

A. W. BROWN FELLOWSHIP CHARTER SCHOOL

AUGUST 31, 2009

**William E. Brown, III
CERTIFIED PUBLIC ACCOUNTANT**

A. W. BROWN FELLOWSHIP CHARTER SCHOOL
AUGUST 31, 2009
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A. W. BROWN FELLOWSHIP CHARTER SCHOOL
AUGUST 31, 2009

CERTIFICATE OF THE BOARD

NAME OF SCHOOL: A. W. BROWN FELLOWSHIP CHARTER SCHOOL
COUNTY: DALLAS
CO. DIST. NUMBER: 057-816

We, the undersigned, certify that the attached annual financial reports of the above-named charter School were reviewed and X approved ____disapproved for the year ended August 31, 2009, at a meeting of the Investment Committee of the board of directors of such school district on ____23____ day of February, 2010.


Board Member Signature


Board Member Signature

WILLIAM E. BROWN, III, CPA
100 DECKER COURT, SUITE 160
Irving, Texas 75062

INDEPENDENT AUDITORS' REPORT

Board of Directors
A.W. Brown Fellowship Charter School
Dallas, Texas

I have audited the accompanying statements of financial position of A. W. Brown Fellowship Charter School as of August 31, 2009 and the related statements of activities and net assets and cash flows for the year then ended. These financial statements are the responsibility of the project's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. 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 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. I believe that my audit provides a reasonable basis for my opinion.

The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules on pages 19 through 24 are presented for purposes of additional analysis and are 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, issued by the Comptroller General of the United States, I have also issued a report dated February 23, 2010, on our consideration of A.W. Brown Fellowship Charter School's internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.

In my opinion, the financial statements referred to above present fairly, in all material respects the financial position of A. W. Brown Fellowship Charter School as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated February 23, 2010, on our consideration of A. W. Brown Fellowship Charter School internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying schedules of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements.

Auditor in charge of the engagement

William E. Brown, III CPA

Certified Public Accountant

Irving, Texas
February 23, 2010

A. W. BROWN FELLOWSHIP CHARTER SCHOOL
Statement of Financial Position
As of August 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 173,013	322,719
Cash - temporarily restricted	1,417,481	1,080,180
Accounts receivable - TEA	1,369,144	757,050
Other receivables	16,880	17,547
Prepaid expenses	27,047	66,721
Total current assets	<u>3,003,565</u>	<u>2,244,217</u>
Investments at market value	<u>2,283,292</u>	<u>2,206,722</u>
Property, Plant and equipment		
Land	1,842,413	1,842,413
Buildings and improvements	11,848,669	8,748,762
Construction in progress	0	304,070
Furniture and equipment	1,409,283	1,201,149
Total property and equipment	15,100,365	12,096,394
Less: Accumulated Depreciation	<u>(2,006,268)</u>	<u>(1,482,025)</u>
Total property and equipment, net	<u>13,094,097</u>	<u>10,614,369</u>
Other Assets		
Deposits	11,750	11,750
Unamortized bond issuance costs net of amortization	1,701,931	1,793,414
Total Other Assets	1,713,681	1,805,164
Restricted Assets - cash - bond covenants	<u>1,645,046</u>	<u>3,829,991</u>
TOTAL ASSETS	<u><u>21,739,681</u></u>	<u><u>20,700,463</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	118,800	124,458
Accrued liabilities	194,687	83,583
Line of credit at bank	1,873,643	
Current portion of long-term debt	310,000	295,000
Total current liabilities	<u>2,497,130</u>	<u>503,041</u>
Long-Term Debt	12,375,000	14,785,000
Total Liabilities	<u>14,872,130</u>	<u>15,288,041</u>
Net Assets		
Unrestricted	1,053,675	440,273
Temporarily restricted	5,813,876	4,972,149
Total Net Assets (Deficit)	<u>6,867,551</u>	<u>5,412,422</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 21,739,681</u></u>	<u><u>20,700,463</u></u>

THE NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

A. W. BROWN FELLOWSHIP CHARTER SCHOOL
Statement of Activities
As of August 31, 2009 and 2008

			<u>Totals</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009</u>	<u>2008</u>
Revenues				
Local support:				
5740 Other Revenues from Local Sources	\$ 45,936	665,579	711,515	313,395
State program revenues				
5810 Foundation School Program Act Revenues		9,049,446	9,049,446	7,831,932
5820 State Program Revenues Distributed by the TEA	<u>0</u>	<u>254,214</u>	<u>254,214</u>	<u>249,508</u>
Total state program revenues	<u>0</u>	<u>9,303,660</u>	<u>9,303,660</u>	<u>8,081,440</u>
Federal program revenues:				
5920 Federal Revenues Distributed by the TEA	<u>0</u>	<u>1,295,982</u>	<u>1,295,982</u>	<u>934,988</u>
	<u>0</u>	<u>125,514</u>	<u>125,514</u>	
	<u>0</u>	<u>1,421,496</u>	<u>1,421,496</u>	<u>934,988</u>
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>10,549,008</u>	<u>(10,549,008)</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>10,594,944</u>	<u>841,727</u>	<u>11,436,671</u>	<u>9,329,823</u>
Expenses				
11 Instructions	5,048,740	0	5,048,740	4,350,127
13 Curriculum Development and Instructional	168,227	0	168,227	126,752
23 School Leadership	377,622	0	377,622	310,227
31 Guidance, Counseling and Evaluation Services	41,240	0	41,240	5,635
33 Health Services	13,723	0	13,723	6,290
35 Food Services	716,753	0	716,753	654,808
36 Co-B29curricular/Extracurricular Activities	89,194	0	89,194	87,036
41 General Administration	932,386	0	932,386	625,081
51 Plant Maintenance & Operations	1,101,579	0	1,101,579	687,562
52 Security	128,037	0	128,037	106,023
53 Data Processing Services	226,504	0	226,504	445,981
71 Interest Expense	1,137,537	0	1,137,537	874,522
81 Fund Raising	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses	<u>9,981,542</u>	<u>0</u>	<u>9,981,542</u>	<u>8,280,044</u>
Change in Net Assets	613,402	841,727	1,455,129	1,049,779
Net Assets, beginning of year	<u>440,273</u>	<u>4,972,149</u>	<u>5,412,422</u>	<u>4,362,643</u>
Net Assets, ending of year	\$ <u><u>1,053,675</u></u>	<u><u>5,813,876</u></u>	<u><u>6,867,551</u></u>	<u><u>5,412,422</u></u>

THE NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

A. W. BROWN FELLOWSHIP CHARTER SCHOOL
Statement of Cash Flows
As of August 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of change in net assets to net cash provided by other operating activities:		
Change in net assets	\$ 1,455,129	1,049,779
Depreciation and amortization	524,243	467,272
Amortization of issuance cost	91,483	109,995
(Increase) Decrease in assets		
Other assets	667	(17,547)
Accounts receivable	(612,094)	176,633
Restricted cash	(337,301)	1,610,447
Restricted for bond reserves	2,184,945	214,131
Prepaid assets	39,674	(2,685)
Increase (Decrease) in liabilities		
Accounts payable	(5,658)	(137,333)
Accrued liabilities	<u>111,104</u>	<u>(117,975)</u>
Net cash provided by operating activities	<u>3,452,192</u>	<u>3,352,717</u>
Cash flows from investing activities:		
Purchase investments	(3,003,971)	(2,206,722)
Purchase of equipment and other capital assets	<u>(76,570)</u>	<u>(590,501)</u>
Net cash provided by investing activities	<u>(3,080,541)</u>	<u>(2,797,223)</u>
Cash flows from financing activities:		
Line of credit to repurchase bonds	1,873,643	
Bond and loan payments and repurchases	<u>(2,395,000)</u>	<u>(285,000)</u>
Net cash provided by financing activities	<u>(521,357)</u>	<u>(285,000)</u>
Net increase (decrease) in cash	(149,706)	270,494
Cash at beginning of year	<u>322,719</u>	<u>52,225</u>
Cash at ending of year	<u>\$ 173,013</u>	<u>322,719</u>
Supplementary Information:		
Loans to capital assets: -0-	\$ 0	0
Interest Paid: \$874,522	\$ 1,011,696	874,522
Income taxes paid	EXEMPT	EXEMPT
No cash equivalents are held.		

THE NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**A. W. BROWN FELLOWSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2009**

Note 1: Summary of Significant Accounting Policies

The general-purpose financial statements of A. W. Brown Fellowship Charter School were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The Charter Holder's sole purpose is to operate the A W Brown Fellowship Charter School.

Reporting Entity

The corporation is a not-for-profit organization incorporated in the State of Texas in July 1999, as A. W. Brown Fellowship Educational Learning Center, which has as its sole operations the A.W. Brown Fellowship Charter School. The school is exempt from federal income taxes pursuant to Section 501(c) (3) of the Internal Revenue Code. A Board of Directors comprised of eleven members governs the corporation. The Board of Directors is selected pursuant to the bylaws of the corporation and has the authority to make decisions, appoint the chief executive officer of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the corporation. Since the corporation received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

Organization

A.W. Brown Fellowship Charter School is an open enrollment charter school, which opened in August 1999. The Contract for Charter was granted by the State Board of Education of the State of Texas pursuant to Chapter 12 of the Texas Education Code, which expires August, 2013.

The charter school's programs include classroom instruction and Public Charter Schools, Foundation Formula, School Breakfast, Title I Part A, Title VI Formula, Title VI Class Size Reduction, Title VI Innovative Education, TIF, and Technology Allotment.

The charter school is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, the financial statements do not include a provision for income taxes.

Basis of Presentation

The accompanying general-purpose financial statements represent the only activity of the School and have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, management made certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – net assets subject to donor-imposed stipulations or otherwise restricted that may or will be met, either by actions of the corporation, the charter school and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

A. W. BROWN FELLOWSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2009

Note 1: Summary of Significant Accounting Policies - continued

Permanently restricted – net assets required to be maintained in perpetuity with only the income to be used for the charter school's activities due to donor-imposed restrictions.

Contributions

The corporation accounts for contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For financial statement purposes, the corporation considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the corporation as assets with an individual cost of more than \$500. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to twenty years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost. The cost of issuance of the bonds is being amortized over the life of each bond.

Note 2: Capital Assets

Capital assets at August 31, 2009 and 2008 were as follows:

	2009	2008
Equipment	\$ 1,842,413	1,842,413
Buildings and Improvements (construction 2003)	11,848,669	8,748,762
Construction in progress	0	304,070
Land	1,409,283	1,201,149
Total property and equipment	\$ 15,100,365	12,096,394

Depreciation expensed in the year ended August 31, 2009 was \$ 467,272 and 2008 \$535,329.

Capital assets acquired with public funds received by the corporation for the operation of the Charter School constitute public property pursuant to Chapter 12 of the Texas Education Code. Equipment of \$146,104 at cost is not subject to state and federal claims.

**A. W. BROWN FELLOWSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2009**

Note 3: Line of Credit and Long-Term Debt

	<u>Debt</u>	<u>Less than Year</u>
The School has entered into a line-of-credit for \$16,000,000 from Regions Bank a prime plus one percent	\$ <u>1,873,643</u>	<u>1,873,643</u>

Long-term debt at August 31, 2009 consists of Bonds:

Three 30-year bond issues titled Education Revenue Bonds Series 2004A and 2004B, 2005A and 2005B and 2006A and 2006B. The interest rate on the bonds varies. Various reserves apply.

	12,685,000	310,000
Total	<u>12,685,000</u>	<u>310,000</u>
Less current portion of long-term debt	<u>(310,000)</u>	
Total long-term debt	\$ <u>12,375,000</u>	

Future maturities of long-term debt at August 31, 2009 are as follows:

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,183,643	736,679
2011	275,000	721,811
2012	285,000	709,515
2013	300,000	696,144
2014	315,000	681,250
Thereafter	<u>11,200,000</u>	<u>9,078,619</u>
	\$ <u>14,558,643</u>	<u>12,624,018</u>

Unamortized Bond Discount is \$1,701,931. Current year amortization was 2009 \$91,483 and 2008 \$109,995.

Bond Issues related to the loans above. In February and June, 2009, \$2,100,000 of the outstanding bonds was bought by the School.

The school has three issues of bonds outstanding – original issue information follows:

A. March 4, 2004: A.W. Brown Fellowship Charter School entered into a loan agreement with the Heart of Texas Education Finance Corporation which is owned by the City of Lorena, Texas. This loan agreement allowed the Heart of Texas Education Finance Corporation to issue tax exempt education bonds titled Series 2004A and taxable education bonds titled 2004B for the amounts of \$4,185,000 and \$265,000. The average yield on the bonds is approximately 5.498% with the final maturity occurring on February 15, 2032

The issuance costs and the bond insurance premium are amortized using the interest method providing the following effective interest rates:

<u>Bond Series</u>	<u>Maturity Date</u>		<u>Amount</u>	<u>Stated Rate</u>	<u>Effective Rate</u>
2004 A	2010	\$	415,000	3%	3.5644%
2004 A	2014	\$	510,000	4%	4.8549%
2004 A	2024	\$	1,510,000	5%	6.4152%
2004 A	2032	\$	1,810,000	5%	6.8197%
2004 B	2013	\$	265,000	5%	6.0675%

**A. W. BROWN FELLOWSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2009**

Note 3: Long-Term Debt - continued

The calculation of the effective interest rate assumes that the bonds will remain outstanding for the stated periods and none of the special provisions have been applied. The weighted average of the scheduled interest payments was applied to the Bond Issuance Costs including OID to access the annual amortization of the Bond Issuance Costs.

The Bond Issuance Costs included: OID of \$49,421, Underwriters Discount of \$123,500, and Bond Insurance Premium of \$239,132 and Issuance Costs of \$225,302 including \$37,122 paid other than by proceeds for a total of \$637,355.

B. February 1, 2005: The A.W. Brown Fellowship Charter School entered into a loan agreement with the Orchard Higher Education Finance Corporation. This loan agreement allowed the Heart of Texas Education Finance Corporation to issue tax exempt education bonds titled Series 2005A and taxable education bonds titled 2005B for the amounts of \$5,800,000 and \$450,000. The average yield on the bonds is approximately 5.498% with the final maturity occurring on February 15, 2032.

The Issuance Costs and the Bond Insurance Premium are amortized using the interest method providing the following effective interest rates:

<u>Bond Series</u>	<u>Maturity Date</u>		<u>Amount</u>	<u>Stated Rate</u>	<u>Effective Rate</u>
2005 A	2010	\$	65,000	3%	3.3570%
2005 A	2010	\$	50,000	3%	3.3638%
2005 A	2010	\$	50,000	3.125%	3.5100%
2005 A	2010	\$	55,000	3.5%	3.9461%
2005 A	2011	\$	60,000	3.65%	4.1247%
2005 A	2012	\$	50,000	3.875%	4.3950%
2005 A	2013	\$	60,000	4%	4.5503%
2005 A	2014	\$	175,000	4.15%	4.7373%
2005 A	2015	\$	180,000	4.25%	4.8688%
2005 A	2024	\$	2,135,000	5.255%	6.1948%
2005 A	2032	\$	2,920,000	5%	6.0902%
2005 B	2013	\$	450,000	4.9%	13.4986%

The calculation of the effective interest rate assumes that the bonds will remain outstanding for the stated periods and none of the special provisions have been applied. The weighted average of the scheduled interest payments was applied to the Bond Issuance Costs including OID to access the annual amortization of the Bond Issuance Costs.

The Bond Issuance Costs included: OID of \$7,299, Underwriters Discount of \$218,000, and Bond Insurance Premium of \$347,065 and Issuance Costs of \$205,000 including \$27,659 paid other than by proceeds for a total of \$777,364

C. August 1, 2006: The A.W. Brown Fellowship Charter School entered into a loan agreement with the Danbury Higher Education Finance Corporation. This loan agreement allowed the Heart of Texas Education Finance Corporation to issue tax exempt education bonds titled Series 2006A and taxable education bonds titled 2006B for the amounts of \$4,780,000 and \$360,000. The average yield on the bonds is approximately 9.6982% with the final maturity occurring on August 31, 2036.

A. W. BROWN FELLOWSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2009

Note 3: Long-Term Debt - continued

The Bond Issuance Costs included: OID of \$7,299, Underwriters Discount of \$218,000, and Bond Insurance Premium of \$347,065 and Issuance Costs of \$205,000 including \$27,659 paid other than by proceeds for a total of \$777,364

C. August 1, 2006: The A.W. Brown Fellowship Charter School entered into a loan agreement with the Danbury Higher Education Finance Corporation. This loan agreement allowed the Heart of Texas Education Finance Corporation to issue tax exempt education bonds titled Series 2006A and taxable education bonds titled 2006B for the amounts of \$4,780,000 and \$360,000. The average yield on the bonds is approximately 9.6982% with the final maturity occurring on August 31, 2036.

<u>Bond Series</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Stated Rate</u>	<u>Effective Rate</u>
2006A	2012	10000	5.00%	5.3400%
2006A	2013	5000	5.00%	5.3314%
2006A	2014	10000	5.00%	5.3363%
2006A	2015	5000	5.00%	5.3422%
2006A	2016	10000	5.00%	5.3320%
2006A	2017	30000	5.00%	5.3239%
2006A	2018	35000	5.00%	5.3231%
2006A	2019	35000	5.00%	5.3204%
2006A	2020	40000	5.00%	5.3204%
2006A	2021	45000	5.00%	5.3194%
2006A	2022	45000	5.00%	4.7249%
2006A	2023	45000	5.00%	5.3183%
2006A	2024	50000	5.00%	5.3173%
2006A	2025	55000	5.00%	5.3158%
2006A	2026	55000	5.00%	5.3155%
2006A	2027	60000	5.00%	5.4465%
2006A	2028	60000	5.125%	5.4461%
2006A	2029	65000	5.125%	5.4481%
2006A	2030	70000	5.125%	5.4466%
2006A	2031	70000	5.125%	5.4455%
2006A	2032	70000	5.125%	5.4469%
2006A	2033	795000	5.125%	5.4459%
2006A	2034	835000	5.125%	5.4453%
2006A	2035	880000	5.125%	5.4455%
2006A	2036	1400000	5.125%	5.4456%
2006B	2009	40000	6.50%	27.2825%
2006B	2010	60000	6.50%	26.7725%
2006B	2010	65000	6.50%	26.5979%
2006B	2010	65000	6.50%	26.5150%
2006B	2011	20000	6.50%	26.5510%
2006B	2012	20000	6.50%	32.9725%
2006B	2013	20000	6.50%	34.3700%
2006B	2014	20000	6.50%	32.9188%
2006B	2015	25000	6.50%	32.8991%
2006B	2016	25000	6.50%	32.8848%

**A. W. BROWN FELLOWSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2009**

Note 4: Pension Plan Obligations

Plan Description

The charter school contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. The System provides service and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in the Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the charter school's covered payroll. The charter school's employees' contributions to the System for the year ending August 31, 2009 and 2008 were \$ 309,559 and \$ 219,878 respectively, equal to the required contributions for each year.

Note 5: Health Care Coverage

During the year ended August 31, 2009, employees of the charter school were covered by a Health Insurance Plan (the Plan). The charter school contributed \$195 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 6: Temporarily Restricted Net Assets

	2009	2008
420 - Student Foundation Program	\$ 5,813,876	4,971,526
411 - Technology Allotment	0	623
	<u>\$ 5,813,876</u>	<u>4,972,149</u>

Note 7: Related Parties

The Chief Executive Officer (CEO) is married to the principal. Three teachers and the Chief Executive Officer serve on the board.

Note 8: Commitments and Contingencies

The charter school receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

The School has operating leases for equipment that requires monthly installments and has the following scheduled payments in 2010 thru 2013, respectively: \$72,015, \$72,850, \$42,294, \$19,041 and \$932.

**A. W. BROWN FELLOWSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2009**

Note 9: Donated Goods and Services

Donated goods and services are not recorded at the market value on the date of contribution. The Board has implemented the securing of a separate entity to raise funds for the School and student scholarships.

Note 10: Estimates

Management has elected to use generally accepted accounting principles and in doing so is required to use estimates in certain account balances and notes to the financial statements. Actual results could differ from those estimates.

Note 11: Concentrations

The School receives substantially all of its funding from Texas Foundation Funds through the Texas Education Agency (TEA).

Its classes are dependent primarily on students from a specific geographical area. The students have choices of charter, private and public schools.

Note 12: Compensated Absences

Compensated absences are not recorded for a lack of a reasonable estimate.

Note 13: Fair Value

Fair Value of assets and liabilities are approximately the carrying value.

NOTE 14: Maintenance Program

The School has not set up a formal long-term maintenance program.

NOTE 15: Program Costs

The Total expenditures of \$9,981,542 reflect direct program costs of \$7,911,619, administrative expenses of \$932,386 and interest of \$1,135,537.

NOTE 16: Investments

The School acquired Securities, Bank certificates of deposit and equity mutual funds. With a cost of 2009 Cost \$2,206,785; Market \$2,283,292 and 2008: Cost 2,206,722 and Market \$2,206,722. Change in Market value over cost in 2009 was \$71,505.

NOTE 17: Subsequent Events

The School has entered into a line-of-credit for \$16,000,000. Borrowing scheduled as Regions Bank acquires outstanding bonds issued by the School. The Line carries a rate of prime plus one percent. The remaining bonds outstanding were purchased and defeased. Under the agreements investments were acquired to provide payment for the bonds. Subject to the earnings of the invested so entrusted there is a potential undeterminable liability which is not recorded in these financial statements.

The School is considering the implementation of a 403(b) plan with annual discretionary contributions by the School with no obligation to contribute.

WILLIAM E. BROWN, III, CPA
100 DECKER COURT, SUITE 160
IRVING, TEXAS 75062

**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**

Board of Directors
A. W. Brown Fellowship Charter School
Dallas, Texas

We have audited the financial statements of A. W. Brown Fellowship Charter School (a nonprofit organization) as of and for the year ended August 31, 2009, and have issued our report thereon dated February 23, 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 A. W. Brown Fellowship Charter School, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of A. W. Brown Fellowship Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in 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 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's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We considered the deficiencies described in the accompanying schedule of findings and questioned costs, 2009-1 to be a significant deficiency in internal control over financial reporting.

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 organization'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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies as described above and shown at 2009-1 below is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether A. W. Brown Fellowship 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 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 questioned costs as item 2009-1.

We noted certain matters that we reported to the management of A. W. Brown Fellowship Charter School in a separate letter dated February 23, 2010.

A. W. Brown Fellowship Charter School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit A. W. Brown Fellowship Charter School's response and, accordingly we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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.

Uma E Brown, CPA

February 23, 2010
Irving, Texas

**William E. Brown III, CPA
Certified Public Accountant
100 DECKER COURT, SUITE 160
Irving, Texas 75062**

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

The Board of Directors
A. W. Brown Fellowship Charter School, Inc.
Dallas, Texas

Compliance

I have audited the compliance of A. W. Brown Fellowship Charter School, Inc. 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 August 31, 2009. A. W. Brown Fellowship Charter School, Inc.'s 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 A. W. Brown Fellowship Charter School, Inc.'s management. My responsibility is to express an opinion on A. W. Brown Fellowship Charter School, Inc.'s compliance based on my audit.

I conducted my 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 I 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 A. W. Brown Fellowship Charter School, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on A. W. Brown Fellowship Charter School, Inc.'s compliance with those requirements.

In my opinion, A. W. Brown Fellowship Charter School, Inc. 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 August 31, 2009.

Internal Control Over Compliance

The management of A. W. Brown Fellowship Charter School, Inc. 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 my audit, I considered A. W. Brown Fellowship Charter School, Inc.'s 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 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of A. W. Brown Fellowship Charter School's internal control over compliance.

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

Continued

A **control deficiency** in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the finding at 2009-2, page 18, to be a significant deficiency.

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency at 2009-2 to be a material deficiency.

My consideration of internal control over compliance 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 deficiencies or material weaknesses

A. W. Brown Fellowship Charter School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit A. W. Brown Fellowship Charter School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, the audit committee, others within the entity, 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.

Uma E Brown, CPA

February 23, 2010
Irving, Texas

A.W. BROWN FELLOWSHIP CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS and Prior Year Findings
For the Year Ended August 31, 2009

I. Summary of Auditor's Results

- | | |
|--|-------------|
| 1. Type of auditor's report issued on the financial statements of the Auditee | Unqualified |
| 2. Significant Deficiencies relating to the audit of the financial statements | Yes |
| a. Finding 2009-1 failing to record adjustments at beginning of the year. | |
| 3. Instances of noncompliance material to the financial statements of the auditee disclosed by the audit of the financial statements | Yes |
| 4. Significant Deficiencies relating to the audit of the major award programs reported in the audit of the financial statements | Yes |
| 5. Opinion on the report on compliance for major federal award programs | Unqualified |
| 6. Audit findings that are required to be reported in this Schedule in accordance with Section 510 (a) of OMB Circular A-133 | None |

7. Major Programs:

SCHOOL BREAKFAST PROG (SBP)	23,635
SCHOOL BREAKFAST PROG (SBP)	85,447
NSLP	81,471
NSLP	317,366
 TITLE IV PARTA, SAFE & DRUG FREE	 4,032
PRE-KINDERGARTEN EXPANSION GRANT	49,039
TITLE I ARRA	138,565
IDEA B FORMULA ARRA	26,889

- | | |
|--|------------|
| 8. The dollar threshold used to distinguish between Type A and Type B programs | \$ 300,000 |
| 9. Auditee qualified as a low-risk auditee | High |

A.W. BROWN FELLOWSHIP CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS and Prior Year Findings
For the Year Ended August 31, 2009

2009 -1 INTERNAL CONTROL OVER REPORTING

Condition: Prior year audit adjustments had not been recorded in the books when presented for the 2009 audit.

Criteria: The adjustments are to be recorded in the books and records.

Effect: The books and records do not reflect the adjusted balances from the prior year.

Recommendation: The School should adhere to its policy and procedures requiring the books and records are timely adjusted as required.

Response: The School will review monitoring procedures and implement corrective action. The entries were input immediately.

Contact: Mr. James Montfort 972-709-4700

2009-2 HUMAN RESOURCES DOUMENTATION

Condition: Missing documentation regarding background checks and applications.

Criteria: Policies and procedures require this documentation to ascertain eligibility of applicants before hiring. The documentation is required to support the procedures were followed.

Effect: If the policies are not followed the hiring of ineligible personnel may occur. Lack of compliance may expose School to liabilities.

Recommendation: The School should adhere to its policies and review the procedures to ensure complete documentation and proper hiring practices.

Response: The School will review its policies and implement procedures to assure the files are complete and policies are followed.

Contact: Mr. James Montfort 972-709-4700

**A. W. BROWN FELLOWSHIP CHARTER SCHOOL
PRIOR YEAR FINDINGS
AUGUST 31, 2009**

PROCUREMENT PROCEDURES

Condition: Our review showed the Organization did not properly follow bid and proposal documentation process requirements on the following:

The school entered into a Design Build construction contract for the manufacture of a \$347,000 parking lot on the school grounds, but failed to use third party oversight of the project under State contracting alternative directives for design build.

Electrical improvements in the amount of \$16,809 were purchased; however, the proposals received by the School were insufficiently documented.

Required bidding procedures were by-passed in a simultaneous acquisition of a series copier leases accumulatively exceeding \$65,000.

Criteria: Contracts over \$25,000 and acquisitions exceeding \$10,000, but less than \$25,000, require bidding or proposals with exceptions provided by State policies only when specified procedures are followed.

Effect: Failure to strictly follow procurement procedures or circumventing the procurement process could lead to financial loss, less than cost effective use of school funds, fraud, and non compliance with State contracting requirements as well as potentially create the requirement for the Organization to repay monies used for said purchases back to grantors; private, state or federal.

Recommendation: The School should adhere to its policy and procedures manual which incorporates state purchasing guidelines and when departing from the bidding and proposal process in favor of allowed alternatives review and follow the requirements of the alternative method being considered.

Response: The School will renew its focus and utilize its purchasing department for vetting procedures required by alternative contracting methods permitted by grantors and consistent adherence to standard methods of procurement as outlined in its policy and procedure manual.

STATUS: This finding was cleared.

A. W. BROWN FELLOWSHIP CHARTER SCHOOL
Schedule of Expenditure of Federal Awards
For the Year Ended August 31, 2009

			2009
<u>Grantor/Program Title</u>	Federal CFDA Number	PASS THROUGH	Federal Expenditures
<u>United States Department of Education</u>			
<u>Passed Through State Department of Education:</u>			
TITLE I, PART A-IMPROVING BASIC EDUCATION	84.010A	9610101057816	\$ 274,346
TITLE II, PART D ENHANCING EDUCATION TEACHER	84.318X	9630001057816	2,524
TITLE II, PART A- TEACHER & PRINCIPAL	84.367A	9694501057816	51,295
TITLE IV PARTA, SAFE & DRUG FREE	84.186A	9691001057816	4,032
PRE-KINDERGARTEN EXPANSION GRANT	93.558	9104301057816	49,039
TITLE I ARRA - PULLED AFTER 8/31/2009	84.027A	1055100105783	138,565
IDEA B FORMULA ARRA - PULLED AFTER 8/31/2009	84.391A	10554001057831	26,889
Total State Department of Education			<u>546,690</u>
IDEA B FORMULA	84.027A	96600010578166600	191,910
IDEA B FORMULA	84.027A	106600010578166000	39,606
IDEA B PRESCHOOL	84.173A	96610010578166600	1,195
Total Department of Education			<u>779,401</u>
<u>United States Department of Agriculture</u>			
<u>Passed through State Department of Education:</u>			
SCHOOL BREAKFAST PROG (SBP)	10.553	71400801	23,635
SCHOOL BREAKFAST PROG (SBP)	10.553	71400901	85,447
NSLP	10.555	71300801	81,471
NSLP	10.555	71300901	317,366
Total State Department of Education			<u>507,919</u>
<u>Schools and Libraries Division E-Rate</u>		Region 10	<u>125,514</u>
Total Expenditures of Federal Awards			\$ <u>1,412,834</u>
<u>Note 1: Standard Financial Accounting System</u>			

For all federal programs, the corporation used the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement To Financial Accounting and Reporting, Nonprofit Charter School Chart Of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset code.

The accompanying schedule of federal awards is prepared on the cash receipts basis. The information may vary from that presented elsewhere in these financial statements which may be presented on the accrual basis.

Supplemental Data

A. W. BROWN FELLOWSHIP CHARTER SCHOOL
Schedule of Expenses
For the Year Ended August 31, 2009

Expenses	<u>2009</u>	<u>2008</u>
6100 Payroll Costs	\$ 5,687,030	4,974,636
6200 Professional and Contracted Services	1,490,539	1,249,143
6300 Supplies and Materials	675,642	502,263
6400 Other Operating Costs	990,794	679,469
6500 Debt	<u>1,137,537</u>	<u>874,533</u>
Total Expenses	\$ <u>9,981,542</u>	<u>8,280,044</u>

SEE ACCOMPANYING ACCOUNTANT'S REPORT.

A. W. BROWN FELLOWSHIP CHARTER SCHOOL
Schedule of Capital Assets
For the Year Ended August 31, 2009

	<u>Local</u>	<u>State</u>	<u>Federal</u>
1510 Land and Improvements:	\$ -	1,842,413	-
1520 Buildings and Improvements:	39,628	11,775,395	33,646
1531 Vehicles:	-	-	-
1539 Furniture and Equipment:	89,667	738,949	580,667
Total Property and Equipment	\$ <u>129,295</u>	<u>14,356,757</u>	<u>614,313</u>

SEE ACCOMPANYING ACCOUNTANT'S REPORT.

A. W. BROWN FELLOWSHIP CHARTER SCHOOL
Budgetary Comparison Schedule
For the Year Ended August 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>from Final</u>
				<u>Budget</u>
Revenues:				
Local support				
5470 Other Revenues from Local Sources	\$ 156,000	156,000	711,515	555,515
State program revenues				
5810 Foundation School Program Act Revenues	8,513,371	8,713,371	9,303,660	590,289
Total state program revenues	8,513,371	8,713,371	9,303,660	590,289
Federal program revenues:				
5920 Federal Revenues Distributed by TEA	1,297,750	1,297,750	1,421,496	123,746
Total Revenues	9,967,121	10,167,121	11,436,671	1,269,550
Expenses				
11 Instruction	4,408,838	4,608,838	5,048,740	439,902
13 Curriculum Development and Instructional	153,200	173,200	168,227	(4,973)
23 School Leadership	386,581	386,581	377,622	(8,959)
31 Guidance, Counseling and Evaluation Services	-	-	41,240	41,240
33 Health Services	6,000	12,000	13,723	1,723
35 Food Services	667,000	687,000	716,753	29,753
36 Co curricular/Extracurricular Activities	22,000	29,000	89,194	60,194
41 General Administration	1,352,490	1,378,490	932,386	(446,104)
51 Plant Maintenance and Operations	809,414	862,414	1,101,579	239,165
52 Security	0	115,000	128,037	13,037
53 Data Processing Services	219,450	246,450	226,504	(19,946)
71 Debt Service	1,049,612	1,049,612	1,137,537	87,925
Total Expenses	9,074,585	9,548,585	9,981,542	432,957
Change in Net Assets	892,536	618,536	1,455,129	836,593
Net Assets, beginning of year	5,412,422	5,412,422	5,412,422	-
Net Assets, ending of year	\$ 6,304,958	6,030,958	6,867,551	836,593

SEE ACCOMPANYING ACCOUNTANT'S REPORT.

A. W. BROWN FELLOWSHIP CHARTER SCHOOL
Discussion of Budgetary Variances of 10% or Greater
For the Year Ended August 31, 2009

<u>DESCRIPTION</u>	<u>DISCUSSION</u>
5470 Other Revenues from Local Sources	Gain made by purchasing the school's debt in the open market.
5920 Federal Revenues Distributed by TEA	ARRA stimulus funds encumbered in FY 2009
11 Instruction	Depreciation costs allocated to instructional area
31 Guidance, Counseling and Evaluation Services	Combined under the special education department.
33 Health Services	Development of an on-sight children's dental program
36 Co curricular/Extracurricular Activities	Depreciation costs allocated to this department
41 General Administration	Depreciation costs allocated to proper areas
51 Plant Maintenance and Operations	Install electrical circuits to properly handle Promethean boards
52 Security	Mandated changes in students drop off and pick up procedures

SEE ACCOMPANYING ACCOUNTANT'S REPORT.

**A. W. BROWN FELLOWSHIP CHARTER SCHOOL
TEXTBOOK PROTOCOL
For the Year Ended August 31, 2009**

The School uses a textbook coordinator to oversee ordering, maintenance and distribution of the textbooks. The books are maintained in a locked environment. The coordinator collects the textbooks at year end and distributes them at the beginning of each year.

SEE ACCOMPANYING ACCOUNTANT'S REPORT.

**William E. Brown III
Certified Public Accountant
100 Decker Court Suite 160
Irving, Texas 75062**

972-432-9771

Fax 972-432-9030

Letter to Management

To the Superintendent and
The Board of Directors of
A. W. Brown Fellowship Charter School

In planning and performing our audit of the financial statements of A. W. Brown Fellowship Charter School for the year ended August 31, 2009, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. (We previously reported on the Organization's internal control in our report dated February 23, 2010. This letter does not affect our report dated February 23, 2010, on the financial statements of A. W. Brown Fellowship Charter School.)

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

The School has implemented an investment committee to review the finance and investing policies of the School. I recommend this body address the risk assessment studies suggested in SAS 99. This document expands the internal control oversight to specifically address the areas in operations and finance that may be most susceptible to risk and specifically address the procedures to minimize those risks.

Findings and Questioned Costs appeared in the report on Internal Control on page 18 of the financial audit at August 31, 2009. The recommendations and response are stated therein.

We would like to call your attention to new emphasis in the federal tax reporting for non-profits as they may require board action by attaching an outline of topics and references for your review.

We wish to thank A.W. Brown Fellowship's management and staff for their support and assistance during this audit.

This report is intended solely for the information and use of the 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.

Sincerely,

Wm E Brown, III CPA

Wm. E. Brown III, CPA
Irving, TX
February 23, 2010