

**THE BOSTON PLAN FOR EXCELLENCE
IN THE PUBLIC SCHOOLS FOUNDATION**

Financial Statements
and
Auditors' Report

June 30, 2010 with Comparative Totals for 2009



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The Boston Plan For Excellence In The Public Schools Foundation

Contents

	<i>Page</i>
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Schedule of Functional Expenses	15
Schedule of Expenditures of Federal Awards	16
Note to Schedule of Expenditures of Federal Awards	17
Reports on Compliance and on Internal Control	18
Schedule of Findings and Questioned Costs	22

Daniel Dennis & Company LLP

Certified Public Accountants

To the Board of Trustees of
**The Boston Plan For Excellence In The
Public Schools Foundation**

Independent Auditors' Report

We have audited the accompanying statement of financial position of The Boston Plan For Excellence In The Public Schools Foundation (the Foundation) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2009 financial statements and, in our report dated February 9, 2010, we expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 The Boston Plan For Excellence In The Public Schools Foundation as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated May 15, 2011, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports 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. Those reports are 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basis financial statements. The accompanying schedule 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Daniel Dennis & Co. J.P.P.
May 15, 2011

The Boston Plan For Excellence In The Public Schools Foundation

Statement of Financial Position

June 30, 2010

With Comparative Totals for 2009

<i>Assets</i>		
	<i>2010</i>	<i>2009</i>
<i>Assets</i>		
Cash and cash equivalents	\$ 2,692,133	\$ 4,990,397
Restricted cash	62,991	-
Interest receivable	20	1,083
Grants and contributions receivable	954,632	460,634
Other receivables	5,443	4,660
Prepaid expenses	80,613	34,508
Other assets	12,611	14,331
Fixed assets, net of accumulated depreciation of \$366,392 and \$329,514	<u>109,841</u>	<u>107,340</u>
Total assets	<u>\$ 3,918,284</u>	<u>\$ 5,612,953</u>
<i>Liabilities and Net Assets</i>		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 205,443	\$ 384,838
Grants payable	<u>749,870</u>	<u>203,723</u>
Total liabilities	<u>955,313</u>	<u>588,561</u>
<i>Net Assets</i>		
Unrestricted	1,668,154	3,305,286
Temporarily restricted	1,273,317	1,697,606
Permanently restricted	<u>21,500</u>	<u>21,500</u>
Total net assets	<u>2,962,971</u>	<u>5,024,392</u>
Total liabilities and net assets	<u>\$ 3,918,284</u>	<u>\$ 5,612,953</u>

See accompanying notes to financial statements.

The Boston Plan For Excellence In The Public Schools Foundation
Statement of Activities
For the Year Ended June 30, 2010
With Summarized Comparative Totals for 2009

	2010			2009
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<i>Revenue and gains</i>				
Contributions	\$ 228,786	\$ 2,821,348	\$ -	\$ 3,050,134
Grants	-	2,209,567	-	2,209,567
In-kind contributions	-	679,568	-	679,568
Investment income	1,440	-	-	1,440
Miscellaneous income	91,031	-	-	91,031
Total revenues and gains	321,257	5,710,483	-	6,031,740
<i>Net assets released following satisfaction of donor restrictions</i>	6,134,772	(6,134,772)	-	-
Total revenues, gains, and net assets released	6,456,029	(424,289)	-	6,031,740
<i>Expenses</i>				
Program services	7,579,152	-	-	7,579,152
Management and general	514,009	-	-	514,009
Total expenses	8,093,161	-	-	8,093,161
<i>Change in net assets</i>	(1,637,132)	(424,289)	-	(2,061,421)
Net assets, beginning of year	3,305,286	1,697,606	21,500	5,024,392
Net assets, end of year	\$ 1,668,154	\$ 1,273,317	\$ 21,500	\$ 2,962,971
				\$ 5,024,392

See accompanying notes to financial statements.

The Boston Plan For Excellence In The Public Schools Foundation
Statement of Cash Flows
For the Year Ended June 30, 2010
With Comparative Totals for 2009

	<i>2010</i>	<i>2009</i>
<i>Cash flows from operating activities</i>		
Cash received from contributions	\$ 4,671,164	\$ 5,098,365
Interest and dividends received	1,440	61,839
Grants and scholarships	(4,243,444)	(2,142,169)
Cash paid to employees	<u>(2,625,053)</u>	<u>(2,582,731)</u>
Net cash from operating activities	<u>(2,195,893)</u>	<u>435,304</u>
<i>Cash flows from investing activities</i>		
Transfer to restricted cash	(62,991)	-
Purchase of equipment	<u>(39,380)</u>	<u>(60,768)</u>
Net cash from investing activities	<u>(102,371)</u>	<u>(60,768)</u>
<i>Cash flows from financing activities</i>		
	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(2,298,264)	374,536
Cash and cash equivalents, beginning of year	<u>4,990,397</u>	<u>4,615,861</u>
Cash and cash equivalents, end of year	<u>\$ 2,692,133</u>	<u>\$ 4,990,397</u>
<i>Reconciliation of change in net assets to net cash from operating activities</i>		
Change in net assets	\$ (2,061,421)	\$ (1,467,783)
<i>Adjustments to reconcile change in net assets to net cash from operating activities</i>		
Depreciation	36,879	33,195
<i>Changes in current assets and liabilities</i>		
Interest and other receivables	280	6,847
Prepaid expenses and other assets	(44,385)	6,661
Contributions receivable	(493,998)	1,765,781
Accounts payable and accrued expenses	(179,395)	257,190
Grants payable	<u>546,147</u>	<u>(166,587)</u>
Net cash from operating activities	<u>\$ (2,195,893)</u>	<u>\$ 435,304</u>

See accompanying notes to financial statements.

The Boston Plan For Excellence In The Public Schools Foundation
Notes to Financial Statements
June 30, 2010

1. *Type of Foundation*

The Boston Plan For Excellence In The Public Schools Foundation (the Foundation) is a Massachusetts trust exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation operates exclusively for charitable, scientific, and educational purposes primarily for the benefit of the public schools of the City of Boston (the City) and for the benefit of the students in the Boston Public Schools.

A portion of the Foundation's support for its programs and operations is derived from the award of investment income earned from certain endowment funds held by The Boston Foundation (TBF). These endowment funds represent grants made in prior years by certain Boston financial institutions and other Foundations to fund the Foundation's programs. The income earned on these funds is awarded periodically to the Foundation by TBF. Additionally, the Foundation has historically received investment income from two endowment funds held by TBF for which the donor did not specifically name the Foundation as beneficiary. See Note 7 for a summary of all endowment funds and related contributions described herein.

During the years ended June 30, 2010 and 2009, the Foundation administered the following distinct programs:

Boston Teacher Residency Program

The Boston Teacher Residency (BTR) program is part of Boston's strategy to improve instruction for every child. BTR recruits talented, committed people to make a difference in the City's classrooms. During the 13-month program, Teacher Residents work side-by-side with Mentor Teachers in Boston's public schools and take a specialized curriculum developed and led by local educators and community leaders. BTR graduates earn a Massachusetts Initial Teacher License, a master's degree in education from University of Massachusetts, Boston, and credit toward a dual license in special education. BTR is a highly selective program, recruiting diverse and talented individuals who are committed to a career in education.

Scaffolded Apprenticeship Model (SAM)

SAM is an asset-based approach to improvement. It provides a structure to help school staff build and focus their collective will and skill on interventions they believe will most help bring struggling students into the sphere of success. SAM provides a common set of tasks and tools grounded in research and best practices. At the core of SAM are teams of school staff (principal/headmaster, teachers, and administrators) engaged in a cycle of action research to improve learning for all students, especially those who aren't currently experiencing success. Together, the team uses data to identify a target group of students, who are currently unsuccessful, then decides on high-leverage instructional interventions, measures their effects, refines their work, and then embeds this systematic approach to improving student learning in the school.

The Boston Plan For Excellence In The Public Schools Foundation

Notes to Financial Statements - *Continued*

June 30, 2010

1. *Type of Foundation - Continued*

High School Renewal Program

The main objective of the program is to change the way Boston's high school students are educated. The broad action plan encompasses strategies that fall under three priorities: school-based strategies to change relationships and improve instruction; district-based strategies to address central problems; and initiatives with the community to bring more adults into student's lives.

Fast-R Program

The FAST-R program was designed to create, pilot and evaluate tools teachers need, starting with design of assessments for English Language Arts and extending to math assessments.

Fund for Teachers

Fund for Teachers is a privately-funded, competitive, grants program for Boston Public School teachers for the purposes of enriching their personal and professional growth by recognizing and supporting them as they identify and pursue opportunities around the globe that will improve their practice, the academic lives of their students and their school communities.

Accelerating Improvement through Inquiry (AI²)

Accelerating Improvement through Inquiry (AI²) is a partnership between BPS and BPE to instill habits of data-based inquiry in every level of a school - from the classroom to the principal's office. The initiative funds four inquiry facilitators and a math content specialist to work with teacher leaders in each of fifteen schools and for two leadership coaches to work with each school's principal or headmaster. Provided one-on-one, in small groups, and in cross-school sessions, this support allows school teams to conduct focused cycles of data analysis, action, and evaluation of the results to improve teaching and learning for the most struggling students, while learning about the inner workings of their school that contributed to the difficulty these students face. The data-based inquiry occurs in existing content-area and grade-level teams focused on English Language Arts and mathematics, as well as with administrative teams. In addition to facilitation and coaching, the schools receive data sets and analysis tools, a \$2,000 supply grant, and graduate credits for two teacher leaders per school. Both BPS and BPE contribute facilitators, coaches, and other resources for the fifteen schools. Meanwhile, the district's central office is participating in its own inquiry to learn how to best support schools pursuing more data-based decision making so that such practices can become sustainable in more district schools in the future. The project funding also covers a quantitative and qualitative program evaluation by University of Massachusetts' Donahue Institute.

The Boston Plan For Excellence In The Public Schools Foundation

Notes to Financial Statements - *Continued*

June 30, 2010

2. *Summary of Significant Accounting Policies*

The following is a summary of significant accounting policies followed by the Foundation in the preparation of its financial statements.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of financial position and the statement of cash flows, the Foundation considers all short-term investments with an original maturity of three months or less to be cash equivalents. As of June 30 2010 and 2009 the Foundation held \$2,448,437 and \$4,795,984 in cash equivalents.

Classification of Net Assets

Unrestricted net assets comprise amounts upon which donors have placed no restrictions on the expenditures of the assets themselves or their investment income.

Temporarily restricted net assets and the investment income generated by these assets comprise those amounts the expenditure of which has been restricted by donors for use during a specific time period or for a particular purpose. When such a restriction expires, that is, when a stipulated time restriction ends or a program restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and are reported in the statement of activities. Temporarily restricted net assets are available for program purposes in accordance with published standards established by the Foundation.

Permanently restricted net assets comprise those assets contributed to the Foundation by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the Foundation. Investment income generated by these assets is reported as unrestricted or temporarily restricted, depending upon whether the donors have limited the expenditure of income to a particular purpose or purposes or have indicated that such income is to be available for the general purposes of the Foundation.

The Boston Plan For Excellence In The Public Schools Foundation

Notes to Financial Statements - *Continued*

June 30, 2010

2. *Summary of Significant Accounting Policies - Continued*

Fixed Assets

The Foundation capitalizes expenditures with a cost or value greater than \$1,000 and life expectancy of greater than one year incurred to purchase furniture, fixtures, and office equipment. Depreciation is recognized over the estimated useful life of the asset using the straight-line method.

Grants

The Foundation records grants when all conditions stipulated by the grant have been met.

Contributions and Bequests

Contributions are recorded as revenue when an unconditional promise to give is received. Contributions received are classified as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are recorded at fair value at the date of donation.

Donated Assets

Gifts of long-lived assets are recorded as unrestricted net assets, as no time restriction is assumed for their use.

Donated Services

The Foundation receives contributions of time and resources from various volunteers and Foundations to develop its programs. Services that create or enhance non-financial assets or require specialized skills and are performed by people possessing those skills are recorded, at the estimated fair value, as contributions and expenses in the statement of activities. The Foundation received \$679,568 and \$594,799 in donated services as of June 30, 2010 and 2009, respectively. These amounts have been reported as both in-kind contribution revenue and in-kind program support expense.

Donated Grant Assets

Gifts of long-lived assets that the Foundation receives for the benefit of its programs are recorded at fair value as contributions and grants.

Program Expenses

Program expenses primarily represent expenses incurred related to individual programs that are separate and distinct from the Foundation's normal operating expenses.

Operating Expenses

Operating expenses include salaries, rent, and other overhead expenses that are incurred in the operation of the Foundation overall and are not specifically attributable to a particular program.

The Boston Plan For Excellence In The Public Schools Foundation
Notes to Financial Statements - *Continued*
June 30, 2010

2. *Summary of Significant Accounting Policies – Continued*

Fair Value Measurements

Fair value measurements are reported using a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2009, from which the information was derived.

The Boston Plan For Excellence In The Public Schools Foundation
Notes to Financial Statements - *Continued*
June 30, 2010

3. Cash

At June 30, 2010 and 2009 the bank balance of cash was \$584,415 and \$358,969, respectively. The Foundation maintains cash balances at one financial institution. These balances, at times during the year may exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institution minimizes such risk.

4. Grants and Contributions Receivable

Grants and contributions receivable represent pledges that are expected to be collected within one year and are recorded at fair market value.

	2010	2009
BPS - Auditing	\$ 234,437	\$ 130,182
U.S. Department of Education	267,071	104,651
Strategic Partners	115,000	-
TSIA	3,769	-
MSA/AmeriCorps	<u>334,355</u>	<u>225,801</u>
Total	<u>\$ 954,632</u>	<u>\$ 460,634</u>

During 2008, the Foundation received two conditional promises to give totaling \$1,285,000, which will be received in incremental payments based on the satisfaction of certain criteria set forth by the donors. Through June 30, 2010, \$940,000 had been received. Since there is no unconditional promise for the donor to grant future income to the Foundation, no accrual of such promises has been made in the financial statements as of June 30, 2010.

5. Employee Benefit Plans

The Foundation participates in the defined contribution plan offered by the Teacher's Insurance Annuity Association/College Retirement Equities Fund. In addition to pension benefits, health care, life insurance, and disability insurance are provided to Foundation employees. The total benefit expense was \$523,873 and \$496,740 for fiscal years 2010 and 2009, respectively.

The Boston Plan For Excellence In The Public Schools Foundation

Notes to Financial Statements - *Continued*

June 30, 2010

6. Lease Commitment

During fiscal year 2009 the Foundation extended its three year lease agreement commencing January 1, 2006 and expiring on December 31, 2009 for an additional three years and entered into a sublease commencing on October 1, 2008 and expiring on December 31, 2012. Rent expense was \$228,900 and \$205,822 for fiscal years 2010 and 2009, respectively. The future minimum lease payments are as follows:

<i>Fiscal Year</i>	<i>Total</i>
2011	\$ 228,900
2012	228,900
2013	<u>114,450</u>
Total	<u>\$ 572,250</u>

7. Funds Held by TBF

The Foundation is the beneficiary of the net income from the Support for Early Educational Development Fund (SEED) and Hancock Endowment for Academics Recreation and Teaching (HEART) endowment funds held at TBF. The donors of these endowment funds specifically named the Foundation as the income beneficiary; however, TBF has variance power which enables TBF to withhold or modify the distribution to the Foundation. Since there is no unconditional promise for TBF to grant future income earned on these funds to the Foundation, no accrual of such promises has been made in the financial statements except for those amounts that have been unconditionally pledged as of year end. Contributions from TBF related to these endowment funds were \$203,324 and \$205,671 in 2010 and 2009, respectively.

The Foundation has received contributions from the BankBoston 200th Anniversary Fund and the General Support Fund for Education, both endowment funds held at TBF. The donor of these endowment funds did not specifically name the Foundation as the income beneficiary. Since there is no unconditional promise for TBF to grant the future income earned on the funds to the Foundation, no accrual for such promise has been made in the financial statements except for those amounts that have been unconditionally pledged as of year end. Contributions from TBF related to the BankBoston 200th Anniversary Fund and the General Support Fund for Education were \$211,342 and \$963,750 for 2010 and 2009, respectively.

The Boston Plan For Excellence In The Public Schools Foundation
Notes to Financial Statements - *Continued*
June 30, 2010

7. Funds Held by TBF - Continued

The market value of these funds at June 30, 2010, was as follows:

	<i>Market Value</i>
Support for Early Educational Development (SEED)	\$ 1,652,365
The Hancock Endowment for Academics, Recreation and Teaching (HEART)	1,589,491
BankBoston 200th Anniversary Fund	12,667,219
General Support Fund for Education	<u>3,370,245</u>
Total funds held by The Boston Foundation	<u>\$ 19,279,320</u>

8. Concentration

During 2010 and 2009 the Foundation received approximately 98% and 99%, respectively of its total revenue from contributions and grants.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<i>2010</i>	<i>2009</i>
Boston Teachers Residency Program	\$ 919,366	\$ 1,261,919
Boston Public Schools	132,038	249,264
Fund for Teachers	14,541	3,337
Other Programs	<u>207,372</u>	<u>183,086</u>
Total temporarily restricted net assets	<u>\$ 1,273,317</u>	<u>\$ 1,697,606</u>

The Boston Plan For Excellence In The Public Schools Foundation
Notes to Financial Statements - *Continued*
June 30, 2010

9. *Temporarily Restricted Net Assets – continued*

Temporarily restricted net assets released from program restrictions:

	<i>2010</i>	<i>2009</i>
Boston Teachers Residency Program	\$ 4,249,549	\$ 4,091,603
Boston Public Schools	390,472	561,361
High School Renewal	-	90,021
FAST-R	-	109,743
Fund for Teachers	117,237	11,891
Other Programs	<u>1,377,514</u>	<u>1,449,306</u>
Net assets released from program restrictions	<u>\$ 6,134,772</u>	<u>\$ 6,313,925</u>

10. *Accounting for Uncertainty in Income Taxes*

The Foundation is a not-for-profit organization that is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which the Foundation had none for the years ended June 30, 2010 and 2009, would be subject to federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

The Foundation has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2010 return and believe they are more-likely-than-not of being sustained if examined by Federal or state tax authorities. The Foundation's 2002 through 2009 tax years remain subject to tax examinations by Federal and state tax authorities.

11. *Subsequent Events*

The Foundation has evaluated subsequent events through May 15, 2011, which is the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2010 that required recognition or disclosure in these financial statements.

The Boston Plan For Excellence In The Public Schools Foundation
Schedule of Functional Expenses
For the Year Ended June 30, 2010

	<i>BTR</i>	<i>School Support</i>	<i>Research and Policy</i>	<i>Communications</i>	<i>Pass-Thru Projects</i>	<i>Total Programs</i>	<i>Management and General</i>	<i>2010 Total</i>	<i>2009 Total</i>
Salaries	\$ 1,060,736	\$ 399,647	\$ 280,402	\$ 74,012	\$ 7,116	\$ 1,821,913	\$ 297,881	\$ 2,119,794	\$ 2,100,237
Fringe benefits	<u>280,135</u>	<u>120,801</u>	<u>83,312</u>	<u>20,175</u>	<u>2,215</u>	<u>506,638</u>	<u>108,941</u>	<u>615,579</u>	<u>588,061</u>
Total salaries & fringe benefits	1,340,871	520,448	363,714	94,187	9,331	2,328,551	406,822	2,735,373	2,688,298
Other personnel costs	2,506,543	594,516	-	-	219,867	3,320,926	-	3,320,926	2,779,310
Contracted & professional services	152,109	423,086	10,776	56,221	198,116	840,308	25,773	866,081	1,009,092
Minor equipment & leases	16,888	9,648	4,360	533	4,011	35,441	2,581	38,022	35,508
Rent & utilities	156,848	90,289	31,281	5,486	-	283,903	35,045	318,948	291,188
Insurance (W/C, Prop, GL)	3,426	2,046	1,134	139	-	6,745	2,526	9,271	7,121
Travel, meetings, and seminars	26,473	38,037	135	1,215	4,558	70,418	13,957	84,375	142,328
Supplies & other costs	<u>181,323</u>	<u>202,587</u>	<u>13,508</u>	<u>11,362</u>	<u>284,081</u>	<u>692,860</u>	<u>27,304</u>	<u>720,165</u>	<u>864,740</u>
Total expenses	<u>\$ 4,384,482</u>	<u>\$ 1,880,657</u>	<u>\$ 424,907</u>	<u>\$ 169,143</u>	<u>\$ 719,963</u>	<u>\$ 7,579,152</u>	<u>\$ 514,009</u>	<u>\$ 8,093,161</u>	<u>\$ 7,817,585</u>

The Boston Plan For Excellence In The Public Schools Foundation
 Note to Schedule of Expenditures of Federal Awards
 June 30, 2010

<i>Federal Grantor (Pass Through Grantor) Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>Corporation for National and Community Service (Massachusetts Service Alliance)</i>			
AmeriCorps	94.006	06ACHMA001003	\$ 788,099
ARRA AmeriCorps	94.006	06ACHMA001003	<u>540,000</u>
Subtotal			1,328,099
<i>Department of Education</i>			
Transition to Teaching	84.350	-	485,745
ARRA Teacher Quality Enhancement Grants	84.405A	-	<u>123,445</u>
Subtotal			<u>609,190</u>
Total			<u><u>\$ 1,937,289</u></u>

See accompanying note to schedule.

The Boston Plan For Excellence In The Public Schools Foundation
Note to Schedule of Expenditures of Federal Awards
June 30, 2010

1. ***Summary of Significant Accounting Policies***

The schedule of expenditures of federal awards includes accounts of The Boston Plan For Excellence In The Public Schools Foundation's federal awards programs and is presented on the accrual 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.

Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Trustees of
The Boston Plan For Excellence In The Public Schools Foundation

Independent Auditor's Report on Compliance with Requirements that Could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited The Boston Plan for Excellence in the Public Schools Foundation's (the Foundation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2010. The Foundation'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 the Foundation's management. Our responsibility is to express an opinion on the Foundation's 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 the Foundation's 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 of the Foundation's compliance with those requirements.

As described in item 10-02 in the accompanying schedule of findings and questioned costs, the Foundation did not comply with requirements regarding Allowable Costs that are applicable to its AmeriCorps and ARRA AmeriCorps programs. Compliance with such requirements is necessary, in our opinion, for the Foundation to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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 an instance 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 10-02.

The Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Foundation'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 Trustees, 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.

Daniel Demio & Co LLP

May 15, 2011

Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Trustees of **The Boston Plan For Excellence In The Public Schools Foundation**

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

We have audited the financial statements of The Boston Plan For Excellence In The Public Schools Foundation (a nonprofit organization) (the Foundation) as of and for the year ended June 30, 2010, and have issued our report thereon dated May 15, 2011. 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 Foundation'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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 a 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting as item 10-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, 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 the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 10-02.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Foundation's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees, 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.

Daniel Dennis & Co. LLP

May 15, 2011

The Boston Plan For Excellence In The Public Schools Foundation
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes _____ No X

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes X No _____

Noncompliance which is material to financial statements noted? Yes _____ No X

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes _____ No X

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes X No _____

Type of auditor's report issued: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No _____

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program</i>
94.006	AmeriCorps Grant
94.006	ARRA AmeriCorps Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes _____ No X

The Boston Plan For Excellence In The Public Schools Foundation
Schedule of Findings and Questioned Costs - *Continued*
For the Year Ended June 30, 2010

Section II – Financial Statement Findings

*Questioned
Costs*

10-01 - Fraudulent

Condition

The Foundation did not have adequate internal controls in place to prevent and timely detect fraudulent acts of the Director of Finance. The Director of Finance increased his bi-weekly pay by approximately \$1,000 per pay period for a period of eleven months. The total fraudulent payroll was \$25,856.

Effect

The Director of Finance was able to fraudulently increase his bi-weekly payroll for eleven months before the internal controls of the Foundation detected the issue.

Cause

The Foundation did not have adequate internal controls in place to prevent the fraud or detect the fraud in a timely manner.

Criteria

Government Auditing Standards require the auditor to report fraud and illegal acts that have an effect on the financial statements that is more than inconsequential.

Recommendation

We recommend that the Foundation review and strengthen its internal control policies through-out the organization.

Management Response

During fiscal year 2011, management has strengthened its internal controls over the payroll cycle by instituting a formal review of the payroll report prior to submission to the payroll processing company. Additionally, any changes to the payroll amounts are investigated by the Managing Director to ensure there is proper authorization for the change.

The Boston Plan For Excellence In The Public Schools Foundation
Schedule of Findings and Questioned Costs - *Continued*
For the Year Ended June 30, 2010

Section III – Federal Award Findings and Questioned Costs

10-02 - Unsubstantiated AmeriCorps and ARRA AmeriCorps Grant Expenditures

*Questioned
Costs*

Condition

The salaries and associated fringe benefits allocated to the AmeriCorps and ARRA AmeriCorps grants were not supported by timesheets, a time study, or other means to determine that they were appropriately charged to the grant. As a result, we could not substantiate that the expenses allowed by the grant were incurred by the Foundation.

\$456,521

Effect

The Foundation did not have effective internal controls in place over the salary expenditures of the AmeriCorps and ARRA AmeriCorps grants and consequently was unable to substantiate the expenses for which reimbursement from the Federal Government was received had actually been incurred.

Cause

The Foundation did not keep programmatic timesheets or conduct a time study to determine if the individuals time charged to the grant was incurred.

Criteria

According to OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, Section C, reimbursement for expenses or expected expenses in accordance with the grant agreement must have supporting documentation for each expenditure.

Recommendation

We recommend that the Foundation develop and implement control procedures to adequately track employees' time spent on Federal Grants.

Management Response

During fiscal year 2011, management is conducting time studies of all employees working on programs funded by AmeriCorps and ARRA AmeriCorps grants. Results will be documented and the expense allocations will be based on the results of the time study.

The Boston Plan For Excellence In The Public Schools Foundation
Schedule of Findings and Questioned Costs - *Continued*
For the Year Ended June 30, 2010

Section III – Federal Award Findings and Questioned Costs

Prior Audit Findings - *None*

Daniel Dennis & Company LLP

Certified Public Accountants

May 15, 2011

To the Board of Trustees

The Boston Plan for Excellence in the Public Schools Foundation

We have audited the financial statements of The Boston Plan for Excellence in the Public Schools Foundation (the Foundation) for the year ended June 30, 2010, and have issued our report thereon dated May 15, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 27, 2010. Professional standards also require that we communicate to you the following information related to our audit.

In planning and performing our audit, we considered the Foundation's 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. We also considered 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.

As part of obtaining reasonable assurance about whether the Foundation's 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 of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Foundation's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the Foundation's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Foundation's compliance with those requirements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2010. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the functional and administrative allocation of expenses. We evaluated the key factors and assumptions used to develop the allocation of functional and administrative expenses, in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 15, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We noted the following other issues:

1. The Foundation did not have adequate internal controls in place to prevent and timely detect fraudulent acts of the Director of Finance. The Director of Finance increased his bi-weekly pay by approximately \$1,000 per pay period for a period of eleven months. The total fraudulent payroll was \$25,856.
2. The salaries and associated fringe benefits allocated to the AmeriCorps and ARRA AmeriCorps grants were not supported by timesheets, a time study, or other means to determine that they were appropriately charged to the grant. As a result, we could not substantiate that the expenses allowed by the grant were incurred by the Foundation. This resulted in questioned costs of \$456,521.

This information is intended solely for the use of Board of Directors and management of the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Dennis + Company LLP

**Boston Plan for
EXCELLENCE**
IN THE PUBLIC SCHOOLS

June 1, 2011

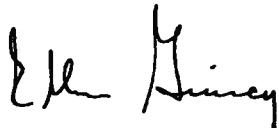
To Whom It May Concern:

Attached is a management letter from Boston Plan for Excellence auditor, Daniel Dennis and Company. The first part is a standard auditor's letter. The latter part of the letter, however, raises two issues which this letter addresses.

The first is the issue of the extortion committed by our former controller in the amount of \$24,000 which reflected a lack of adequate internal controls. We process our payroll through ADP and neglected to have 'two sets of eyes' review each payroll. We have changed that process whereby the Office Manager calls in the payroll and the Chief Operating Officer confirms it before it is processed.

The second issue concerns our use of federal AmeriCorps money. The current process for allocating monies from funders involves estimating the time that staff spend on the specific work funded by a grant. That estimation is translated into a percentage of time that is allocated on time sheets and subsequently, on monies that are charged to specific grants. Although we had satisfied AmeriCorps with this methodology, the auditors believed we needed more precise substantiation of salary and fringe benefit expenditures, and we agree. To achieve this goal, we have conducted a time study of all employees working on programs funded by AmeriCorps and ARRA AmeriCorps grants. Results will be documented and salary and fringe benefit allocations will be based on the results of the study. The study will be conducted annually and allocations adjusted at that time accordingly.

Sincerely,



Ellen Guiney
Executive Director
Boston Plan for Excellence