

NEW BEGINNINGS SCHOOLS FOUNDATION
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/12/08

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Beginnings Schools Foundation

We have audited the accompanying statement of financial position of the **New Beginnings Schools Foundation (the Foundation)** (a not-for-profit corporation) as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of **the Foundation**. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the Foundation** as of June 30, 2006, 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.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
New Beginnings Schools Foundation
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In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2008 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. 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. Also, the accompanying combining schedules are presented for purposes of additional analysis and are not part of the basic financial statements of the Foundation. 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.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 7, 2008



NEW BEGINNINGS SCHOOLS FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

ASSETS

| | |
|----------------------------|------------------------|
| Cash and cash equivalents | \$1,863,281 |
| Grants receivable (NOTE 7) | 1,386,862 |
| Equipment, net (NOTE 2) | <u>98,443</u> |
| Total assets | <u>\$3,348,586</u> |

LIABILITIES AND NET ASSETS

| | |
|--------------------------------------|------------------------|
| Liabilities: | |
| Accounts payable | \$2,209,394 |
| Total liabilities | <u>2,209,394</u> |
| Net assets: | |
| Unrestricted (NOTE 1) | 1,139,192 |
| Total net assets | <u>1,139,192</u> |
| Total liabilities and net assets | <u>\$3,348,586</u> |

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

NEW BEGINNINGS SCHOOLS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES

| | |
|-------------------------------------|------------------|
| Local Sources: | |
| Minimum Foundation Program | \$1,268,934 |
| Contributions | 64,200 |
| Interest | 28,861 |
| Charges for food services | 2,604 |
| Gain on insurance recovery (NOTE 8) | <u>8,767</u> |
| Total local sources | <u>1,373,366</u> |
| State Sources: | |
| Minimum Foundation Program | 1,735,574 |
| Grants | <u>58,870</u> |
| Total state sources | <u>1,794,444</u> |
| Federal sources | <u>1,026,192</u> |
| Total revenues | <u>4,194,002</u> |

EXPENSES

| | |
|-----------------------------------|--------------------|
| Program Services: | |
| Instructional programs | 1,679,739 |
| Support Services: | |
| Pupil support services | 185,502 |
| Instructional staff services | 67,246 |
| General administration | 31,236 |
| School administration | 604,243 |
| Business services | 79,364 |
| Plant services | 219,650 |
| Student transportation services | 14,475 |
| Central services | 24,552 |
| Food services operations | <u>165,497</u> |
| Total expenses | <u>3,071,504</u> |
| Change in net assets | 1,122,498 |
| Net assets - July 1, 2005 | <u>16,694</u> |
| Net assets - June 30, 2006 | <u>\$1,139,192</u> |

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

NEW BEGINNINGS SCHOOLS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

| | |
|------------------------------------------------------------------------------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Change in net assets | \$1,122,498 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Impairment loss on equipment | 41,233 |
| Depreciation expense | 2,365 |
| Increase in grants receivable | (924,490) |
| Increase in accounts payable | <u>1,473,913</u> |
| Net cash provided by operating activities | <u>1,715,519</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchase of equipment | <u>(99,125)</u> |
| Net cash used in investing activities | <u>(99,125)</u> |
| Increase in cash and cash equivalents | 1,616,394 |
| Cash and cash equivalents, beginning of year | <u>246,887</u> |
| Cash and cash equivalents, end of year | <u>\$1,863,281</u> |

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

NEW BEGINNINGS SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies:

General

The **New Beginnings Schools Foundation (the Foundation)** was granted a charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2004 to operate a Type 5 public charter school d/b/a Pierre A. Capdau Charter School (Capdau). **The Foundation** was also granted a charter by the Louisiana Board of Elementary and Secondary Education to operate Medard H. Nelson (Nelson) beginning in the 2005-2006 school year. **The Foundation** entered into service agreements with the Charter Operator, the University of New Orleans, to act as the charter operator of the charter schools. The Charter Operator manages all aspects of the charter schools unless provided in the service agreements.

The Foundation seeks to provide educational services according to the educational standards established by law, the charter contract and the charter application/proposal; measures pupil progress toward stated goals; and participates in pupil assessment required by law, regulation and BESE policy.

The Foundation's mission states that the charter schools are a community of learners in which academic achievement and personal growth are expected and are supported in a positive, inclusive, enriched environment.

During the 2006 school year, Capdau served kindergarten through eighth grades with an enrollment of 287 students at June 30, 2006. Nelson served pre-kindergarten through eighth grades with an enrollment of 238 students at June 30, 2006.

Basis of Accounting

The Foundation's financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

NEW BEGINNINGS SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued:

Use of Estimates

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

Equipment

Equipment of **the Foundation** with a cost of \$5,000 or more is recorded as assets (capitalized) and is stated at historical costs if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided utilizing the straight-line method over estimated useful lives of the asset.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

Grant Revenue

Revenues from governmental grants are recognized when allowable expenditures are made by **the Foundation**. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

NEW BEGINNINGS SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued:

Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less.

Income Taxes

The Foundation is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in accompanying financial statements.

Financial Statement Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations", the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Support, revenues, and expenses for the general operation of the Foundation.

Temporarily Restricted Net Assets - Contributions specifically authorized by the donor to be used for a certain purpose or to benefit a specific accounting period.

NEW BEGINNINGS SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued:

Financial Statement Presentation, Continued

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by the **Foundation**. Generally, the donors of these assets permit the **Foundation** to use all or part of the income derived from the investment of these contributions.

At June 30, 2006, the **Foundation** has no temporarily or permanently restricted net assets.

Contributions

In accordance with Statement of Financial Accounting Standards (SFAS) No 116, "Accounting for Contributions Received and Contributions Made", unconditional promises to give (pledges) should be recorded as receivable and revenues and the **Foundation** is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

NEW BEGINNINGS SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued:

Minimum Foundation Program (MFP)

Capdau and Nelson, as Type 5 charter schools, received funding from BESE in an amount for pupils based on estimated daily attendance at the schools. The amount of funding received is adjusted during the school year based on a student count on a designated date and the result of any audits performed.

Other Funding

Other revenues received consist of federal and state grants, fees for meals served, and other revenue sources.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among instructional and support services in the accompanying statement of activities.

NOTE 2 - Equipment:

The following is a summary of equipment at June 30, 2006:

| | |
|-------------------------------|------------------|
| Equipment | \$108,381 |
| Less accumulated depreciation | <u>9,938</u> |
| Equipment, net | <u>\$ 98,443</u> |

Depreciation charged to operations at June 30, 2006, was \$2,365.

NEW BEGINNINGS SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Risk Management:

The Foundation is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **the Foundation** carries commercial liability insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 4 - Concentration of Credit Risk:

The Foundation maintains cash balances at a local bank. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$100,000. At June 30, 2006, **the Foundation** had \$10,900 of funds in excess of FDIC coverage.

NOTE 5 - Contingency:

The Foundation is a recipient of grants from the State and Federal Funding Agencies. The grants are governed by various State and Federal guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of **the Foundation** and are subject to audit and/or review by grantors. Any grant found to be not properly spent in accordance with the terms, conditions, and regulations of the State and Federal Agencies may be subject to recapture.

NEW BEGINNINGS SCHOOLS FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Contractual Services:

Neither the charter schools' principals, assistant principals, teachers nor other personnel are employees of the Foundation. All are employees of the Charter Operator. Consequently, all of the Foundation's personnel are state employees. The Foundation reimburses the Charter Operator for all payroll related costs.

NOTE 7 - Grant Receivable:

Grants receivable at June 30, 2006 consisted of the following grant programs:

| | <u>Pierre A. Capdau</u> <u>Charter School</u> | <u>Medard H. Nelson</u> <u>Charter School</u> | <u>Total</u> |
|------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------|
| Public Charter Schools Program-DOE | \$ 642,570 | \$295,469 | \$ 938,039 |
| Consolidated Programs-DOE | 207,763 | -0- | 207,763 |
| Post Charter Schools-DOE | 196,614 | -0- | 196,614 |
| School Lunch Program-USDA | 29,397 | -0- | 29,397 |
| Classroom Based Technology-DOE | 4,023 | 4,023 | 8,046 |
| LA4 Pre K-DOE | -0- | 3,500 | 3,500 |
| Other | <u>885</u> | <u>2,618</u> | <u>3,503</u> |
| | <u>\$1,081,252</u> | <u>\$305,610</u> | <u>\$1,386,862</u> |

NOTE 8 - Net Gain on Insurance Recovery:

On August 29, 2005, the New Orleans area suffered significant damage to property and lives when Hurricane Katrina struck the Gulf Coast area. The Foundation sustained damage to certain equipment at Capdau. The Foundation had insurance in place to cover the damaged equipment. For the year ended June 30, 2006, the net gain on insurance recovery consisted of the following:

| | |
|--------------------------------|-----------------|
| Insurance recovery proceeds | \$ 50,000 |
| Impairment loss on equipment | <u>(41,233)</u> |
| Net gain on insurance recovery | <u>\$ 8,767</u> |

SUPPLEMENTARY INFORMATION

NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

| <u>FEDERAL GRANTOR/PASS THROUGH GRANTOR PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>FEDERAL EXPENDITURES</u> |
|-------------------------------------------------------------------|------------------------------------|---------------------------------|
| U.S. Department of Education | | |
| Passed through Louisiana State | | |
| Department of Education: | | |
| Public Charter Schools Program | 84.282 | \$ 938,039 |
| Classroom Based Technology | 84.318 | <u>10,377</u> |
| Total U.S. Department of Education | | <u>948,416</u> |
| U.S. Department of Agriculture | | |
| Passed through Louisiana State | | |
| Department of Education: | | |
| School Lunch Program | 10.555 | <u>77,776</u> |
| Total U.S. Department of Agriculture | | <u>77,776</u> |
| Total Expenditures of Federal Awards | | <u>\$1,026,192</u> |

NOTE: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Foundation 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.

See Independent Auditors' Report on Supplementary Information.

NEW BEGINNINGS SCHOOLS FOUNDATION
COMBINING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2006

| | <u>Pierre A. Capdau</u> <u>Charter School</u> | <u>Medard H. Nelson</u> <u>Charter School</u> | <u>Total</u> |
|-----------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 843,242 | \$1,020,039 | \$1,863,281 |
| Grants receivable | 1,081,252 | 305,610 | 1,386,862 |
| Due from other program | -0- | 33,946 | 33,946 |
| Equipment, net | <u>98,443</u> | <u>-0-</u> | <u>98,443</u> |
| Total assets | <u>\$2,022,937</u> | <u>\$1,359,595</u> | <u>\$3,382,532</u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities: | | | |
| Accounts payable | \$1,424,679 | \$ 784,715 | \$2,209,394 |
| Due to other program | <u>33,946</u> | <u>-0-</u> | <u>33,946</u> |
| Total liabilities | <u>1,458,625</u> | <u>784,715</u> | <u>2,243,340</u> |
| Net Assets: | | | |
| Unrestricted | <u>564,312</u> | <u>574,880</u> | <u>1,139,192</u> |
| Total net assets | <u>564,312</u> | <u>574,880</u> | <u>1,139,192</u> |
| Total liabilities and net assets | <u>\$2,022,937</u> | <u>\$1,359,595</u> | <u>\$3,382,532</u> |

See Independent Auditors' Report on Supplementary Information.

NEW BEGINNINGS SCHOOLS FOUNDATION
COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

| | <u>Pierre A. Capdau</u> <u>Charter School</u> | <u>Medard H. Nelson</u> <u>Charter School</u> | <u>Total</u> |
|---------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------|
| REVENUES | | | |
| Local Sources: | | | |
| Minimum Foundation Program | \$ 639,408 | \$ 629,526 | \$1,268,934 |
| Contributions | 64,200 | -0- | 64,200 |
| Interest | 10,355 | 18,506 | 28,861 |
| Charges for food services | 2,604 | -0- | 2,604 |
| Gain on insurance recovery | <u>8,767</u> | <u>-0-</u> | <u>8,767</u> |
| Total local sources | <u>725,334</u> | <u>648,032</u> | <u>1,373,366</u> |
| State Sources: | | | |
| Minimum Foundation Program | 870,440 | 865,134 | 1,735,574 |
| Grants | <u>17,698</u> | <u>41,172</u> | <u>58,870</u> |
| Total state sources | <u>888,138</u> | <u>906,306</u> | <u>1,794,444</u> |
| Federal grants | <u>691,308</u> | <u>344,884</u> | <u>1,026,192</u> |
| Total revenues | <u>2,304,780</u> | <u>1,889,222</u> | <u>4,194,002</u> |
| EXPENSES | | | |
| Program Services: | | | |
| Instruction programs | 957,252 | 722,487 | 1,679,739 |
| Support Services: | | | |
| Pupil support services | 139,538 | 45,964 | 185,502 |
| Instructional staff services | 38,590 | 28,656 | 67,246 |
| General administration | 26,872 | 4,364 | 31,236 |
| School administration | 279,739 | 324,504 | 604,243 |
| Business services | 50,725 | 28,639 | 79,364 |
| Plant services | 157,789 | 61,861 | 219,650 |
| Student transportation services | 1,975 | 12,500 | 14,475 |
| Central services | 11,736 | 12,816 | 24,552 |
| Food services operations | <u>92,946</u> | <u>72,551</u> | <u>165,497</u> |
| Total expenses | <u>1,757,162</u> | <u>1,314,342</u> | <u>3,071,504</u> |
| Change in net assets | 547,618 | 574,880 | 1,122,498 |
| Net assets - July 1, 2005 | <u>16,694</u> | <u>-0-</u> | <u>16,694</u> |
| Net assets - June 30, 2006 | <u>\$ 564,312</u> | <u>\$ 574,880</u> | <u>\$1,139,192</u> |

See Independent Auditors' Report on Supplementary Information.

NEW BEGINNINGS SCHOOLS FOUNDATION
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

| | <u>Pierre A. Capdau</u> <u>Charter School</u> | <u>Medard H. Nelson</u> <u>Charter School</u> | <u>Total</u> |
|---------------------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Change in net assets | \$ 547,618 | \$ 574,880 | \$1,122,498 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | |
| Impairment loss on equipment | 41,233 | -0- | 41,233 |
| Depreciation expense | 2,365 | -0- | 2,365 |
| Increase in grants receivable | (618,880) | (305,610) | (924,490) |
| Increase in accounts payable | 689,198 | 784,715 | 1,473,913 |
| Increase in due from other program | -0- | (33,946) | (33,946) |
| Increase in due to other program | <u>33,946</u> | <u>-0-</u> | <u>33,946</u> |
| Net cash provided by operating activities | <u>695,480</u> | <u>1,020,039</u> | <u>1,715,519</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of equipment | <u>(99,125)</u> | <u>-0-</u> | <u>(99,125)</u> |
| Net cash used in investing activities | <u>(99,125)</u> | <u>-0-</u> | <u>(99,125)</u> |
| Increase in cash and cash equivalents | 596,355 | 1,020,039 | 1,616,394 |
| Cash and cash equivalents, beginning of year | <u>246,887</u> | <u>-0-</u> | <u>246,887</u> |
| Cash and cash equivalents, end of year | <u>\$ 843,242</u> | <u>\$1,020,039</u> | <u>\$1,863,281</u> |

See Independent Auditors' Report on Supplementary Information.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
New Beginnings Schools Foundation

We have audited the financial statements of **New Beginnings Schools Foundation (the Foundation)**, (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated February 7, 2008. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the **Foundation's** ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition noted is described in the accompanying schedule of findings and questioned costs as item 06-01.

INDEPENDENT AUDITORS' 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
(CONTINUED)

Internal Control Over Financial Reporting, Continued

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

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 matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 06-01.

We noted certain additional matters that we reported to management of the Foundation in a separate letter dated February 7, 2008.

INDEPENDENT AUDITORS' 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
(CONTINUED)

This report is intended solely for the information and use of management, the Foundation's Board of Directors, the Louisiana Recovery School District, the Louisiana Legislative Auditor, Federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 7, 2008



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

To the Board of Directors of
New Beginnings Schools Foundation

Compliance

We have audited the compliance of the **New Beginnings Schools Foundation (the Foundation)** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2006. **The Foundation's** major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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

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

(CONTINUED)

Compliance, Continued

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 06-02 in the accompanying schedule of findings and questioned costs, the **Foundation** did not comply with requirements regarding the timely submission of the single audit report that are applicable to its Public Charter Schools Program. Compliance with such requirements is necessary, in our opinion, for the **Foundation** to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the **Foundation** complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the **Foundation** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the **Foundation's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

(CONTINUED)

Internal Control Over Compliance, Continued

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. The reportable condition involves a matter coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Foundation's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

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Bruno & Tervalon LLP
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CERTIFIED PUBLIC ACCOUNTANTS

February 7, 2008

NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section I - SUMMARY OF AUDITORS' RESULTS

- A. The type of report issued on the financial statements: unqualified opinion.
- B. Reportable conditions in internal control were disclosed by the audit of the financial statements: yes Material weakness: yes.
- C. Noncompliance which is material to the financial statements: yes.
- D. Reportable conditions in internal control over major programs: yes. Material weaknesses: yes.
- E. The type of report issued on compliance for major programs: qualified opinion.
- F. Any audit findings which are required to be reportable under Section 510(a) of OMB Circular A-133: yes.
- G. Major programs:
 - United States Department of Education
 - Public Charter Schools Program
 - (CFDA No. 84.282)
- H. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- I. Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no.
- J. A management letter issued: yes.

NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2006

**Section II - Findings Relating to the Financial Statements Reported
In Accordance with Government Auditing Standards**

06-01 Submission of Audit Report

Criteria

LSA-RS 24:513 requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, unless the Louisiana Legislative Audit Advisory Council approves an extension request to file the audit report with the Louisiana Legislative Auditor by a specific date.

Condition and Context

Due to the effects of Hurricane Katrina on the operations of the **Foundation**, the **Foundation** requested and received approval to file its 2006 fiscal year audit report to the Legislative Auditor by January 15, 2008.

The June 30, 2006 audited financial statements were not submitted within the approved extension due date of January 15, 2008. The **Foundation** is expected to remit its report by February 29, 2008.

Effect

The **Foundation** has not complied with State laws regarding the time frame for audit report submission.

Cause

According to management the condition was caused by the adverse affects of Hurricane Katrina and the operations of the **Foundation**.

NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2006

**Section II - Findings Relating to the Financial Statements Reported
In Accordance with Government Auditing Standards
(Continued)**

06-01 Submission of Audit Report, Continued

Recommendation

We recommend that the Foundation review its financial reporting procedures to ensure that audit engagements are submitted to the State of Louisiana Legislative Auditor within the required time frame.

Section III - Findings and Questioned Costs Related to Federal Awards

06-02 Submission of Single Audit Report

Criteria

Circular No. A-133, Section 320, requires that the audit be completed and the data collection form and reporting package submitted within the earlier of thirty (30) days after receipt of the auditor's report(s), or nine (9) months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2006

Section III - Findings and Questioned Costs Related to Federal Awards

06-02 Submission of Single Audit Report, Continued

Condition and Context

The June 30, 2006 single audit report was not submitted within the previously described timeframe.

Cause

The Foundation was adversely affected by Hurricane Katrina, which caused delays in reporting and processing financial information that was necessary for the timely submission of the single audit report.

Effect

The Foundation has not complied with Circular A-133 regarding the timeframe for the single audit report submission.

Recommendation

We recommend that **the Foundation** review its disaster recovery procedures to help minimize the delays resulting from any disaster to allow for the timely submission of the single audit report to the federal clearinghouse within the required timeframe.

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

**Section I - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS**

05-01 Submission of Audit Report

We recommended that the Foundation review its financial reporting procedures to ensure that audit engagements are submitted to the State of Louisiana Legislative Auditor within the require timeframe.

Current Status

Unresolved. See current year finding 06-01.

**Section II - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FEDERAL AWARDS**

Not applicable.

Section III - MANAGEMENT LETTER

See status of prior year comments reported to management in a separate letter dated February 7, 2008.

NEW BEGINNINGS SCHOOLS FOUNDATION
INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2006

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**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
New Beginnings Schools Foundation

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the **New Beginnings Schools Foundation (the Foundation)**, operator of the **Pierre A. Capdau Charter School** and the **Medard H. Nelson Charter School** and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the **Foundation** and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS

The dates of certain procedures were modified to May 1, 2006, because of the affects of Hurricane Katrina. Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

***General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources (SCHEDULE 1)***

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

No differences noted.

Education Levels of Public School Staff (SCHEDULE 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (SCHEDULE 4) to the combined total number of full-time classroom teachers per this schedule and to the Foundation's supporting payroll records as of May 1, 2006.

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Education Levels of Public School Staff (SCHEDULE 2), Continued

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total of principals and assistant principals per this schedule.

No differences noted.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of May 1, 2006 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

No differences noted.

Number and Type of Public Schools (SCHEDULE 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Experience of Public Principals and Full-time Classroom Teachers (SCHEDULE 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of May 1, 2006 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

No differences noted.

Public School Staff Data (SCHEDULE 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

No differences noted.

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Class Size Characteristics (SCHEDULE 6)

9. We obtained a list of classes by school, school type and class size as reported on the schedule. We then traced a random sample of 10 classes to the May 1, 2006 roll books for those classes and determined if the class was properly classified on the schedule.

No differences noted.

**Louisiana Educational Assessment Program (LEAP) for
the 21st Century (SCHEDULE 7)**

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **the Foundation.**

No differences noted.

The Graduation Exit Exam for the 21st Century (SCHEDULE 8)

11. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **the Foundation.**

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

The Iowa and iLEAP Tests (SCHEDULE 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the **Foundation**.

No differences noted.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of **the Foundation**, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 7, 2008

NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum, Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

SCHEDULE 2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph.D. or Ed.D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

SCHEDULE 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

SCHEDULE 4 - Experience of Public Principals and Full-time Classroom Teachers

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA, CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

SCHEDULE 5 - Public School Staff Data

This schedule includes average classroom teachers salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

SCHEDULE 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20; 21-26, 27-33, and 34+students. This data is currently reported to the Legislature in the Annual School Report (ASR).

SCHEDULE 7 - Louisiana Educational Assessment Program (LEAP) for the 21st Century

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

SCHEDULE 8 - The Graduation Exit Exam

This schedule represents student performance testing data and includes summary scores by district for grades 10 and 11 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

SCHEDULE 9 - The IOWA and iLEAP Tests

This schedule represents the Iowa testing data and includes a summary score for grades 3, 5, 6, 7 and 9 for each district. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule also includes the iLEAP testing data for 2006.

New Beginnings Schools Foundation
New Orleans, Louisiana

Schedule 1

General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2006

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

| | | |
|--------------------------------------------------|--------------|--------------|
| Classroom Teacher Salaries | \$ 1,208,320 | |
| Other Instructional Staff Activities | 74,828 | |
| Employee Benefits | 252,261 | |
| Purchased Professional and Technical Services | 4,916 | |
| Instructional Materials and Supplies | 135,507 | |
| Instructional Equipment | - | |
| Total Teacher and Student Interaction Activities | | \$ 1,675,832 |

Other Instructional Activities 3,907

| | | |
|----------------------------------------------|---------|---------|
| Pupil Support Activities | 185,502 | |
| Less: Equipment for Pupil Support Activities | - | |
| Net Pupil Support Activities | | 185,502 |

| | | |
|--------------------------------------------------|--------|--------|
| Instructional Staff Services | 67,245 | |
| Less: Equipment for Instructional Staff Services | - | |
| Net Instructional Staff Services | | 67,245 |

| | | |
|-------------------------------------------|---------|---------|
| School Administration | 604,243 | |
| Less: Equipment for School Administration | - | |
| Net School Administration | | 604,243 |

Total General Fund Instructional Expenditures \$ 2,536,729

Total General Fund Equipment Expenditures \$ -

Certain Local Revenue Sources

Local Taxation Revenue:

| | |
|-------------------------------------------------------------------------|------|
| Constitutional Ad Valorem Taxes | \$ - |
| Receivable Ad Valorem Tax | - |
| Debt Service Ad Valorem Tax | - |
| Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes | - |
| Sales and Use Taxes | - |
| Total Local Taxation Revenue | \$ - |

Local Earnings on Investment in Real Property:

| | |
|-----------------------------------------------------|------|
| Earnings from 16th Section Real Property | \$ - |
| Earnings from Other Real Property | - |
| Total Local Earnings on Investment in Real Property | \$ - |

State Revenue in Lieu of Taxes:

| | |
|--------------------------------------|------|
| Revenue Sharing - Constitutional Tax | \$ - |
| Revenue Sharing - Other Taxes | - |
| Revenue Sharing - Excess Portion | - |
| Other Revenue in Lieu of Taxes | - |
| Total State Revenue in Lieu of Taxes | \$ - |

See accompanying independent accountants' report on applying agreed-upon procedures.

**New Beginnings Schools Foundation
New Orleans, Louisiana**

**Education Levels of Public School Staff
As of May 1, 2006**

| Category | Full-time Classroom Teachers | | | | Principals & Assistant Principals | | | |
|-------------------------------|------------------------------|-------------|----------------|---------|-----------------------------------|-------------|----------------|---------|
| | Certificated | | Uncertificated | | Certificated | | Uncertificated | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Less than a Bachelor's Degree | | | | | | | | |
| Bachelor's Degree | 43 | 65% | | | | | | |
| Master's Degree | 22 | 33% | | | 3 | 50% | | |
| Master's Degree + 30 | | | | | 3 | 50% | | |
| Specialist in Education | | | | | | | | |
| Ph. D. or Ed. D. | 1 | 2% | | | | | | |
| Total | 66 | 100% | | | 6 | 100% | | |

See accompanying independent accountants' report on applying agreed-upon procedures.

**New Beginnings Schools Foundation
New Orleans, Louisiana**

**Number and Type of Public Schools
For the Year Ended June 30, 2006**

| Type | Number |
|-----------------|----------|
| Elementary | 2 |
| Middle/Jr. High | |
| Secondary | |
| Combination | |
| Total | 2 |

Note: Schools opened or closed during the fiscal year are included in this schedule.

See accompanying independent accountants' report on applying agreed-upon procedures.

**New Beginnings Schools Foundation
New Orleans, Louisiana**

**Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers
As of May 1, 2006**

| | 0-1 Yr. | 2-3 Yrs. | 4-10 Yrs. | 11-14 Yrs. | 15-19 Yrs. | 20-24 Yrs. | 25+ Yrs. | Total |
|-----------------------------|---------|----------|-----------|------------|------------|------------|----------|-------|
| Assistant Principals | | | 1 | 1 | 1 | 1 | | 4 |
| Principals | | | | 1 | 1 | | | 2 |
| Classroom Teachers | 30 | 10 | 15 | 3 | 1 | 7 | | 66 |
| Total | 30 | 10 | 16 | 5 | 3 | 8 | | 72 |

See accompanying independent accountants' report on applying agreed-upon procedures.

**New Beginnings Schools Foundation
New Orleans, Louisiana**

**Public School Staff Data
For the Year Ended June 30, 2006**

| | All Classroom Teachers | Classroom Teachers Excluding ROTC and Rehired Retirees |
|-------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------|
| Average Classroom Teachers' Salary Including Extra Compensation | \$ 34,738 | |
| Average Classroom Teachers' Salary Excluding Extra Compensation | \$ 33,372 | |
| Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries | 66 | |

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers and ROTC teachers receive more compensation because of a federal supplement. Therefore, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes and temporary employees.

See accompanying independent accountants' report on applying agreed-upon procedures.

**New Beginnings Schools Foundation
New Orleans, Louisiana**

**Class Size Characteristics
As of May 1, 2006**

| School Type | Class Size Range | | | | | | | |
|----------------------------------|------------------|--------|---------|--------|---------|--------|---------|--------|
| | 1 - 20 | | 21 - 26 | | 27 - 33 | | 34+ | |
| | Percent | Number | Percent | Number | Percent | Number | Percent | Number |
| Elementary | 52% | 16 | 39% | 12 | 9% | 3 | | |
| Elementary Activity Classes | | | | | | | | |
| Middle/Jr. High | | | | | | | | |
| Middle/Jr. High Activity Classes | | | | | | | | |
| High | | | | | | | | |
| High Activity Classes | | | | | | | | |
| Combination | | | | | | | | |
| Combination Activity Classes | | | | | | | | |

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

See accompanying independent accountants' report on applying agreed-upon procedures.

New Beginnings Schools Foundation
New Orleans, Louisiana

Louisiana Educational Assessment Program (LEAP) for the 21st Century
For the Year Ended June 30, 2006

| District Achievement Level Results | English Language Arts | | | | | | Mathematics | | | | | |
|------------------------------------|-----------------------|-------------|--------|---------|--------|---------|-------------|-------------|--------|---------|--------|---------|
| | 2006 | | 2005 | | 2004 | | 2006 | | 2005 | | 2004 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 4 | | | | | | | | | | | | |
| Advanced | 1 | 2% | | | | | 1 | 2% | | | | |
| Mastery | 2 | 3% | | | | | 2 | 3% | | | | |
| Basic | 19 | 32% | | | | | 10 | 17% | | | | |
| Approaching Basic | 15 | 25% | | | | | 15 | 25% | | | | |
| Unsatisfactory | 23 | 38% | | | | | 32 | 53% | | | | |
| Total | 60 | 100% | | | | | 60 | 100% | | | | |

| District Achievement Level Results | Science | | | | | | Social Studies | | | | | |
|------------------------------------|-----------|-------------|-----------|-------------|--------|---------|----------------|-------------|-----------|-------------|--------|---------|
| | 2006 | | 2005 | | 2004 | | 2006 | | 2005 | | 2004 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 8 | | | | | | | | | | | | |
| Advanced | 0 | 0% | 0 | 0% | | | 1 | 2% | 0 | 0% | | |
| Mastery | 1 | 2% | 1 | 1% | | | 1 | 2% | 0 | 0% | | |
| Basic | 10 | 17% | 10 | 12% | | | 13 | 22% | 11 | 13% | | |
| Approaching Basic | 17 | 29% | 23 | 27% | | | 14 | 24% | 36 | 42% | | |
| Unsatisfactory | 30 | 52% | 52 | 60% | | | 29 | 50% | 39 | 45% | | |
| Total | 58 | 100% | 85 | 100% | | | 58 | 100% | 86 | 100% | | |

Note: The Foundation was not operating during the 2004 fiscal year.

Note: In the 2005 fiscal year, the Foundation did not service the 4th grade level.

See accompanying independent accountants' report on applying agreed-upon procedures.

New Beginnings Schools Foundation
New Orleans, Louisiana

The Graduation Exit Exam for the 21st Century
For the Year Ended June 30, 2006

| District Achievement Level Results | English Language Arts | | | | | | Mathematics | | | | | |
|------------------------------------|-----------------------|---------|--------|---------|--------|---------|-------------|---------|--------|---------|--------|---------|
| | 2006 | | 2005 | | 2004 | | 2006 | | 2006 | | 2004 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 10 | | | | | | | | | | | | |
| Advanced | | | | | | | | | | | | |
| Mastery | | | | | | | | | | | | |
| Basic | | | | | | | | | | | | |
| Approaching Basic | | | | | | | | | | | | |
| Unsatisfactory | | | | | | | | | | | | |
| Total | | | | | | | | | | | | |

| District Achievement Level Results | Science | | | | | | Social Studies | | | | | |
|------------------------------------|---------|---------|--------|---------|--------|---------|----------------|---------|--------|---------|--------|---------|
| | 2006 | | 2005 | | 2004 | | 2006 | | 2006 | | 2004 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 11 | | | | | | | | | | | | |
| Advanced | | | | | | | | | | | | |
| Mastery | | | | | | | | | | | | |
| Basic | | | | | | | | | | | | |
| Approaching Basic | | | | | | | | | | | | |
| Unsatisfactory | | | | | | | | | | | | |
| Total | | | | | | | | | | | | |

Note: This schedule does not apply.

See accompanying independent accountants' report on applying agreed-upon procedures.

New Beginnings Schools Foundation
New Orleans, Louisiana

The IOWA and /LEAP Tests
For The Year Ended June 30, 2006

IOWA Tests

| | Composite | |
|------------------------------------------------|-----------|------|
| | 2005 | 2004 |
| | | |
| Test of Basic Skills (ITBS) | | |
| Grade 3 | 49 | |
| Grade 5 | | |
| Grade 6 | | |
| Grade 7 | 24 | |
| | | |
| Tests of Educational Development (ITED) | | |
| Grade 9 | | |

Scores are reported by National Percentile Rank. A student's National Percentile Rank shows the student's relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. A student with a score of 72 indicates that the student scored the same or better than 72 percent of the students in the norm group.

Note: 2005 was the last year of IOWA testing. From 2006 onwards /LEAP has taken place.

Note: The 2005 fiscal year was the first year the Foundation operated; therefore information relating to the 2004 fiscal year is not applicable on this schedule.

See accompanying independent accountants' report on applying agreed-upon procedures.

New Beginnings Schools Foundation
New Orleans, Louisiana

The IOWA AND /LEAP Tests
For the Year Ended June 30, 2006

/LEAP Tests

| District Achievement Level Results | English Language Arts | | Mathematics | | Science | | Social Studies | |
|------------------------------------|-----------------------|-------------|-------------|-------------|-----------|-------------|----------------|-------------|
| | 2006 | | 2006 | | 2006 | | 2006 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 3 | | | | | | | | |
| Advanced | 1 | 1% | 1 | 1% | 0 | 0% | 0 | 0% |
| Mastery | 5 | 7% | 7 | 10% | 0 | 0% | 8 | 12% |
| Basic | 18 | 25% | 17 | 24% | 12 | 17% | 15 | 21% |
| Approaching Basic | 15 | 21% | 16 | 22% | 27 | 38% | 23 | 32% |
| Unsatisfactory | 33 | 46% | 31 | 43% | 32 | 45% | 25 | 35% |
| Total | 72 | 100% | 72 | 100% | 71 | 100% | 71 | 100% |

| District Achievement Level Results | English Language Arts | | Mathematics | | Science | | Social Studies | |
|------------------------------------|-----------------------|-------------|-------------|-------------|-----------|-------------|----------------|-------------|
| | 2006 | | 2006 | | 2006 | | 2006 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 5 | | | | | | | | |
| Advanced | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Mastery | 2 | 4% | 1 | 2% | 1 | 2% | 1 | 2% |
| Basic | 11 | 18% | 12 | 20% | 7 | 11% | 13 | 22% |
| Approaching Basic | 14 | 23% | 12 | 20% | 18 | 30% | 17 | 29% |
| Unsatisfactory | 33 | 55% | 35 | 58% | 34 | 57% | 27 | 47% |
| Total | 60 | 100% | 60 | 100% | 60 | 100% | 58 | 100% |

| District Achievement Level Results | English Language Arts | | Mathematics | | Science | | Social Studies | |
|------------------------------------|-----------------------|-------------|-------------|-------------|-----------|-------------|----------------|-------------|
| | 2006 | | 2006 | | 2006 | | 2006 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 6 | | | | | | | | |
| Advanced | 1 | 1% | 0 | 0% | 0 | 0% | 0 | 0% |
| Mastery | 3 | 5% | 1 | 1% | 1 | 2% | 1 | 1% |
| Basic | 21 | 30% | 17 | 25% | 17 | 26% | 16 | 25% |
| Approaching Basic | 22 | 32% | 23 | 33% | 32 | 49% | 29 | 45% |
| Unsatisfactory | 22 | 32% | 28 | 41% | 15 | 23% | 19 | 29% |
| Total | 69 | 100% | 69 | 100% | 65 | 100% | 65 | 100% |

| District Achievement Level Results | English Language Arts | | Mathematics | | Science | | Social Studies | |
|------------------------------------|-----------------------|-------------|-------------|-------------|-----------|-------------|----------------|-------------|
| | 2006 | | 2006 | | 2006 | | 2006 | |
| Students | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Grade 7 | | | | | | | | |
| Advanced | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| Mastery | 3 | 5% | 0 | 0% | 1 | 2% | 0 | 0% |
| Basic | 15 | 27% | 10 | 18% | 10 | 17% | 29 | 49% |
| Approaching Basic | 24 | 43% | 18 | 32% | 27 | 46% | 14 | 24% |
| Unsatisfactory | 14 | 25% | 28 | 50% | 21 | 36% | 16 | 27% |
| Total | 56 | 100% | 56 | 100% | 59 | 100% | 59 | 100% |

See accompanying independent accountants' report on applying agreed-upon procedures.



Member
American Institute of
Certified Public Accountants
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Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors of
New Beginnings Schools Foundation

We have audited the financial statements of the **New Beginnings Schools Foundation (the Foundation)** for the year ended June 30, 2006, and have issued our report thereon dated February 7, 2008.

In planning and performing our audit of the financial statements of **the Foundation** for the year ended June 30, 2006, we considered **the Foundation's** internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. These comments that accompany this letter summarize our findings and recommendations regarding those matters. This letter does not affect our report dated February 7, 2008 on the financial statements of **the Foundation**.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with appropriate personnel of **the Foundation**, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

This report is intended solely for the information and use of management, the Foundation's Board of Directors, the Louisiana Recovery School District, the Louisiana Legislative Auditor, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 7, 2008

**NEW BEGINNINGS SCHOOLS FOUNDATION
CURRENT YEAR MANAGEMENT LETTER COMMENTS**

06-01 DISASTER RECOVERY PROGRAM

We reported in the 2005 fiscal year audit that **the Foundation** does not have well-defined, written and tested disaster recovery procedures. This condition continued in the 2006 fiscal year. The time to make such contingency plan is before disaster strikes. The plan should be adequately defined and efficiently detailed to provide for all safeguards in the event of an emergency situation.

Therefore, we recommend that a formal Disaster Recovery Program be implemented and that related policies and procedures are developed. Procedures for the backup of financial operations should be a major consideration in developing **the Foundation's** Disaster Recovery Program.

06-02 FINANCIAL REPORTING

The 2006 fiscal year end internal financial statements of **the Foundation** were not completed until approximately September, 2007.

While the effects of the hurricane played a role in the untimeliness of the 2006 fiscal year end financial statements, we recommend that the management of **the Foundation** review its financial reporting procedures to ensure that financial statements and other related reports are completed on a timely basis.

**NEW BEGINNINGS SCHOOLS FOUNDATION
PRIOR YEAR MANAGEMENT LETTER COMMENTS**

05-01 DUPLICATE PAYMENT

We recommended that the management of the Foundation adhere to established control procedures to ensure that such a duplicate payment not occur in the future.

Current Status

Resolved.

05-02 DISASTER RECOVERY PROGRAM

We recommended that a formal Disaster Recovery Program be implemented and that related policies and procedures are developed. Procedures for the backup of financial operations should be a major consideration in developing the Foundation's Disaster Recovery Program.

Current Status

Unresolved. See current year finding 06-01.

05-03 IRS FORM 990 TAX FILING

We recommended that management take immediate steps in filing IRS Form 990 tax returns.

Current Status

Resolved.

NEW BEGINNINGS SCHOOLS FOUNDATION
PRIOR YEAR MANAGEMENT LETTER COMMENTS, CONTINUED

05-04 EXPIRED FUNDING

We recommended that **the Foundation** implement procedures to ensure that Requests for Reimbursement are submitted timely to prevent the expiration of the funding.

Current Status

Resolved.

05-05 FINANCIAL REPORTING

We recommended that the management of **the Foundation** review its financial reporting procedures to ensure that financial statements and other related reports are completed on a timely basis.

Current Status

Unresolved. See current year finding 06-02.

NEW BEGINNINGS

S C H O O L S F O U N D A T I O N

2045 Lakeshore Dr, Research & Technology Park, Cerm Bld Rm 419, New Orleans, LA 70148
504.280.2311 (Office)/504.280.2312 (Fax)

February 22, 2008

Mr. Michael Bruno
Bruno and Tervalon LLP
Certified Public Accountants
4298 Elysian Fields Ave.
New Orleans, LA 70122

Dear Mr. Bruno:

In conjunction with the Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards for Submission of Audit Report relative to the Fiscal Year 2005-2006, the management of the New Beginnings Schools Foundation (the "School") appreciates the opportunity to respond to this finding.

Section II – Findings Relating to the Financial Statements Reported In Accordance with Government Auditing Standards

06-01 Submission of Audit Report

The School acknowledges per LSA-RS 24:514 that audit reports which were to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, were not submitted timely by the approved extension date of January 15, 2008. Due to the damaging effects of Hurricane Katrina, which occurred on August 29, 2005 and resulted in the loss of pertinent personnel and documents we are working to complete our reports on schedule and will have the June 30, 2007 report finished by the approved extension date.

Section III – Findings and Questioned Costs Related to Federal Awards

06-02 Submission of Single Audit Report

The School acknowledges we did not comply with Circular No. A-133, Section 320 which requires the single audit to be completed and the data collection form and reporting package submitted within the earlier of thirty (30) days after receipt of the auditor's report(s), or nine (9) months after the end of the audit period. We concur with the auditors' recommendation and have reviewed our disaster recovery procedure to minimize delay and allow for the timely submission of the single audit report to the federal clearinghouse within the required timeframe.

NEW BEGINNINGS

S C H O O L S F O U N D A T I O N

2045 Lakeshore Dr, Research & Technology Park, Cerm Bld Rm 419, New Orleans, LA 70148
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Current Year Management Letter Comments

06-01 Disaster Recovery Program

The School has in place procedures for remote operation of its financial management system and routine backup storage of electronic financial records at an off-site location. These processes provide for timely restoration of electronic data and continuity of critical business operations in the event of a disaster. Safeguard provisions for recovery of all records including 100% of supporting documents are cost prohibitive. Storage of paper records deemed critical to financial operations has been relocated on the third story of a five story structure that experienced no flooding in the aftermath of Hurricane Katrina.

06-02 Financial Reporting

The school concurs with the Auditors recommendation. As noted in Comment No. 06-01 above, the untimely financial reporting was the result of the destructive effects of Hurricane Katrina audits aftermath. The School has reviewed its financial reporting procedures and as discussed in NOTE 06-02 above has implemented safeguard provisions for critical records. These measures will ensure the timely completion and filling of reports in the future.



Andre M Perry, PhD
Chief Executive Officer Charter Schools

Cc: Timothy P. Ryan, Chairman
Fitzpatrick S. Nedd, Chief Financial Officer

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

| <u>Prior Year Management Letter Comment</u> | <u>Description</u> | <u>Resolved</u> |
|-------------------------------------------------|---------------------------|-----------------|
| 05-01 | Duplicate Payment | Yes |
| 05-02 | Disaster Recovery Program | No |
| 05-03 | IRS Form 990 Tax Filing | Yes |
| 05-04 | Expired Funding | Yes |
| 05-05 | Financial Reporting | No |