383,094
Raffle	\$ 325,717

Big Brothers Big Sisters of North Texas
Notes to Financial Statements
For the year ended December 31, 2005

The loss of any of these revenues would have a significant effect on the operations of the Organization.

All special event revenue is shown without a reduction for related expense.

NOTE 10 – CONCENTRATION OF CREDIT RISK

As of December 31, 2005, the total balance of accounts maintained in a single bank exceeded the FDIC liability limit by \$542,137.

NOTE 11 – LEASES

The Organization is committed under four long-term leases for office space at various locations.

The remaining commitment under these non-cancelable leases is as follows:

<u>Year</u>	<u>Obligation</u>
2006	\$ 39,427
2007	\$ 3,600

There were also several nominal operating leases of office equipment and month-to-month leases on two office spaces. For the equipment leases the residual value of these leased assets approximated the amount of the lease obligations.

NOTE 12 – CUSTODIAL ACCOUNTS

The Organization maintains a bank account as custodian on behalf of another nonprofit organization. The total balance in this account as of December 31, 2005, was \$2,384 which was included in assets and liabilities.

NOTE 13 – ACCRUED COMPENSATED ABSENCES

Accrued compensated absences totaling \$112,879 are included as expense and a corresponding liability reflected on the attached financial statements.

NOTE 14 – IN KIND CONTRIBUTIONS

Facilities

The Organization's Dallas office was housed in donated facilities for part of 2005. This contribution is valued at \$ 10,666.

Big Brothers Big Sisters of North Texas
Notes to Financial Statements
For the year ended December 31, 2005

Match Supplies

The Organization received match supplies valued at \$ 51,000 during 2005.

These contributions are recorded as income and corresponding expense on the attached financial statements.

NOTE 15 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the cash 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.

Of the federal expenditures presented in the schedule the Organization provided federal awards to sub recipients as follows:

Program	CFDA Number	Amount Provided to Sub Recipients
U.S. Department of Education/Texas Education Agency	84.999	\$ 636,231



**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
Big Brothers Big Sisters of North Texas

We have audited the financial statements of Big Brothers Big Sisters of North Texas as of and for the year ended December 31, 2005, and have issued our report thereon dated April 3, 2006. 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 Big Brothers Big Sisters of North Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting, which we have reported to management of Big Brothers Big Sisters of North Texas in a separate letter dated April 3, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Brothers Big Sisters of North Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination

To the Board of Directors
Big Brothers and Big Sisters of North Texas

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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Big Brothers Big Sisters of North Texas in a separate letter dated April 3, 2006.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Albright, Hill & Sumpter

Albright, Hill & Sumpter, PC
Certified Public Accountants

April 3, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Big Brothers Big Sisters of North Texas

Compliance

We have audited the compliance of Big Brothers Big Sisters of North Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Big Brothers Big Sisters of North Texas' major federal programs are identified in the summary of auditor's 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 Big Brothers Big Sisters of North Texas' management. Our responsibility is to express an opinion on Big Brothers Big Sisters of North Texas 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 effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Big Brothers Big Sisters of North Texas' 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 on Big Brothers Big Sisters of North Texas' compliance with those requirements.

In our opinion, Big Brothers Big Sisters of North Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

To the Board of Directors
Big Brothers Big Sisters of North Texas

Internal Control Over Compliance

The management of Big Brothers Big Sisters of North Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Big Brothers Big Sisters of North Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Albright, Hill & Sumpter

Albright, Hill & Sumpter, PC
Certified Public Accountants

April 3, 2006

Big Brothers Big Sisters of North Texas
Schedule of Findings and Questioned Costs
For the year ended December 31, 2004

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified	None reported
Reportable conditions identified	None reported
Noncompliance material to financial statements:	None reported

Federal Awards:

Internal control over major program:	
Material weakness identified	None reported
Reportable conditions identified	None reported
Type of auditor’s report issued on compliance for major program:	Unqualified
Any audit findings to be reported in accordance with Circular A-133, Section .510(a):	No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.999	U. S. Department of Education

Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
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Auditee qualified as low-risk auditee	No
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Section II – Financial Statement Findings:	No material findings to report
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Section III – Federal Awarding Findings and Questioned Costs:	No material findings to report
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