

**JOHNSTON & AHLSCHEWDE, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**HARDING FINE ARTS CENTER, INC.**

**FINANCIAL STATEMENTS**  
**with**  
**AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

HARDING FINE ARTS CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2012

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JOHNSTON & AHLSCHWEDE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

3545 NW 58<sup>th</sup> STREET, SUITE 325C - OKLAHOMA CITY, OKLAHOMA 73112 - VOICE & FAX (405) 917-7272

Independent Auditors' Report

Board of Directors  
Harding Fine Arts Center, Inc.  
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of Harding Fine Arts Center, Inc., as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the charter school district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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.

As described more fully in Note 1, Harding Fine Arts Center, Inc., prepares its financial statements using accounting practices prescribed or permitted by the Oklahoma State Department of Education, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determined are presumed to be material.

In our opinion, because of the charter school district's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Harding Fine Arts Center, Inc., as of June 30, 2012, or the results of its operations for the year then ended.

The financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform to the regulatory basis of accounting prescribed or permitted by the Oklahoma Department of Education. The amounts that should be recorded in the general fixed assets account group is not known.

Also, in our opinion, except for the omission of the general fixed assets account group as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of Harding Fine Arts Center, Inc., as of June 30, 2012, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 1, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The combining statement of changes in cash balances -- activity funds -- regulatory bases, schedule of federal awards, and the statement of revenues, expenditures and changes in fund balance -- budget and actual (budget basis) as listed in the table of contents under other supplementary information are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

A handwritten signature in black ink, appearing to read "Johnson & O'Connell, P.C.", written in a cursive style.

Oklahoma City, Oklahoma  
April 1, 2013

HARDING FINE ARTS CENTER, INC.

COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES (DEFICIT)  
ALL FUND TYPES

REGULATORY BASIS

JUNE 30, 2012

	<u>Governmental Fund Types</u>		<u>Trust Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Grant and Gift</u>	<u>Student Activity</u>	
<b>ASSETS</b>					
Cash	\$ 161,077	\$ 16,077	\$ 63,309	\$ 32,489	\$ 272,952
Total assets	<u>\$ 161,077</u>	<u>\$ 16,077</u>	<u>\$ 63,309</u>	<u>\$ 32,489</u>	<u>\$ 272,952</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Reserved for encumbrances	\$ 123,797	\$ -	\$ -	\$ -	\$ 123,797
Due to student groups	-	-	-	32,489	32,489
Total liabilities	<u>123,797</u>	<u>-</u>	<u>-</u>	<u>32,489</u>	<u>156,286</u>
Fund balances (deficit)	<u>37,280</u>	<u>16,077</u>	<u>63,309</u>	<u>-</u>	<u>116,666</u>
Total liabilities and fund balances	<u>\$ 161,077</u>	<u>\$ 16,077</u>	<u>\$ 63,309</u>	<u>\$ 32,489</u>	<u>\$ 272,952</u>

The accompanying notes are an integral part of these financial statements

HARDING FINE ARTS CENTER, INC.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (DEFICIT) - GOVERNMENTAL & TRUST FUND TYPES

REGULATORY BASIS

JUNE 30, 2012

	<u>Governmental Fund Types</u>		<u>Trust Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Grant and Gift</u>	
Revenues collected				
Local sources	\$ 13,564	\$ 13,319	\$ 37,800	\$ 64,683
State sources	1,646,055	-	-	1,646,055
Federal sources	129,524	42,270	-	171,794
Total revenues collected	<u>1,789,143</u>	<u>55,589</u>	<u>37,800</u>	<u>1,882,532</u>
Expenditures paid				
Instruction	1,096,926	-	11,976	1,108,902
Support services	624,444	46,557	13,519	684,520
Non-Instruction services	-	-	-	-
Facilities acquisition & construction services	391	-	-	391
Other Uses	6,630	-	-	6,630
Total expenditures paid	<u>1,728,391</u>	<u>46,557</u>	<u>25,495</u>	<u>1,800,443</u>
Revenues over (under) expenditures	60,752	9,032	12,305	82,089
Beginning fund balance	(23,549)	7,045	51,004	34,500
Warrants cancelled	77	-	-	77
Ending fund balance (deficit)	<u>\$ 37,280</u>	<u>\$ 16,077</u>	<u>\$ 63,309</u>	<u>\$ 116,666</u>

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

HARDING FINE ARTS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies

The financial statements of the Harding Fine Arts Center, Inc. (“the District”) have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. The more significant of the District’s accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma’s support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic — but not the only — criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of these criteria, there are no potential component units included in the District’s reporting entity.

B. Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

HARDING FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Funds are classified into three categories: governmental, trust and fiduciary. Each category, in turn, is divided into separate “fund types”.

Governmental Fund Types

Governmental funds are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked monies (special revenue funds).

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state funding passed through the Oklahoma City Public School District and various federal grants. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs, building maintenance and school construction. The general fund includes federal restricted monies that must be expended for specific programs.

Special Revenue Fund – Special revenue funds for the District include the child nutrition fund which accounts for revenues collected, including any federal and state reimbursements for food service for children’s programs, for meals served, and associated costs of the programs.

Trust Fund Types

Trust funds are used to account for assets held in a trustee capacity or an agent for individuals, private organizations, other governmental units, and/or other funds.

Gifts and Grants Fund - The gifts and grants fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. The fund is used to promote the general welfare of the District.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments or on behalf of other funds within the District. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.



HARDING FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies. (continued)

Agency Fund - The Agency fund is the Student Activity Fund, which is used to account for monies collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

General Fixed Asset Account Group

This account group is used to account for property, plant and equipment of the school district. The District does not have the information necessary to include this group in its combined financial statements.

Memorandum Only — Total Column

The total column on the financial statements is captioned “memorandum only” to indicate that it is presented only to facilitate financial analysis.

Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basis Financial Statements-Management’s Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma Department of Education as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

HARDING FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies, (continued)

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget that must be submitted to the Board of Education by October 1 for the fiscal year beginning the following July 1. The formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting — under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund — is utilized in all governmental and trust funds of the District.

E. Assets, Liabilities and Fund Balances

Cash and Cash Equivalents – The District considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments – The District has no investments.

Inventories – The value of consumable inventories at June 30, 2012, is not material to the financial statements.

Compensated Absences – The school does not calculate a dollar value of compensated absences. Thus, compensated absences have not been presented.

Cash Fund Balance – Cash fund balance represents the funds not encumbered by purchase order, legal contracts and outstanding warrants.

HARDING FINE ARTS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 — Summary of Significant Accounting Policies (continued)

F. Revenue, Expenses and Expenditures

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made. The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

G. Warrants Payable

The District has authorized the issuance of checks instead of warrants.

NOTE 2 — Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations; and bank and trust companies; and savings accounts or saving certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

The District's cash and cash equivalents include cash at June 30, 2012.

The District's does not have a written management and investment policy.

Deposits – The District's only collateralization is through federal deposit insurance.

HARDING FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 3 — Employee Retirement System

The District participates in the state-administered Teachers' Retirement Systems of Oklahoma (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date of the first contribution made to the System. The System is administered by a board of trustees, which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

The System issues an independent financial report, financial statements, and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, Post Office Box 53524, Oklahoma City, OK 73152 or by calling 405-521-2387.

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the District, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings plus employer paid fringe benefits.

The District is required to contribute 9.50% of applicable compensation for the year ended June 30, 2012. Participating members are required to contribute 7.0% on all applicable compensation. The District pays the employees' share for support personnel and the principal.

The compensation for employees covered by the System for the year ended June 30, 2012, was \$1,028,909 the District's total compensation was \$1,050,807. Total contributions made during the year ended June 30, 2012, amounted to \$158,357, of which \$97,746 was contributed by the District and \$60,611 by the District's employees. These contributions represented 9.50% and 5.89%, respectively, of covered compensation.

HARDING FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 3 — Employee Retirement System (continued)

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2012, is as follows:

Actuarial value of assets	\$10,190.5
Actuarial accrued liability – entry age method	<u>18,588.0</u>
Nonfunded actuarial accrued liability	<u>\$ 8,397.5</u>

The System’s accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teachers’ Retirement System of Oklahoma Annual Report for the year ended June 30, 2012. This information is useful in assessing the pension plan’s accumulation of sufficient assets to pay pension benefits as they become due.

NOTE 4 — Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance.

NOTE 5 — Contingencies and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial. School officials are not aware of any pending or threatening litigation, claims or assessments or unasserted claims of assessments against the district.

School officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims of assessments against the District.

NOTE 6 — Subsequent Events

Management has evaluated all subsequent events through April 1, 2013, the date the financial statements were available to be issued.

HARDING FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 7 — Surety Bonds

The district does not maintain a public official position schedule bond. The accounting is contracted with Anderson Accounting Services. The accounting firm has a surety and honesty bond that covers its employees in the amount of \$250,000.

HARDING FINE ARTS CENTER, INC.  
 COMBINING STATEMENT OF CHANGES IN CASH BALANCES - ACTIVITY FUNDS  
 REGULATORY BASIS  
 JULY 1, 2011 TO JUNE 30, 2012

	Balance 7/1/2011	Receipts	Disbursements	Balance 6/30/2012
School Clothing	\$ 7,743	\$ 18,753	\$ 26,395	\$ 101
Music Supplies & Fees	3,569	6,613	3,506	6,676
Miscellaneous Art Supplies	6,575	13,510	5,003	15,082
Miscellaneous	11,906	36,667	45,930	2,643
Sports	2,561	6,138	3,273	5,426
Year Book	778	8,705	8,664	819
Prom	-	10,315	9,331	984
Debate	-	1,513	1,341	172
Student Council	-	4,516	4,033	483
Student Trips	-	2,453	2,350	103
	<u>\$ 33,132</u>	<u>\$ 109,183</u>	<u>\$ 109,826</u>	<u>\$ 32,489</u>

HARDING FINE ARTS CENTER, INC.  
SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>				
Passed through Oklahoma Department of Education				
Title I Part A	84.010	73-6017987*	\$ 29,282	\$ 36,215
ARRA, Title I, Part A	84.389	73-6017987*	4,682	319
Title II Part A Training and Recruitment	84.367	73-6017987*	14,123	5,035
Part D Enhancing Education Through Technology	84.318	73-6017987*	-	31
Individuals with Disabilities, IDEA-Part B	84.027	73-6017987*	37,283	42,230
ARRA, Education Stabilization Fund	84.394	73-6017987*	-	11,047
Education Jobs Fund	84.410	73-6017987*	44,154	44,154 **
<u>U.S. Department of Agriculture</u>				
Passed through Oklahoma Department of Education				
Cash Assistance				
National School Lunch Program	10.555	73-6017987*	42,270	46,557 ***
<b>TOTAL CASH FEDERAL AWARDS</b>			<u><u>\$ 171,794</u></u>	<u><u>\$ 185,588</u></u>
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Human Services				
Noncash Assistance				
Commodities	10.550	Not Provided	<u><u>\$ 2,786</u></u>	<u><u>\$ 2,786</u></u>

\* Provided by State Agency

\*\* Expenditures inadvertently coded to project code 110 on OCAS instead of project code 790

\*\*\* Expenditures inadvertently coded to project code 000 on OCAS instead of project code 385



HARDING FINE ARTS CENTER, INC.  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
BUDGETED GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2012  
UNAUDITED

	General Fund			Special Revenue Fund Child Nutrition Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Beginning fund balance, budgetary basis	\$ (23,549)	\$ (23,549)	\$ -	\$ 7,045	\$ 7,045	\$ -
Revenues						
Local sources	-	13,564	13,564	9,300	13,319	4,019
State sources	1,586,440	1,646,055	59,615	-	-	-
Federal sources	122,504	129,524	7,020	31,500	42,270	10,770
Total revenues, budgetary basis	<u>1,708,944</u>	<u>1,789,143</u>	<u>80,199</u>	<u>40,800</u>	<u>55,589</u>	<u>14,789</u>
Expenditures						
Instruction	1,130,116	1,096,926	(33,190)	-	-	-
Support Services	555,279	624,444	69,165	-	-	-
Non-Instruction services	-	-	-	47,845	46,557	-
Facilities acquisition & construction services	-	391	391	-	-	-
Other Uses	-	6,630	6,630	-	-	-
Total expenditures, budgetary basis	<u>1,685,395</u>	<u>1,728,391</u>	<u>42,996</u>	<u>47,845</u>	<u>46,557</u>	<u>(1,288)</u>
Excess of revenues and beginning fund over expenditures - budgetary basis	<u>\$ -</u>	<u>37,203</u>	<u>\$ 37,203</u>	<u>\$ -</u>	<u>16,077</u>	<u>\$ 16,077</u>
Estopped warrants		77			-	
Canceled encumbrances		-			-	
Excess of revenues, estopped warrants, cancelled encumbrances and beginning fund balances over expenditures		37,280			16,077	
Fund transfer		-			-	
Ending fund balance		<u>\$ 37,280</u>			<u>\$ 16,077</u>	

JOHNSTON & AHLSCHEWDE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

3545 NW 58<sup>th</sup> STREET, SUITE 325C - OKLAHOMA CITY, OKLAHOMA 73112 - VOICE & FAX (405) 917-7272

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  
Harding Fine Arts Center, Inc.  
Oklahoma City, Oklahoma

We have audited the accompanying fund type and account group financial statements of Harding Fine Arts Center, Inc., Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated April 1, 2013. Our report was adverse with respect to the presentation of financial statements in conformity with accounting principles generally accepted in the United State of America, and qualified with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education for the effect on the financial statements for the omission of the general fixed assets account group. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of District's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

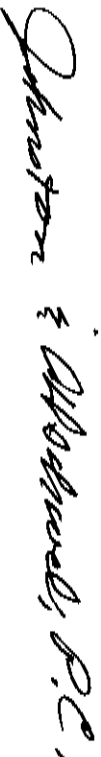
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the District's Board of Directors, management 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.

A handwritten signature in cursive script, reading "Johnston & McDonald, P.C.", written in black ink.

Oklahoma City, Oklahoma  
April 1, 2013

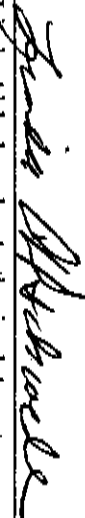
HARDING FINE ARTS CENTER, INC.  
SCHEDULE OF ACCOUNTANTS'  
PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

JUNE 30, 2012

STATE OF OKLAHOMA                    )  
  ) SS:  
COUNTY OF OKLAHOMA                )

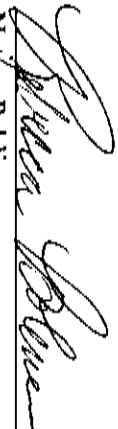
BEFORE ME, the undersigned auditing firm, Johnston & Ahlschwede, P.C., whose authorized agent, Linda Ahlschwede, is of lawful age, being first duly sworn on her oath says that said firm had in full force and effect, *Accountant's Professional Liability Insurance* in accordance with the *Oklahoma Public School Audit Law* during the entire audit engagement with Harding Fine Arts Center, Inc., for the audit year ended June 30, 2012.

JOHNSTON & AHLSCHEWDE, P.C.  
Auditing Firm

  
Linda Ahlschwede, Authorized Agent

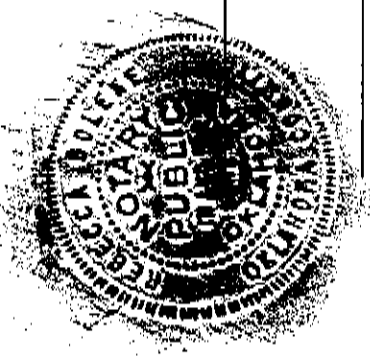
SUBSCRIBED AND SWORN before me this 1<sup>st</sup> day of April 2013

My Commission Expires:

  
Notary Public

Notary # 07010410  
Commission Expires October 29, 2015

(SEAL)



**HARDING FINE ARTS CENTER, INC.**

**SCHEDULE OF STATUTORY, FIDELITY AND HONESTY BONDS**

**FOR THE YEAR ENDED JUNE 30, 2012**

Accountants Professional Liability Policy #PS9000003377000 in the amount of \$250,000 for employees of the accounting firm contracted by school district to perform accounting and bookkeeping services for the school district.

Janet Barresi  
State Superintendent of Public Instruction  
Oklahoma State Department of Education  
2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599

AUDIT ACKNOWLEDGEMENT

Harding Fine Arts Center, Inc.  
Oklahoma County, Oklahoma  
June 30, 2012

The annual independent audit for the Harding Fine Arts Center, Inc., was presented to the Board of Directors in a meeting on \_\_\_\_\_, 2013 by Johnston & Ahlschwede, P.C.

The Board of Directors acknowledges that as the governing body of the district, responsible for the Districts financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the Oklahoma State Department of Education within 30 days from it's presentation, as stated in 70 O.S.§ 22-108:

"The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."

\_\_\_\_\_  
Board of Directors President

\_\_\_\_\_  
Board of Directors Member

\_\_\_\_\_  
Board of Directors Vice-President

\_\_\_\_\_  
Board of Directors Member

\_\_\_\_\_  
Board of Directors Member

\_\_\_\_\_  
Board of Directors Member

\_\_\_\_\_  
Board of Directors Member

Subscribed and sworn to before me on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

My commission expires on \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Notary Public