

**ADVOCATES FOR SCIENCE  
AND MATHEMATICS EDUCATION, INC.**

**FINANCIAL STATEMENTS AND  
AUDITOR'S REPORT**

**JUNE 30, 2007**

**Justin J. Scanlan, C.P.A.**  
CERTIFIED PUBLIC ACCOUNTANT

**ADVOCATES FOR SCIENCE  
AND MATHEMATICS EDUCATION, INC.**

**FINANCIAL STATEMENTS AND  
AUDITOR'S REPORT**

**JUNE 30, 2007**

**ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.**

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# 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, 2007, 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 2006 financial statements and, in my report dated August 4, 2006, 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, 2007, 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 October 4, 2007 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  
October 4, 2007

**ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

June 30, 2007

	<b>ASSETS</b>	<b>TOTAL MEMORANDUM ONLY</b>
		<u><b>JUNE 30, 2006</b></u>
Cash	\$ 748,401	\$ 543,876
Certificates of deposit	51,324	49,693
Receivables (Note A4)		
Grants	-	371,654
Other	<u>182</u>	<u>908</u>
		<u>372,562</u>
Property and equipment – at cost (Notes A5 and B)	<u>1,634</u>	<u>4,421</u>
Total assets	<u><b>\$ 801,541</b></u>	<u><b>\$ 970,552</b></u>

**LIABILITIES AND NET ASSETS**

Accounts payable and accrued liabilities	\$ 54,894	\$ 24,938
Total liabilities	54,894	24,938
Net assets		
Unrestricted	641,358	866,364
Temporarily restricted (Note C)	<u>105,289</u>	<u>79,250</u>
Total net assets	<u>746,647</u>	<u>945,614</u>
Total liabilities and net assets	<u><b>\$ 801,541</b></u>	<u><b>\$ 970,552</b></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, 2007

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>TOTAL MEMORANDUM ONLY For the year ended June 30, 2006</u>
<b>REVENUE</b>				
Grants				
Governmental	\$ -	\$ 18,681	\$ 18,681	\$ 371,654
Other	-	256,680	256,680	25,000
Contributions	684,007	-	684,007	699,850
Fees	-	2,336,273	2,336,273	526,153
Interest	4,444	-	4,444	2,540
Other	28,534	-	28,534	4,767
In-Kind Contributions (Note A-10)	288,000	-	288,000	144,000
Net assets released from restrictions	<u>2,585,595</u>	<u>&lt;2,585,595&gt;</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,590,580</u>	<u>26,039</u>	<u>3,616,619</u>	<u>1,773,964</u>
<b>EXPENSES</b>				
Program services				
Science and Math Center	-	-	-	143,347
Science and Math School	3,460,617	-	3,460,617	663,825
Supporting Services				
Management and general	283,003	-	283,003	192,710
Fund raising	<u>71,966</u>	<u>-</u>	<u>71,966</u>	<u>53,849</u>
Total expenses	<u>3,815,586</u>	<u>-</u>	<u>3,815,586</u>	<u>1,053,731</u>
Increase <decrease> in net assets	<u>&lt; 225,006&gt;</u>	<u>26,039</u>	<u>&lt; 198,967&gt;</u>	<u>720,233</u>
Net assets -restated, beginning of year (Note H)	<u>866,364</u>	<u>79,250</u>	<u>945,614</u>	<u>225,381</u>
Net assets, end of year	<u>\$ 641,358</u>	<u>\$ 105,289</u>	<u>\$ 746,647</u>	<u>\$ 945,614</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, 2007

	<u>SCIENCE AND MATH SCHOOL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND RAISING</u>	<u>TOTAL</u>	<u>TOTAL MEMORANDUM ONLY For the year ended June 20, 2006</u>
Salaries	\$ 1,538,877	\$ 112,530	\$ 8,250	\$ 1,659,657	\$ 434,966
Fringe benefits	337,019	24,644	1,807	363,470	111,201
Travel	17,066	-	-	17,066	9,280
Transportation -- students	89,162	-	-	89,162	-
Supplies	224,296	11,113	1,852	237,261	48,295
Occupancy	693,083	58,071	-	751,154	190,120
Printing	1,032	57	57	1,146	2,526
Professional fees	175,517	39,110	60,000	274,627	55,290
Academic excellence	135,452	-	-	135,452	103,793
Insurance	33,317	14,278	-	47,595	36,377
Equipment expense	201,511	22,700	-	224,211	8,539
Depreciation	2,787	-	-	2,787	3,691
Miscellaneous	11,498	500	-	11,998	4,477
Bad debt expense	-	-	-	-	<u>45,176</u>
	<u>\$ 3,460,617</u>	<u>\$ 283,003</u>	<u>\$ 71,966</u>	<u>\$ 3,815,586</u>	<u>\$ 1,053,731</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, 2007

Increase <decrease> in cash and cash equivalents		
Cash flows from operating activities:		
Decrease in net assets		\$ < 198,967 >
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 2,787	
Changes in assets and liabilities:		
Decrease in grants receivable	371,654	
Decrease in other receivables	726	
Increase in accounts payable and accrued liabilities	<u>29,956</u>	<u>405,123</u>
Net cash provided by operating activities		<u>206,156</u>
Cash flows from investing activities:		
Purchase of certificates of deposit		<u>&lt; 1,631 &gt;</u>
Net cash used in investing activities		<u>&lt; 1,631 &gt;</u>
Net increase in cash and cash equivalents		204,525
Cash and cash equivalents, beginning of year		<u>543,876</u>
Cash and cash equivalents, end of year		<u>\$ 748,401</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, 2007**

**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 Charter Science and Mathematics High School.

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 The New Orleans Charter Science and Mathematics High 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 2006/2007 school year, the school served ninth through twelfth grades, with an approximate enrollment of 271 students.

ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2007

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, 2007 totaled \$2,787.

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, 2007

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 (\$288,000) 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, 2007

**NOTE B – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2007 consist of the following:

Furniture and fixtures	\$ 6,236
Computer software	<u>34,641</u>
	40,877
Less accumulated depreciation	<u>&lt; 39,243 &gt;</u>
	<u>\$ 1,634</u>

**NOTE C – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2007 consist of the following:

Contributions-Capital campaign	\$ 57,500
Laura Bush Foundation	<u>47,789</u>
	<u>\$ 105,289</u>

**NOTE D – RENTAL EXPENSE**

For the year ended June 30, 2007, the Corporation received rent-free use of the school building as stated in Note A10. The rental expense for the year ended June 30, 2007 totaled \$288,000.

**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, 2007 totaled \$220,220.

**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, 2007**

**NOTE H – NET ASSETS RESTATED**

Subsequent to June 30, 2006, the corporation received an Emerging Impact Aid for Displaced Student Grant. The grant reimbursed costs incurred prior to June 30, 2006 totaling \$371,654. The net assets, at beginning of year, was restated for the subsequent receipt of funds.

**NOTE I – CONCENTRATION OF CREDIT RISK**

The unsecured cash balances at June 30, 2007 consist of the following:

Bank balances, including certificate of deposit	\$ 848,403
less FDIC expenses	<u>&lt; 300,000 &gt;</u>
Unsecured balance	<u>\$ 548,403</u>

**NOTE J – ADVERTISING EXPENSE**

Advertising costs are expensed as incurred. The advertising expense for the year ended June 30, 2007 totaled \$10,330.

**NOTE K – 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, 2007.

# Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT  
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## 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, 2007, and have issued my report thereon dated October 4, 2007. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Advocates for Science and Mathematics Education, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Advocates for Science and Mathematics Education, Inc.'s internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in the internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. The significant deficiency is identified as item 2007-01.

A material weakness is significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the

internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above 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 2007-2, 2007-3, and 2007-4.

Advocates for Science and Mathematics Education, Inc.'s response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Science and Mathematics Education, Inc.'s response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Board of Directors, others within the organization, 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. Scanlon, CPA*

New Orleans, Louisiana  
October 4, 2007

**ADVOCATES FOR SCIENCE AND MATHEMATICS EDUCATION, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended June 30, 2007**

**SIGNIFICANT DEFICIENCIES**

**2007-1 Cash**

**Condition:** Three dormant cash accounts totaling \$105,664 were noted during the audit of the financial statements.

**Criteria:** All cash accounts maintained by the Corporation should be active and serve a corporate purpose.

**Effect:** Dormant cash accounts represent idle funds that could be generating passive income for the Corporation.

**Recommendation:** All dormant cash accounts should be closed and invested in government securities.

**Response:** See Corrective Action Plan.

**COMPLIANCE AND OTHER MATTERS**

**2007-2 Student Admission**

**Condition:** 17 student files out of 271 were examined for proper documentation relative to school's admission requirements. 10 student files out of 17 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.

**2007-3 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, 2007

COMPLIANCE AND OTHER MATTERS - CONTINUED

2007-3 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.

2007-4 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, 2007.

STATUS OF PRIOR YEAR AUDIT FINDINGS

<u>Reportable Condition</u>	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Year Finding No.</u>
2006-1 Personnel Policies	X		
<u>Compliance and Other Matters</u>			
2006-2 Student Admission		X	2007-2
2006-3 Minutes		X	2007-3
2006-4 Tax-exempt status		X	2007-4

**THE NEW ORLEANS CHARTER  
SCIENCE & MATHEMATICS  
HIGH SCHOOL  
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TEL (504) 324-7061 FAX (504) 309-4178**

**FINANCIAL STATEMENTS AND AUDITOR'S REPORT  
CORRECTIVE ACTION PLAN**

**2007-01 Cash**

**Response:** The Advocates for Science and Mathematics Education, Inc shall transfer funds from dormant cash accounts to active interest bearing accounts.

**2007-02 Student Admission**

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

**2007-03 Minutes**

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

**2007-04 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 status". Note: prior to the auditor field work, the Corporation has initiated work on revising it Internal Revenue Service Form 1023.

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