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**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**TOGETHER WITH**  
**INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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 11/7/07

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Michael B. Bruno, CPA  
Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA

## 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 School)** (a not-for-profit corporation) as of June 30, 2005, 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 **School**. 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 **School** as of June 30, 2005, 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**  
Page 2

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2007 on our consideration of **the School'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.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

September 18, 2007

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2005**

---

**ASSETS**

Cash	\$ 246,887
Grants receivable	<u>462,372</u>
Total current assets	<u>709,259</u>
Equipment, net (NOTE 2)	<u>42,916</u>
Total assets	<u>\$ 752,175</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable	\$ <u>735,481</u>
Total current liabilities	<u>735,481</u>
Net assets:	
Unrestricted (NOTE 1)	<u>16,694</u>
Total net assets	<u>16,694</u>
Total liabilities and net assets	<u>\$ 752,175</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, 2005**

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**REVENUES**

**Local Sources:**

Per pupil aid - MFP (NOTE 1)	\$ 680,688
Food service	80,673
In-kind contributions (NOTE 6)	245,874
Other contributions	<u>1,028</u>

Total revenues from local sources 1,008,263

**State Sources:**

Per pupil aid - MFP (NOTE 1)	872,784
Grants	<u>47,458</u>

Total revenues from state sources 920,242

**Federal sources**

403,230

Total revenues 2,331,735

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

(CONTINUED)

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**STATEMENT OF ACTIVITIES, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**EXPENSES**

Instruction:	
Regular	\$ 826,811
Special	61,949
Other	61,140
Support Services:	
Pupil	187,872
Instructional staff	145,804
General administration	75,436
School administration	245,539
Business services	59,795
Operation and maintenance of plant	206,335
Operation and maintenance of plant-in-kind contributions (NOTE 6)	245,874
Student transportation	67,746
Food services	125,775
Central services	<u>4,965</u>
Total expenses	<u>2,315,041</u>
Change in net assets	16,694
Unrestricted net assets, beginning of year	<u>-0-</u>
Unrestricted net assets, end of year	<u>\$ 16,694</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, 2005**

---

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$16,694
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	7,573
Increase in grants receivable	(462,372)
Increase in accounts payable	<u>735,481</u>
Net cash provided by operating activities	<u>297,376</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of furniture, fixtures and equipment	<u>(50,489)</u>
Net cash used in investing activities	<u>(50,489)</u>
 Increase in cash	246,887
Cash, beginning of year	<u>-0-</u>
Cash, end of year	<u>\$ 246,887</u>
 <b>Supplemental Disclosure for Cash Flows Purposes:</b>	
Interest paid	<u>\$ -0-</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** 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 (**the School**). **The School** entered into a service agreement with the Charter Operator, the University of New Orleans, to act as the charter operator of **the School**. The Charter Operator manages all aspects of **the School** unless provided in the service agreement.

**The School** 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.

In addition to seventh and eighth grade students who were already enrolled at Pierre A. Capdau Middle School, students were recruited from the surrounding Capdau zone with the remaining slots filled via a lottery process.

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

During the 2005 school year, **the School** served kindergarten through third grades, and seventh and eighth grades with an enrollment of 261 students.

Basis of Accounting

**The School'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**

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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 School with a cost of \$1,000 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 School. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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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. **The School** had no cash equivalents at June 30, 2005.

Income Taxes

**The School** 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 School** 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 School**.

**Temporarily Restricted Net Assets** - Contributions specifically authorized by the grantor or 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**

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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 School**. Generally, the donors of these assets permit **the School** to use all or part of the income derived from the investment of these contributions.

At June 30, 2005, **the School** 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 School** 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**

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

Minimum Foundation Program (MFP)

The School, as a Type 5 charter school, received funding from BESE in an amount for pupils based on estimated daily attendance at the School. 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 state and local 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, 2005:

Equipment	\$50,489
Less accumulated depreciation	<u>(7,573)</u>
Equipment, net	<u>\$42,916</u>

Depreciation charged to operations at June 30, 2005, was \$7,573.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 3 - Risk Management:**

**The School** is exposed to various risks of loss related to torts, theft of, damage to and destruction of property or which **the School** 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 School** maintains cash balances at local banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$100,000. At June 30, 2005, **the School** had \$560,873 of funds in excess of FDIC coverage.

**NOTE 5 - Contingency:**

**The School** is a recipient of grants from the State of Louisiana. The grants are governed by various State guidelines, regulations, and contractual agreements.

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

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 6 - In-Kind Contributions:**

Maintenance and repairs costs in the amount of \$245,874, to prepare **the School** facility for the initial opening, were donated to **the School** during the June 30, 2005 fiscal year. These donations met the criteria for recognition under SFAS No. 116 and were recorded in the financial statements at their fair values and they are included in contributions and expenses in the statement of activities.

**NOTE 7 - Contractual Services:**

Neither **the School's** principal, assistant principal, teachers nor other personnel are employees of **the School**. All are employees of the Charter Operator. Consequently, all of **the School's** personnel are state employees. **The School** reimburses the Charter Operator for all payroll related costs.

**NOTE 8 - Subsequent Events:**

**The School** was adversely affected by Hurricane Katrina, which occurred on August 29, 2005. In addition, to the disruption in operations, certain student and financial records were damaged or destroyed by the impact of Hurricane Katrina. **The School** resumed operations on January 23, 2006.

## **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 School)**, (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 18, 2007. 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 School'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 School'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 05-01.

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 School'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 05-01.

We noted certain additional matters that we reported to management of **the School** in a separate letter dated September 18, 2007.

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 **New Beginnings Schools Foundation's** Board of Directors, the Louisiana Legislative Auditor 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**

September 18, 2007

NEW BEGINNINGS SCHOOLS FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005

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**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: n/a.  
Material weaknesses: n/a.
- E. The type of report issued on compliance for major programs: n/a.
- F. Any audit findings which are required to be reportable under Section 510(a) of OMB Circular A-133: n/a.
- G. Major programs: n/a.
- H. Dollar threshold used to distinguish between Type A and Type B programs: n/a.
- I. Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: n/a.
- J. A management letter issued: yes.

NEW BEGINNINGS SCHOOLS FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2005

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

**05-01 Submission of Audit Report**

Criteria

LSA-RS 24:514 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 School**, the **School** requested and received approval to file its 2005 fiscal year audit report to the Legislative Auditor by September 28, 2007.

The June 30, 2005 audited financial statements were not submitted within the approved extension due date of September 28, 2007. **The School** did however remit the report by October 15, 2007.

Effect

**The School** 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 School**.

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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

**05-01 Submission of Audit Report, Continued**

Recommendation

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

Management's Response

**The School** acknowledges per LSA-RS 24:514 that audit reports which are 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 September 28, 2007. Due to the damaging effects of Hurricane Katrina which occurred on August 29, 2005 we are working to complete our reports on schedule and will have the June 30, 2006 report finished by the approved extension date of December 15, 2007 along with the June 30, 2007 audit report by the approved extension of March 28, 2008.

**Section III - Findings and Questioned Costs Related to Federal Awards**

N/A



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## INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors of  
**New Beginnings Schools Foundation**

We have audited the financial statements of **New Beginnings Schools Foundation**, which operates **Pierre A. Capdau Charter School (the School)** for the year ended June 30, 2005, and have issued our report thereon dated September 18, 2007.

In planning and performing our audit of the financial statements of **the School** for the year ended June 30, 2005, we considered **the School'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 September 18, 2007 on the financial statements of **the School**.

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 School**, 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, **New Beginnings Schools Foundation's** Board of Directors, the Louisiana Legislative Auditor 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**

September 18, 2007

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

---

**05-01 DUPLICATE PAYMENT**

During our audit, we noted that **the School** made a duplicate payment in the amount of \$137,742.55 to the Charter Operator, University of New Orleans (UNO) for reimbursable expenses. Upon detection, the total amount of the duplicate payment was applied to a subsequent billing of UNO.

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

**Management's Response**

**The School** does follow effective internal control procedures to prevent duplicate payments as the Auditors' recommend. The noted matter was not an inadvertent duplicate payment of the same invoice as the comment implies. The University ("Charter Operator") contacted **the School** and indicated that the check had been lost. Accordingly, **the School** processed a replacement check. Subsequent to notifying **the School** of the missing the check, the University discovered the "lost" check. Instead of informing **the School** that the check was found and returning it to **the School** for defacing, the University deposited the check and applied the payment to another pending invoice. Since payments were made regularly to the University for continuous operating expenses of **the School**, application of the payment to outstanding reimbursable expenditures had no effect on the financial statements of either **the School** or the University. At no time did an overpayment condition exist.

**05-02 DISASTER RECOVERY PROGRAM**

The aftermath of Hurricane Katrina, which occurred August 29, 2005, resulted in significant damage to **the School's** properties and operations. We noted during our audit that the June 30, 2005 fiscal year general ledger was not completed until approximately March, 2007. A contributing factor for the lateness of the general ledger was the effects Hurricane Katrina had on the operations of UNO. Also during our audit, we were delayed in receiving requested invoices due to mold contamination issues, also resulting from Hurricane Katrina.

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

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**05-02 DISASTER RECOVERY PROGRAM, CONTINUED**

The School does not have well-defined, written and tested disaster recovery procedures. 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.

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 School's Disaster Recovery Program.

**Management's Response**

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.

**05-03 IRS FORM 990 TAX FILING**

During the course of our audit, management was unable to provide evidence of filing of the information IRS Form 990 Tax Return for the June 30, 2005 and 2006 fiscal years.

We recommend that management take immediate steps in filing the aforementioned tax returns.

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

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**05-03 IRS FORM 990 TAX FILING, CONTINUED**

Management's Response

The School concurs with the Auditors' recommendation. Preparation of the information IRS Form 990 Tax Returns is underway. Filing is expected to occur within 90 days.

**05-04 EXPIRED FUNDING**

During our audit, we noted that \$59,405 of expenditures associated with certain grants were not reimbursable as a result of the Request for Reimbursement not submitted timely.

We recommend that the School implement procedures to ensure that Requests for Reimbursement are submitted timely to prevent the expiration of the funding.

Management's Response

The School concurs with the Auditors' recommendation. As discussed in NOTE 8 of the report, the School was severely impacted by the devastating effects of Hurricane Katrina. The subsequent disruption in operations, turnover in personnel and damage to records affected the School's ability to submit requests timely. The School's Chief Financial Officer has been charged with responsibility for ensuring timely submittal of reimbursement requests.

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

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**05-05 FINANCIAL REPORTING**

The 2005 fiscal year end internal financial statements of **the School** were not completed until approximately March, 2007.

While the effects of the hurricane played a role in the untimeliness of the 2005 fiscal year end financial statements, we recommend that the management of **the School** review its financial reporting procedures to ensure that financial statements and other related reports are completed on a timely basis.

Management's Response

**The School** concurs with the Auditors' recommendation. As noted in Comment No. 05-04 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 05-02 above has implemented safeguard provisions for critical records. These measures will ensure the timely completion and filing of reports in the future.

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

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October 12, 2007

Mr. Michael Bruno  
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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 2004-2005, the management of the New Beginnings Schools Foundation (the "School") appreciates the opportunity to respond to this finding.

**05-01 Submission of Audit Report**

The School acknowledges per LSA-RS 24:514 that audit reports which are 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 September 28, 2007. Due to the damaging effects of Hurricane Katrina which occurred on August 29, 2005 we are working to complete our reports on schedule and will have the June 30, 2006 report finished by the approved extension date of December 15, 2007 along with the June 30, 2007 report by the approved extension of March 28, 2008.

Sincerely,



Darlene Morgan Brown, PhD  
Director of Charter Schools

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

# NEW BEGINNINGS

## SCHOOLS FOUNDATION

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

October 12, 2007

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 management letter comments presented relative to the audit report for Fiscal Year 2004-2005, the management of the New Beginnings Schools Foundation (the "School") appreciates the opportunity to respond to these comments.

### 05-01 DUPLICATE PAYMENT

The School does follow effective internal control procedures to prevent duplicate payments as the Auditors' recommend. The noted matter was not an inadvertent duplicate payment of the same invoice as the comment implies. The University ("Charter Operator") contacted the School and indicated that the check had been lost. Accordingly, the School processed a replacement check. Subsequent to notifying the School of the missing check, the University discovered the "lost" check. Instead of informing the School that the check was found and returning it to the School for defacing, the University deposited the check and applied the payment to another pending invoice. Since payments were made regularly to the University for continuous operating expenses of the School, application of the payment to outstanding reimbursable had no effect on the financial statements of either the School or the University. At no time did an overpayment condition exist.

### 05-02 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.

**05-03 IRS FORM 990 TAX FILING**

The School concurs with the Auditors' recommendation. Preparation of the information IRS Form 990 Tax Returns is underway. Filing is expected to occur within 90 days.

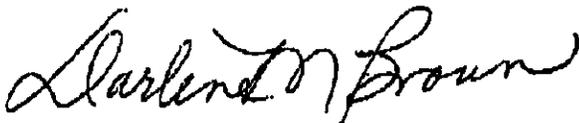
**05-04 EXPIRED FUNDING**

The School concurs with the Auditors' recommendation. As discussed in Note 10 of the report, the School was severely impacted by the devastating effects of Hurricane Katrina. The subsequent disruption in operations, turnover in personnel and damage to records affected the School's ability to submit requests timely. The School's Chief Financial Officer has been charged with responsibility for ensuring timely submittal of reimbursement requests

**05-05 FINANCIAL REPORTING**

The School concurs with the Auditors' recommendation. As noted in Comment No. 05-04 above, the untimely financial reporting was the result of the destructive effects of Hurricane Katrina and its aftermath. The School has reviewed its financial reporting procedures and as discussed in Note 05-02 above has implemented safeguard provisions for critical records. These measures will ensure the timely completion and filing of reports in the future.

Sincerely,



Darlene Morgan Brown, PhD  
Director of Charter Schools

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

**NEW BEGINNINGS SCHOOLS FOUNDATION**  
**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING AGREED-UPON PROCEDURES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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Member  
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Certified Public Accountants  
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Paul K. Andoh, Sr., CPA

INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of  
**New Beginnings Schools Foundation**

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were engaged to by the management of the **New Beginnings Schools Foundation**, operator of the **Pierre A. Capdau Charter School (the School)** and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the accompanying performance and statistical data 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. 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**

Our procedures and findings relate to the accompanying schedules 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 and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total number of full-time classroom teachers per this schedule and to the School's supporting payroll records as of October 1, 2004.

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, the principal, and the assistant principal by classification as of October 1, 2004 and as reported on the schedule. We traced the principal, assistant principal, and teachers to their respective personnel files and determined if their education level was properly classified on the schedule.

No differences noted.

***Number and Type of Public Schools (SCHEDULE 3)***

5. Because the School only operated grades kindergarten through third, and seventh and eighth, we did not obtain a list of schools by type as reported on the schedule. Also, we did not compare the list to the schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA 84.010) application.

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, the principal, and the assistant principal by classification as of October 1, 2004 and as reported on the schedule. We traced to the individual's personnel file and determined whether 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. We traced the individual's salary, extra compensation and full-time equivalents to determine if they were properly included in the schedule.

No differences noted.

8. For the teachers, 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 and class size for the School as reported on the schedule. We were unable to trace a sample of classes to the October 1, 2004 roll books to determine whether the classes were properly classified on the schedule because the roll books were destroyed during Hurricane Katrina.

*Louisiana Educational Assessment Program (LEAP) for  
the 21<sup>st</sup> Century (SCHEDULE 7)*

10. No differences were noted.

*The Graduation Exit Exam for the 21<sup>st</sup> Century (SCHEDULE 8)*

11. Because this schedule does not apply to an elementary or middle school, we did not obtain 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 School.

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

PROCEDURES AND FINDINGS, CONTINUED

*The Iowa 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 School.

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 School, the New Beginnings Schools Foundation's Board of Directors, the Louisiana State Board of Elementary and Secondary Education and the Louisiana Legislature, 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

September 18, 2007

**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, 2005**

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**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; 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 AFSR.

**SCHEDULE 4 - Experience of Public Teachers 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 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, 2005

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**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 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)**

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. The 2004-2005 school year was the School's first year in operation.

**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. The School conducted only grades K-3, 7<sup>th</sup> and 8<sup>th</sup> grades during 2004-2005.

**SCHEDULE 9 - The IOWA Tests**

This schedule represents student performance 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 includes three years of data.

**New Beginnings Schools Foundation  
 General Fund Instructional and Support Expenditures  
 and Certain Local Revenue Sources  
 For the Year Ended June 30, 2005**

Schedule 1

**General Fund Instructional and Equipment Expenditures**

**General Fund Instructional Expenditures:**

**Teacher and Student Interaction Activities:**

Classroom Teacher Salaries	\$	611,617	
Other Instructional Staff Activities		57,562	
Employee Benefits		149,198	
Purchased Professional and Technical Services		25,626	
Instructional Materials and Supplies		88,018	
Instructional Equipment		-	
<b>Total Teacher and Student Interaction Activities</b>	\$		<b>932,021</b>

Other Instructional Activities 17,879

Pupil Support Activities	187,872	
Less: Equipment for Pupil Support Activities	-	
<b>Net Pupil Support Activities</b>		<b>187,872</b>

Instructional Staff Services	145,804	
Less: Equipment for Instructional Staff Services	-	
<b>Net Instructional Staff Services</b>		<b>145,804</b>

**Total General Fund Instructional Expenditures** \$ **1,283,576**

**Total General Fund Equipment Expenditures** \$ **-**

**Certain Local Revenue Sources**

**Local Taxation Revenue:**

Constitutional Ad Valorem Taxes	\$	-
Renewable 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		-
<b>Total Local Taxation Revenue</b>	\$	<b>-</b>

**Local Earnings on Investment in Real Property:**

Earnings from 16th Section Property		-
Earnings from Other Real Property		-
<b>Total Local Earnings on Investment in Real Property</b>	\$	<b>-</b>

**State Revenue in Lieu of Taxes:**

Revenue Sharing - Constitutional Tax	\$	-
Revenue Sharing - Other Taxes		-
Revenue Sharing - Excess Portion		-
Other Revenue in Lieu of Taxes		-
<b>Total State Revenue in Lieu of Taxes</b>	\$	<b>-</b>

Nonpublic Textbook Revenue \$ -

Nonpublic Transportation Revenue \$ -

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

New Beginnings Schools Foundation  
 Education Levels of Public School Staff  
 As of October 1, 2004

Schedule 2

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	10	67%						
Master's Degree	5	33%						
Master's Degree +30					2	100%		
Specialist in Education								
Ph.D. or Ed.D.								
Total	15	100%			2	100%		

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

**New Beginnings Schools Foundation  
Number and Type of Public Schools  
For the Year Ended June 30, 2005**

**Schedule 3**

Type	Number
Elementary	
Middle/Jr. High	
Secondary	
Combination	1
Total	1

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

**New Beginnings Schools Foundation**  
**Experience of Public Principals and Full-time Classroom Teachers**  
**As of October 1, 2004**

**Schedule 4**

	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
Principals			1					1
Classroom Teachers	2	3	4	3	1	2		15
<b>Total</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>2</b>		<b>17</b>

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

New Beginnings Schools Foundation  
 Public School Staff Data  
 For the Year Ended June 30, 2005

Schedule 5

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	35,096.86	
Average Classroom Teachers' Salary Excluding Extra Compensation	33,284.13	
Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries	15	

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.

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

New Beginnings Schools Foundation  
 Class Size Characteristics  
 As of October 1, 2004

Schedule 6

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	83%	5	17%	1				
Elementary Activity Classes								
Middle/Jr. High			100%	6				
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.

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

New Beginnings Schools Foundation  
Louisiana Educational Assessment Program (LEAP) for the 21st Century  
For the Year Ended June 30, 2005

Schedule 7

District Achievement Level Results	English Language Arts						Mathematics					
	2005		2004		2003		2005		2004		2003	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	0	0%					0	0%				
Proficient	0	0%					0	0%				
Basic	15	17%					16	19%				
Approaching Basic	35	41%					20	23%				
Unsatisfactory	36	42%					50	58%				
Total	86	100%					86	100%				

District Achievement Level Results	Science						Social Studies					
	2005		2004		2003		2005		2004		2003	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	0	0%					0	0%				
Proficient	1	1%					0	0%				
Basic	10	12%					11	13%				
Approaching Basic	23	27%					36	42%				
Unsatisfactory	52	60%					39	45%				
Total	86	100%					86	100%				

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

New Beginnings Schools Foundation  
 The Graduate Exit Exam for the 21st Century  
 For the Year Ended June 30, 2005

Schedule 8

District Achievement Level Results	English Language Arts						Mathematics					
	2005		2004		2003		2005		2004		2003	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 10												
Advanced												
Proficient												
Basic												
Approaching Basic												
Unsatisfactory												
Total												

District Achievement Level Results	Science						Social Studies					
	2005		2004		2003		2005		2004		2003	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 11												
Advanced												
Proficient												
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  
 The IOWA Tests  
 For the Year Ended June 30, 2005

Schedule 9

	Composite		
	2005	2004	2003
Test of Basic Skills (ITBS)	49		
Grade 3			
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.

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