

THE NEW ORLEANS CHARTER
SCIENCE & MATHEMATICS
HIGH SCHOOL
TEL (504) 324-7061 FAX (504) 309-4178
5625 Loyola Avenue
New Orleans, Louisiana 70115

November 16, 2006


Mr. Stan Smith
Chief Financial Officer
New Orleans Public School
3520 General De Gaulle Drive
New Orleans, LA 70114

Dear Mr. Smith:

Enclosed, please find the Advocates for Science and Mathematics Education, Inc. d/b/a New Orleans Charter Science and Mathematics High School's Financial Statements and Auditor's Report as June 30, 2006.

Should you have any questions, please contact me at (504) 324-7061.

Signed



Ernest L. Lumpkins, Sr.
Director of Finance & Operations

Cc: Holly Sharp, Advocates Board Treasurer
Barbara MacPhee, School Director/Principal
Joseph Peychaud, Charter School Liaison

ADVOCATES FOR SCIENCE
AND MATHEMATICS EDUCATION, INC.

FINANCIAL STATEMENTS AND
AUDITOR'S REPORT

JUNE 30, 2006

Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

INDEPENDENT AUDITOR'S REPORT

Board of Directors, Inc.
Advocates for Science and Mathematics Education, Inc.

I have audited the accompanying statement of financial position of Advocates for Science and Mathematics Education, Inc. (a nonprofit corporation) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from the Corporation's 2005 financial statements and, in my report dated August 17, 2005, I expressed an unqualified opinion on those financial statements.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates for Science and Mathematics Education, Inc. 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.

In accordance with Government Auditing Standards, I have also issued my report dated August 4, 2006 on my consideration of Advocates for Science and Mathematics Education, Inc.'s internal control over financial reporting and my 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 my 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 my audit.

Justin J. Scanlan, CPA

New Orleans, Louisiana
August 4, 2006

ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2006

ASSETS

		TOTAL MEMORANDUM ONLY <u>JUNE 30, 2005</u>
Cash	\$ 543,876	\$ 135,260
Certificates of deposit	49,693	48,579
Receivables (Note A4)		
Grants	-	6,750
Fees, less allowance for bad debts of \$24,029	-	42,509
Pledges	-	4,500
Other	<u>908</u>	<u>261</u>
	<u>908</u>	<u>54,020</u>
Property and equipment – at cost (Notes A5 and B)	<u>4,421</u>	<u>6,081</u>
Total assets	<u>\$ 598,898</u>	<u>\$ 243,940</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	<u>\$ 24,938</u>	<u>\$ 18,559</u>
Total liabilities	24,938	18,559
Net assets		
Unrestricted	494,710	152,384
Temporarily restricted (Note C)	<u>79,250</u>	<u>72,997</u>
Total net assets	<u>573,960</u>	<u>225,381</u>
Total liabilities and net assets	<u>\$ 598,898</u>	<u>\$ 243,940</u>

The accompanying notes are an integral part of this financial statement.

ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>TOTAL MEMORANDUM ONLY For the year ended June 30, 2005</u>
REVENUE				
Grants	\$ -	\$ -	\$ -	\$ 6,750
Governmental	-	25,000	25,000	15,000
Other	-	28,000	699,850	272,253
Contributions	671,850	518,249	526,153	78,855
Fees	7,904	-	2,540	984
Interest	2,540	-	4,767	-
Other	4,767	-	144,000	8,000
In-Kind Contributions (Note A-10)	144,000	-	-	-
Net assets released from restrictions	564,996	< 564,996 >	1,402,310	381,842
Total revenues	<u>1,396,057</u>	<u>6,253</u>	<u>1,402,310</u>	<u>381,842</u>
EXPENSES				
Program services	143,347	-	143,347	254,664
Science and Math Center	663,825	-	663,825	-
Science and Math School	-	-	-	-
Supporting Services	192,710	-	192,710	48,461
Management and general	53,849	-	53,849	39,715
Fund raising	1,053,731	-	1,053,731	342,840
Total expenses	<u>1,053,731</u>	<u>-</u>	<u>1,053,731</u>	<u>342,840</u>
Increase <decrease> in net assets	342,326	6,253	348,579	39,002
Net assets, beginning of year	<u>152,384</u>	<u>72,997</u>	<u>225,381</u>	<u>186,379</u>
Net assets, end of year	<u>\$ 474,710</u>	<u>\$ 79,250</u>	<u>\$ 573,960</u>	<u>\$ 225,381</u>

The accompanying notes are an integral part of this financial statement.

ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2006

	SCIENCE AND MATH CENTER	SCIENCE AND MATH SCHOOL	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL	TOTAL MEMORANDUM ONLY For the year ended June 20, 2005
Salaries	\$ 16,750	\$ 317,048	\$ 58,200	\$ 42,968	\$ 434,966	\$ 145,300
Fringe benefits	2,119	84,301	15,475	9,306	111,201	14,778
Travel	962	8,318	-	-	9,280	8,502
Supplies	4,001	39,947	2,898	1,449	48,295	30,305
Occupancy	701	171,174	18,245	-	190,120	8,000
Printing	1,662	611	127	126	2,526	14,528
Professional fees	7,468	8,712	39,110	-	55,290	27,470
Academic excellence	96,557	7,236	-	-	103,793	65,838
Insurance	11,210	14,254	10,913	-	36,377	8,038
Equipment expense	-	7,685	854	-	8,539	6,272
Depreciation	-	3,322	369	-	3,691	6,897
Miscellaneous	1,917	1,217	1,343	-	4,477	6,912
Bad debt expense	-	-	45,176	-	45,176	-
	<u>\$ 143,347</u>	<u>\$ 663,825</u>	<u>\$ 192,710</u>	<u>\$ 53,849</u>	<u>\$ 1,053,731</u>	<u>\$ 342,840</u>

The accompanying notes are an integral part of this financial statement.

ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2006

Increase <decrease> in cash and cash equivalents		
Cash flows from operating activities:		\$ 348,579
Increase in net assets		
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 3,691	
Loss on disposition of equipment	1,276	
Provision for bad debts	23,664	
Bad debt charge-offs	21,512	
Changes in assets and liabilities:		
Decrease in fees receivable	8,083	
Decrease in pledge receivables	500	
Increase in other receivables	< 647 >	
Increase in accounts payable and accrued liabilities	<u>6,379</u>	<u>64,458</u>
Net cash provided by operating activities		<u>413,037</u>
Cash flows from investing activities:		<1,114>
Purchase of certificates of deposit		<u>< 3,307 ></u>
Purchase of equipment		<u>< 4,421 ></u>
Net cash used in investing activities		
Net increase in cash and cash equivalents		408,616
Cash and cash equivalents, beginning of year		<u>135,260</u>
Cash and cash equivalents, end of year		<u>\$ 543,876</u>

The accompanying notes are an integral part of this financial statement.

ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

Advocates for Science and Mathematics Education, Inc. (the "Corporation") is a non-profit corporation established exclusively for charitable, educational and scientific purposes. The Corporation's purpose is to generate community support and fund raising to benefit the New Orleans Center for Science and Math (the "Center") and to assist the Center in the development of alternative programs for the teaching of science and mathematics in public schools. The Center is a member of the Orleans Parish Public School System. The Orleans Parish Public School System absorbs the expenses of salaries and benefits for assigned teachers, the Center principal and her secretary and janitorial support personnel and, in addition, provides limited support for textbooks. All other expenses of operating the Center are funded by the Corporation. Due to Hurricane Katrina, the Corporation ceased its operation of the New Orleans Center for Science and Math.

During January, 2006, the Corporation was granted a charter by the Orleans Parish School System to operate a type 3 public charter school. The charter school is known as New Orleans Math and Science Charter School.

The Corporation through the operation of its charter school is designed to accomplish the following obligations:

1. Improve pupil learning and, in general, the public school system.
2. Increase learning opportunities and access to quality education for pupils.
3. Encourage the use of different and innovative teaching methods and a variety of governance, management and administrative structures.
4. Require appropriate assessment and measurement of academic learning results.
5. Account better and more thoroughly for educational results.
6. Create new professional opportunities for teachers and other school employees, including the opportunity to be responsible for learning programs at the school site.

Since January, 2006, the Corporation expanded its purpose in order to create a safe yet rigorous environment for any interested students to master the science and mathematics skills essential for lifelong competence, and to grow as leaders and active citizens in our society.

The school has an open enrollment policy. During the 2005/2006 school year, the school served ninth through twelfth grades, with an approximate enrollment of 160 students.

ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Presentation of Financial Statements

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations". Accordingly, the net assets of the corporation are classified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets and (c) permanently restricted net assets. There were no permanently restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

3. Revenue Recognition

For financial reporting, the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions".

Grant revenue is recognized as it is earned in accordance with approved contracts.

4. Receivables

The corporation considers grants receivable to be fully collectible since the balance consists principally of payments due under government contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

Fees receivable are carried at cost, less an allowance for doubtful accounts, based on management's evaluation of outstanding fees receivable.

5. Property and equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method. Depreciation expense for the year ended June 30, 2006 totaled \$3,691.

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$2,500.

ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Cash equivalents

For the purpose of the statement of cash flows, the corporation considers all investments with original maturities of three months or less to be cash equivalents.

7. Functional allocation of expenses

The expenses of providing the program and other activities have been summarized on a functional basis in the statement of functional expenses. Certain of those expenses have been allocated among the program and supporting services benefited based on estimates by management of the costs involved.

8. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

9. Fair Values of Financial Investments

Cash, cash equivalents, and temporary investments carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments.

10. In-Kind Contributions

Advocates for Science and Mathematics Education, Inc. receives rent-free use of the Henry W. Allen Elementary School building. The estimated value of contributed rents (\$144,000) is recognized as revenue and expense in the Statement of Activities.

11. Total Column – Memorandum Only

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position or changes in net assets in conformity with generally accepted accounting principles neither is such data comparable to a consolidation.

ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2006 consist of the following:

Furniture and fixtures	\$ 6,236
Computer software	<u>34,641</u>
	40,877
Less accumulated depreciation	<u>< 36,456 ></u>
	<u>\$ 4,421</u>

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2006 consist of the following:

Contributions-Capital campaign	\$ 57,500
Contributions-Center	<u>21,750</u>
	<u>\$ 79,250</u>

NOTE D – RENTAL EXPENSE

For the year ended June 30, 2006, the Corporation received rent-free use of the school building as stated in Note A10. The rental expense for the year ended June 30, 2006 totaled \$144,000.

For the period July 1, 2006 through June 30, 2007, the Corporation renewed its lease agreement with the Recovery School District. The corporation receives rent-free use of the Henry W. Allen Elementary School building.

NOTE E – REVENUE – ORLEANS PARISH SCHOOL BOARD

As a type 3 charter school, the Corporation received funding from Orleans Parish School Board for pupils based on estimated monthly attendance at the school.

NOTE F – PENSION EXPENSE

Effective February 6, 2006, the Corporation elected to participate in the Teacher's Retirement System of Louisiana. The employee contributes 8% of compensation, and the employer contributes 15.9% of compensation. The pension expense for the year ended June 30, 2006 totaled \$56,828.

NOTE G – INCOME TAXES

The corporation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Service.

ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE H -- CONCENTRATION OF CREDIT RISK

The unsecured cash balances at June 30, 2006 consist of the following:

Bank balances, including certificate of deposit	\$ 633,473
less FDIC expenses	<u>300,000</u>
Unsecured balance	<u>\$ 333,473</u>

NOTE I -- BOARD OF DIRECTOR'S COMPENSATION

The board of directors is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2006.

Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
4769 ST. HOCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

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

Board of Directors
Advocates for Science and Mathematics Education, Inc.

I have audited the financial statements of Advocates for Science and Mathematics Education, Inc. (a non-profit corporation) as of and for the year ended June 30, 2006, and have issued my report thereon dated August 4, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and 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 my audit, I considered Advocates for Science and Mathematics Education, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Advocates for Science and Mathematics Education, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a 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. My 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, I believe none of the reportable condition described is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Advocates for Science and Mathematics Education, Inc.'s financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and

which are described in the accompanying schedule of findings and questioned costs as items 2005-2, 2005-3, and 2005-4.

This report is intended for the information and use of management, Board of Directors, Louisiana Legislative auditor, and funding sources of the corporation 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.

Justin J. Scanlan, CPA

New Orleans, Louisiana
August 4, 2006

ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2006

REPORTABLE CONDITIONS

2005-1 Personnel Policies

Condition: The organization does not maintain written personnel policies and procedures.

Criteria: Written personnel policies and procedures should be maintained by the Corporation to assist in governing its employees.

Effect: Without written personnel policies and procedures, the Corporation will not be able to properly resolve personnel issues.

Recommendation: Recommend the Corporation formulate written personnel policies and procedures.

Response: See Corrective Action Plan.

COMPLIANCE AND OTHER MATTERS

2005-2 Student Admission

Condition: 15 student files out of 161 were examined for proper documentation relative to school's admission requirements. All student files reviewed lacked the necessary documents to support residency within Orleans Parish.

Criteria: The charter agreement requires all students to be residents of Orleans Parish.

Effect: The Corporation is not in compliance with its Charter.

Recommendation: During the registration period, the Corporation should obtain copies of two proof of residency items to comply with the Charter Agreement.

Response: See Corrective Action Plan.

2005-3 Minutes

Condition: The minutes of the Board of Directors were not signed by the Secretary of the Corporation.

Criteria: All minutes must be signed by the Secretary of the Corporation to assure their authenticity.

Effect: The minutes are not deemed official until signed by the Secretary of the Corporation.

ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2006

REPORTABLE CONDITIONS - CONTINUED

2005-3 Minutes - Continued

Recommendation: All minutes must be signed by the Secretary of the Corporation prior to placement in the minutes book.

Response: See Corrective Action Plan.

2005-4 Tax Exempt Status

Condition: The Corporation changed its mission during the 2006 year.

Criteria: All changes to the Corporation's mission must be reflected in its Articles of Incorporation and filed with regulatory agencies.

Effect: Failure to properly change its Articles of Incorporation and notification to regulatory agencies would jeopardize its tax-exempt status.

Recommendation: Recommend the Corporation revise its Articles of Incorporation to reflect the changes in its mission and file the necessary documents with the proper regulatory agencies to assure tax-exempt status.

Response: See Corrective Action Plan.

QUESTIONED COSTS

There were no questioned costs for the year ended June 30, 2006.

STATUS OF PRIOR YEAR AUDIT FINDINGS

<u>Reportable Condition</u>	<u>Resolved</u>	<u>Unresolved</u>
Segregation of Duties	X	

THE NEW ORLEANS CHARTER
SCIENCE & MATHEMATICS
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FINANCIAL STATEMENTS AND AUDITOR'S REPORT
CORRECTIVE ACTION PLAN

2005-01 Personnel Policies

Response: The Advocates for Science and Mathematics Education, Inc has initiated work on a Staff Handbook which shall incorporate personnel policies and procedures. With Board approval, we anticipate publishing and (fully) implementing completed personnel policies and procedures by December 31, 2006.

2005-02 Student Admission

Response: The Corporation will request that parents submit two proof of Orleans Parish residency as a part of student registration.

2005-03 Minutes

Response: In the future the, the Secretary of the Corporation will signed the board minutes prior to placement in the minute's book.

2005-04 Tax Exempt Status

Response: The Corporation shall revise its Articles of Incorporation to reflect the changes in its mission and file the necessary documents with the proper regulatory agencies to assure tax-exempt. Note: prior to the auditor field work, the Corporation has initiated work on revising it Internal Revenue Service Form 1023.