# A

May 24, 2013

Mr. Leonidas G. Condos

Attorney at Law

1820 E. Ray Road

Chandler, Arizona 85225

Dear Attorney Condos,

This is a copy of the info that D. Rowe wrote out these guidelines(these were the things I needed to do) when I met with her to discuss the school closing for one year.

Have a blessed Memorial Day weekend

B. Tinsley

Barbara

P.D.
I thought we were going to
counter sue for xxxxxx amount.

Request for a Good Cause
Suspension

Barbara Tinsley
New Destiny

payment for Aug. back
to ADE - attn:
Lyle Friesen

2012 open - 3yrs

Need a suspension for 1 year

on x date notices sent
to parents w/ withdrawl
form -

K - 6 3
35 total 4
students 5
6

Space issue - losing site b/c ~~appro~~ property owner
is being foreclosed - end of May

looking for site in same community to serve same kids

Knows how much space w # of kids to support $x? in lease

Conditions for opening.
- Serve similar demographic

By X dates
- location of facility
- interest forms for ? kids

# B

RECEIVED

AUG 08 2012

August 7, 2012

Mrs. DeAnna Rowe, Executive Director
Arizona State Board for Charter Schools
1616 W Adams Street Suite 170
Phoenix, Arizona 85009

Dear Mrs. Rowe,

New Destiny Leadership Charter School Inc.:

**Request For Good Cause Suspension**

For many reasons this is a very difficult letter to write. It is with great disappointment that I inform you that New Destiny Leadership Charter School will not open its doors for the 2012-2013 school year. We paid our monthly lease payments to the owner, but the owner experienced some financial problems and the bank foreclosed on the property. We attempted to identify another location in the South Phoenix area, but unfortunately ran short of time.

New Destiny parents were notified and withdrawal forms for each student were sent July 17, 2012.

New Destiny was a Performing School 2009-2010, 2010-2011 school years. No label was given this year.

Our plan is to secure a facility early 2013 but no later than May of 2013 and spend the year advertising and marketing the school. We would like to serve in a community similar to the one that we were in. New Destiny students made progress in academics as well as character development and behavior.

New Destiny Leadership Charter School has all that it needs to be an academically progressive school that offers a nurturing environment, and also a academically rigorous environment where our students can thrive.

Respectfully submitted,

Barbara J. Tinsley

Dr. Barbara J. Tinsley
Charter Holder

C

## Martha Morgan

**From:** Martha Morgan
**Sent:** Friday, August 10, 2012 3:31 PM
**To:** newdestinybjt@hotmail.com
**Subject:** New Destiny Leadership Charter School suspension request

**Importance:** High

Dear Dr. Tinsley,

DeAnna asked me to work with you regarding your request for a one-year suspension of New Destiny Leadership Charter School's operations. She provided me with notes from when you met with her in early August. Her notes included an identification of information you must provide to our office before the suspension can be considered by the Board. I am providing a link to the Board's policy on Temporary Suspension of Charter School Operations that may be helpful. http://www.asbcs.az.gov/pdf/Board%20Policies/TemporarySuspension-InternalPolicy.pdf

In reviewing the request letter you submitted and was received by our office on August 8, 2012, some of the required information has been included. However, there are still several outstanding requirements that need to be submitted and/or completed:

- Provide a plan to resume operation of the charter school. The plan should include the target date a facility will be secured (which was mentioned in your request) as well as the target number of student interest forms that will have been collected by that date to support the cost of the facility.
- Demonstrate compliance with the Arizona Corporation Commission (ACC). At this time, the charter holder is not in good standing with the ACC for failing to submit the 2012 Annual Report which was due on May 3, 2012.
- Provide a description of the state and federal revenues received to date and the impact of suspension on these revenues. Provide documentation of repayment of State equalization aid already received for FY2013. Demonstrate compliance with Grants Management by submitting required completion reports for each project with a report due.

The Board will consider New Destiny Leadership Charter School's suspension request at its September meeting, provided the required information has been submitted in time for processing.

Please feel free to call me if you have questions about the information contained in this email communication.

Thank you,
Martha

Martha Morgan, Ed. S.
Director of Charter Accountability
Arizona State Board for Charter Schools
1616 W. Adams St., Ste. 170
Phoenix, AZ 85007
602.364.3083
http://asbcs.az.gov

*Working to improve public education in Arizona by sponsoring charter schools that provide quality educational choices.*

# D

## Martha Morgan

**From:** Bianca Ulibarri
**Sent:** Friday, September 07, 2012 8:35 AM
**To:** Liu, Xin
**Cc:** Martha Morgan
**Subject:** RE: New Destiny 07-85-55

Xin,

New Destiny Leadership Charter School is currently in the process of requesting a suspension of their operations for fiscal year 2013.

Once the final outcome has been made I will notify you.

*Bianca Ulibarri, Constituent Services Specialist*
*Arizona State Board for Charter Schools*

---

**From:** Liu, Xin [mailto:Xin.Liu@azed.gov]
**Sent:** Thursday, September 06, 2012 10:57 AM
**To:** Bianca Ulibarri
**Cc:** Andrea Leder; Axe, Barbara
**Subject:** FW: New Destiny 07-85-55

Bianca,

We received the CHAR equalization refund from this charter. Are they officially closed? If so, would you please forward us the official notice?

Thanks,

*Xin Liu*
Fiscal Operation Manager
Arizona Department of Education, School Finance
p: 602-364-2262
F: 602-542-3099
e: Xin.Liu@azed.gov

---

**From:** Andrea Leder [mailto:Andrea.Leder@asbcs.az.gov]
**Sent:** Thursday, August 23, 2012 9:53 AM
**To:** Axe, Barbara
**Subject:** RE: New Destiny 07-85-55

Hi Barbara,
We have received notice that the school would not be operating this year and that they intend to request a suspension of their operations for fiscal year 2013. The Board expects the school to pay back funds received for this year.

I hope this helps. If you have any other questions, please let me know.

Thanks,
Andre

Andrea Leder
Arizona State Board for Charter Schools
1616 W. Adams Street, Suite 170
Phoenix, AZ 85007
P.O. Box 18328
Phoenix, AZ 85009
Phone: (602) 364-3106
Fax: (602) 364-3089
http://asbcs.az.gov

**From:** Axe, Barbara [mailto:Barbara.Axe@azed.gov]
**Sent:** Thursday, August 23, 2012 9:09 AM
**To:** Andrea Leder
**Subject:** New Destiny 07-85-55

Hi Andrea,
Monika Fuller told one of our account analysts this morning that they had zeroed out their ADM because they are not eligible for funding per the Charter Board. They weren't on the non fundable list and they did receive a payment last month. Are they not eligible?
Thanks.
Barbara

*Barbara Axe*
*Financial Analyst*
*School Finance, ADE*
602-542-8248

"In the middle of difficulty lies opportunity." Albert Einstein

E

## Martha Morgan

| | |
|---|---|
| **From:** | Martha Morgan |
| **Sent:** | Friday, September 21, 2012 4:15 PM |
| **To:** | newdestinybjt@hotmail.com |
| **Cc:** | Lisa Weisberg |
| **Subject:** | suspension request |
| **Importance:** | High |

| **Tracking:** | Recipient | Delivery | Read |
|---|---|---|---|
| | newdestinybjt@hotmail.com | | |
| | Lisa Weisberg | Delivered: 9/21/2012 4:15 PM | Read: 9/21/2012 4:51 PM |

Hello, Dr. Tinsley,
I received your information today demonstrating compliance with the Arizona Corporation Commission and confirming repayment of state equalization payment to the Arizona Department of Education. I was also able to confirm compliance with Grants Management regarding the submission of completion reports for the grants New Destiny Leadership Charter School was awarded in FY 2012.

I still need your plan for resuming operation of the charter school. Please provide the following information:

- Target date for securing a facility – (Currently, you indicate early 2013 but no later than May, 2013).
- Target number of student forms collected by the target date for securing a facility that will support the cost of the facility.
- General plan you have for recruiting students.

You may email the information to me.

Thank you,
Martha

Martha Morgan, Ed. S.
Director of Charter Accountability
Arizona State Board for Charter Schools
1616 W. Adams St., Ste. 170
Phoenix, AZ 85007
602.364.3083
http://asbcs.az.gov

*Working to improve public education in Arizona by sponsoring charter schools that provide quality educational choices.*

F

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# Fax Cover Sheet

Date September 21, 2012

Number of pages 5 (including cover page)

## To:

Name D. M. Morgan

Company

Telephone 602-364-3089

Fax

## From:

Name D. B. Jinsley

Company

Telephone 480-963-2353

Comments

7 90363 00711 1 Fax - Local Send

7 90363 00714 2 Fax - Domestic Send

7 90363 00720 3 Fax - International Send

fedex.com 1.800.GoFedEx 1.800.463.3339

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RECEIVED

SEP 21 2012

08/22/2012

Arizona Corporation
Commission
Electronic Filing
Document Information

10:42
PM

## CONGRATULATIONS!

- Please print a copy of this E-filed document and keep for your records until an approved annual report is posted to the official Commission database.
- Thank you for E-filing!

| Document Information |
|---|
| Your Order Number is: 803140 |
| Annual Report: A12 |
| Due Date: 05/03/2012 |
| Fee: 10.00 |
| Penalty: 0.00 |
| Reinstatement: 0.00 |
| Expedite: |

| Corporate Information | | | |
|---|---|---|---|
| File Number: -1377609-5 | | | |
| Corporation Name: NEW DESTINY LEADERSHIP CHARTER SCHOOL | | | |
| Corporation Address: 2708 N KAREN DR | | | |
| Corporation Address: | | | |
| Corporation Address: | | | |
| City: CHANDLER | State: ARIZONA | Zip-Code: 85224 | County: MARICOPA |
| State of Domicile: ARIZONA | | | |
| Secondary address: Foreign Corporations Must Complete | | | |
| Address: | | | |
| Address: | | | |
| Address: | | | |
| City: | State: | Zip-Code: | County: |

| Business Phone: | Character of Business: EDUCATIONAL |
|---|---|

| Statutory Agent Information | | |
|---|---|---|
| Statutory Agent: BARBARA J TINSLEY | | |
| Agent Mailing Address: 2708 N KAREN DR | | |
| Agent Mailing Address: | | |
| Agent Mailing Address: | | |
| City: CHANDLER | State: ARIZONA | Zip-Code: 85224 |
| Agent Physical Address, If Different from Mailing Address. | | |
| Physical Address: | | |
| Physical Address: | | |
| Physical Address: | | |
| City: | State: ARIZONA | Zip-Code: |

| Corporate Officer Information | |
|---|---|
| BARBARA J TINSLEY<br>PRESIDENT<br>2708 N. KAREN DRIVE<br>CHANDLER, AZ 85224<br>Date of Taking Office: 06/01/2007 | |

| Corporate Director Information | |
|---|---|
| CHARLES H TINSLEY JR<br>2708 N. KAREN DRIVE<br>CHANDLER, AZ 85224<br>Date of Taking Office: 06/01/2007 | |

| Members |
|---|
| This Corporation Does Not Have Members. |

## CERTIFICATE OF DISCLOSURE
(A.R.S. §§ 10-202(D), 10-3202(D), 10-1622.A.8 & 10-11622.A.7)

**Has ANY person who is currently an officer, director, trustee, incorporator, or who, in a for For-Profit corporations controls or holds more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation been:**

1. Convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven year period immediately preceding the execution of this certificate?

| |
|---|
| NO |
| 2. Convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses or restraint of trade or monopoly in any state or federal jurisdiction within the seven year period immediately preceding execution of this certificate? |
| NO |
| 3. Subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven year period immediately preceding execution of this certificate where such injunction, judgment, decree or permanent order involved the violation of : |
| (a) fraud of registration provisions of the securities laws of that jurisdiction, or |
| (b) the consumer fraud laws of that jurisdiction, or |
| (c) the antitrust or restraint of trade laws of that jurisdiction? |
| NO |

| STATEMENT OF BANKRUPTCY OR RECEIVERSHIP (A.R.S. §§ 10-1623 & 10-11623) |
|---|
| A) Has the corporation filed a petition for bankruptcy or appointed a receiver? |
| NO |
| B) Has any person who is currently an officer, director, trustee or incorporator, or who, in a For-Profit corporation, controls or holds over 20% of the issued and outstanding common shares, or 20% of any other proprietary, beneficial or membership interest in the corporation, served in any such capacity or held a 20% interest in any other corporation on the bankruptcy or receivership of that other corporation? |
| NO |

| Online Signature: Signed/executed by | |
|---|---|
| I certify that I am an officer, receiver, or trustee of the corporation who is duly authorized (and is listed in the report's officer section) to submit this report. I declare, under penalty of law, that all corporate income tax returns required by Title 43 of the Arizona Revised Statutes have been filed with the Arizona Department of Revenue. Further, by typing/entering my name I affix my electronic signature acknowledging that this electronic document is submitted in compliance with Arizona Revised Statutes and that this information is true, complete and accurate as of the date the electronic filing is submitted. | |
| Officer Name: BARBARA J TINSLEY | Officer Title : PRESIDENT |

- Commission Privacy Policy
- STARPAS Main Menu
- A.C.C. Corporations Division Main Page
- Arizona Corporation Commission Home Page

G

## Martha Morgan

**From:** Barbara Tinsley <newdestinybjt@hotmail.com>
**Sent:** Monday, October 01, 2012 5:20 PM
**To:** Martha Morgan; Barbara Tinsley; Charles Tinsley
**Subject:** suspension information

Dr. Martha Morgan, Ed.S
Director of Charter Accountability
Arizona State Board for Charter Schools
1616 W. Adams Street Ste 170
Phoenix, AZ 85007

Dear Dr. Morgan,

Information you requested:

1. Target Date for securing a facility: We are presently working to secure a facility. Our last date for securing the facility is May 1, 2013.

2. Target number of student forms collected: 30

3. General plan for recruiting students:
   flyers and mailouts
   make contact with parents at childcare facilities
   attend preschool and childcare facility promotions to make contact with parents
   host school open house events
   have a table at any other neighborhood events
   door to door contact in the neighborhood of the school

Dr. Barbara Tinsley
Executive Director
New Destiny Leadership Charter School Inc.
P. O. Box 523
Chandler, AZ 85224

**As I indicated on October 3rd, if our office does not receive the fiscal year 2012 audit reporting package by the November deadline or has not approved an engagement letter granting a single audit extension, the charter holder will be placed on the Board's November agenda for possible disciplinary action.**

If you have any questions, please let me know.

Thanks.
Andrea

**From:** Andrea Leder
**Sent:** Wednesday, October 03, 2012 1:44 PM
**To:** 'eireyes@ambassadoracademy.us'; 'rj@arizonacharterschools.org'; 'david.jenkins@slatech.org'; 'kris.mallory@slatech.org'; 'gerry.baumann@slatech.org'; 'mike.hadjiaghai@slatech.org'; 'bill@legacytraditional.org'; 'nancy.hall@imagineschools.com'; 'bneashurschool@yahoo.com'; 'learningfoundation@msn.com'; 'sking@campverdeschools.org'; 'vphelps@cpic-cas.org'; 'john@compasshsgators.org'; 'holcombcpa@gmail.com'; 'evacschool@cox.net'; pepe@luzsocial.com; 'dorelynk@yahoo.com'; 'terril@friendlyhouse.org'; 'raule@friendlyhouse.org'; 'dybarra@harvestprep.com'; 'ypena@azcorrections.gov'; 'philmcneary@msn.com'; 'david.p.roberts@asu.edu'; 'shirley_ettab@yahoo.com'; 'sphana@msn.com'; 'mission332@aol.com'; mbegay73@gmail.com; 'newdestinybjt@hotmail.com'; 'info@nosotrosacademy.org'; 'kovarjr@mindspring.com'; 'MJiles@desertheightsschools.org'; 'gloria.proo@pima.gov'; ahggg@att.net; 'hkressler@thepartnership.us'; trish@eduresources.com; 'cnscms@cnsmontessori.org'; 'Keven.Chester@cnsmontessori.org'; 'arnold.palacios@acehs.org'
**Subject:** Fiscal Year 2012 Audit
**Importance:** High

Dear Charter Representatives,
Our office has not yet received an engagement letter for your charter's fiscal year 2012 audit. (Please see the attached PDF for additional information.) Even if you plan to submit your fiscal year 2012 audit by the November 15th deadline, please provide our office with a copy of the engagement letter. As you know, the Board uses the engagement letter to grant single audit extensions to the November 15th audit deadline. Please know that if our office does not receive your fiscal year 2012 audit by the November deadline and has not granted your charter a single audit extension, your charter will be placed on the Board's November agenda for possible disciplinary action.

Engagement letters should be emailed to me at Andrea.Leder@asbcs.az.gov.

If you have any questions, please email me or call me at (602) 364-3106.

Thanks,
Andrea

Andrea Leder
Arizona State Board for Charter Schools
1616 W. Adams Street, Suite 170
Phoenix, AZ 85007
P.O. Box 18328
Phoenix, AZ 85009
Phone: (602) 364-3106
Fax: (602) 364-3089
http://asbcs.az.gov

# H

## Martha Morgan

**From:** Andrea Leder
**Sent:** Tuesday, November 13, 2012 7:18 AM
**To:** Deanna Rowe; Martha Morgan
**Subject:** FW: Fiscal Year 2012 Audit

FYI

**From:** Andrea Leder
**Sent:** Monday, November 12, 2012 7:36 AM
**To:** Barbara Tinsley
**Subject:** RE: Fiscal Year 2012 Audit

Dr. Tinsley,
I did not receive an engagement letter last week. It also doesn't look like I received one (at least by email) over the weekend. The Board meeting is on Monday, November 26th.

If you have any other questions, please let me know.

Thanks,
Andrea

**From:** Barbara Tinsley [newdestinybjt@hotmail.com]
**Sent:** Saturday, November 10, 2012 8:20 AM
**To:** Andrea Leder
**Subject:** RE: Fiscal Year 2012 Audit

Ms. Leder

Good morning.
Did you get the engagement letter thursday or friday?
When is the Board meeting?

Thank you,
Dr. Tinsley

From: Andrea.Leder@asbcs.az.gov
To: newdestinybjt@hotmail.com
Subject: FW: Fiscal Year 2012 Audit
Date: Tue, 6 Nov 2012 13:48:27 +0000

Barbara Tinsley,
I haven't yet received the engagement letter for the fiscal year 2012 audit of New Destiny Leadership Charter School. As you know, the Board uses the engagement letter to grant single audit extensions to the November 15th audit deadline.

**As I indicated on October 3rd, if our office does not receive the fiscal year 2012 audit reporting package by the November deadline or has not approved an engagement letter granting a single audit extension, the charter holder will be placed on the Board's November agenda for possible disciplinary action.**

If you have any questions, please let me know.

Thanks,
Andrea

**From:** Andrea Leder
**Sent:** Wednesday, October 03, 2012 1:44 PM
**To:** 'eireyes@ambassadoracademy.us'; 'rj@arizonacharterschools.org'; 'david.jenkins@siatech.org'; 'kris.mallory@siatech.org'; 'gerry.baumann@siatech.org'; 'mike.hadjiaghai@siatech.org'; 'bill@legacytraditional.org'; 'nancy.hall@imagineschools.com'; 'bneashurschool@yahoo.com'; 'learningfoundation@msn.com'; 'sking@campverdeschools.org'; 'vphelps@cpic-cas.org'; 'john@compasshsgators.org'; 'holcombcpa@gmail.com'; 'evacschool@cox.net'; pepe@luzsocial.com; 'dorelynk@yahoo.com'; 'terril@friendlyhouse.org'; 'raule@friendlyhouse.org'; 'dybarra@harvestprep.com'; 'ypena@azcorrections.gov'; 'philmcneary@msn.com'; 'david.p.roberts@asu.edu'; 'shirley_ettab@yahoo.com'; 'sphana@msn.com'; 'mission332@aol.com'; mbegay73@gmail.com; 'newdestinybjt@hotmail.com'; 'info@nosotrosacademy.org'; 'kovarjr@mindspring.com'; 'MJiles@desertheightsschools.org'; 'gloria.proo@pima.gov'; ahggg@att.net; 'hkressler@thepartnership.us'; trish@eduresources.com; 'cnscms@cnsmontessori.org'; 'Keven.Chester@cnsmontessori.org'; 'arnold.palacios@acehs.org'
**Subject:** Fiscal Year 2012 Audit
**Importance:** High

Dear Charter Representatives,
Our office has not yet received an engagement letter for your charter's fiscal year 2012 audit. (Please see the attached PDF for additional information.) Even if you plan to submit your fiscal year 2012 audit by the November 15th deadline, please provide our office with a copy of the engagement letter. As you know, the Board uses the engagement letter to grant single audit extensions to the November 15th audit deadline. Please know that if our office does not receive your fiscal year 2012 audit by the November deadline and has not granted your charter a single audit extension, your charter will be placed on the Board's November agenda for possible disciplinary action.

Engagement letters should be emailed to me at Andrea.Leder@asbcs.az.gov.

If you have any questions, please email me or call me at (602) 364-3106.

Thanks,
Andrea

Andrea Leder
Arizona State Board for Charter Schools
1616 W. Adams Street, Suite 170
Phoenix, AZ 85007
P.O. Box 18328
Phoenix, AZ 85009
Phone: (602) 364-3106
Fax: (602) 364-3089
http://asbcs.az.gov

# I

**Subject:** FW: Audit Package - New Destiny

**From:** Barbara Tinsley (newdestinybjt@hotmail.com)

**To:** ctinsley@cox.net; me@yahoo.com; leocondoshome@yahoo.com;

**Date:** Wednesday, January 9, 2013 9:14 PM

Attorney Condos,

Homework requested

Be Blessed
B. Tinsley

---

From: newdestinybjt@hotmail.com
To: ctinsley@cox.net; atigroup@cox.net
Subject: FW: Audit Package - New Destiny
Date: Wed, 18 Jan 2012 15:43:33 -0700

**It is done!**
**Praise the LORD!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!**

---

From: drogers@lorenzocpa.com
To: andrea.leder@asbcs.az.gov
CC: alorenzo@lorenzocpa.com; newdestinybjt@hotmail.com
Subject: Audit Package - New Destiny
Date: Wed, 18 Jan 2012 15:17:00 -0700

Good afternoon Andrea,

Attached is the audit package for New Destiny. The two components are:

-Financials and report on internal controls and compliance

-Legal Compliance Questionnaire

If you have any questions, please do not hesitate to contact our office.

Thank you,

David J. Rogers, CPA

Lorenzo, PLC

1450 W. Guadalupe Road, Suite 111

Gilbert, AZ 85233

P: (480) 644-1097

F: (480) 644-9405

J

# NEW DESTINY LEADERSHIP CHARTER SCHOOL

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS FOR THE YEAR ENDED JUNE 30, 2011

**NEW DESTINY LEADERSHIP CHARTER SCHOOL**
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**JUNE 30, 2011**


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Lorenzo, PLC
Certified Public Accountant

Anthony Lorenzo, CPA

*Member of American Institute of Certified Public Accountants*
*Member of Arizona State Society of Certified Public Accountants*

## Independent Auditor's Report

Board of Directors
New Destiny Leadership Charter School

We have audited the accompanying statement of financial position of New Destiny Leadership Charter School (School), as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the School's management. 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 the 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 New Destiny Leadership Charter School, as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2012, on our consideration of the School's internal control over financial reporting and on 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 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.

Lorenzo, PLC

Lorenzo, PLC
Gilbert, Arizona
January 18, 2012

1450 W. Guadalupe Rd., Suite 111 • Gilbert, AZ 85233 • Ph: 480.644.1097 • Fax: 480.644.9405

# NEW DESTINY LEADERSHIP CHARTER SCHOOL
## STATEMENT OF FINANCIAL POSITION
## JUNE 30, 2011

| | |
|---|---|
| **ASSETS** | |
| Current Assets: | |
| Cash and cash equivalents | $ 21,884 |
| Due from government | 2,351 |
| Total Current Assets | 24,235 |
| Property and equipment, net of accumulated depreciation | 12,056 |
| Total Assets | $ 36,291 |
| **LIABILITIES AND NET ASSETS** | |
| Current Liabilities: | |
| Accrued payroll and related expenses | $ 723 |
| Due to related party | 2,397 |
| Deferred revenue | 13,622 |
| Loans payable to related party | 79,698 |
| Total Current Liabilities | 96,440 |
| Total Liabilities | 96,440 |
| Net Assets: | |
| Unrestricted | |
| Undesignated | (70,191) |
| Designated for classroom site fund | 10,042 |
| Total Net Assets | (60,149) |
| Total Liabilities and Net Assets | $ 36,291 |

See accompanying notes to financial statements.

# NEW DESTINY LEADERSHIP CHARTER SCHOOL
## STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2011

| | | |
|---|---|---|
| UNRESTRICTED | | |
| Revenues: | | |
| State equalization assistance | $ | 154,045 |
| Classroom site fund | | 6,767 |
| Instructional improvement fund | | 965 |
| Federal and State grants | | 16,543 |
| National school lunch program-federal | | 18,693 |
| Contributions | | 1,000 |
| Miscellaneous | | 4,096 |
| Total Unrestricted Revenue | | 202,108 |
| | | |
| Expenses: | | |
| Program Services | | 160,907 |
| Management and General | | 19,663 |
| Total Expenses | | 180,570 |
| | | |
| Increase in unrestricted net assets | | 21,538 |
| | | |
| Net assets (deficit), beginning of year | | (81,687) |
| | | |
| Net assets (deficit), end of year | $ | (60,149) |

See accompanying notes to financial statements

# NEW DESTINY LEADERSHIP CHARTER SCHOOL
## STATEMENT OF CASH FLOWS
## YEAR ENDED JUNE 30, 2011

| | |
|---|---|
| Cash flows from operating activities: | |
| Increase in net assets | $ 21,538 |
| Adjustments to reconcile changes in net assets to net Cash provided/(used) by operating activities: | |
| Depreciation and amortization | 1,471 |
| (Increase) in due from State of Arizona | (904) |
| Decrease in prepaid expenses | 500 |
| Decrease in refundable deposit | 1,500 |
| (Decrease) in accounts payable and accrued expenses | (586) |
| Increase in accrued payroll and related expenses | 723 |
| Increase in due to related party | 2,397 |
| (Decrease) in deferred revenue | (24,291) |
| Net cash provided by operating activities | 2,348 |
| Cash flows from investing activities: | |
| Purchase of property and equipment | (10,149) |
| Net cash (used) by investing activities | (10,149) |
| Cash flows from financing activities: | |
| Repayment of loans payable to related party | (1,460) |
| Net cash (used) by financing activities | (1,460) |
| Net (decrease) in cash and cash equivalents | (9,261) |
| Cash and cash equivalents, beginning of year | 31,145 |
| Cash and cash equivalents, end of year | $ 21,884 |
| Supplemental data: | |
| Interest paid | $ 4,537 |

See accompanying notes to financial statements

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Destiny Leadership Charter School (School) is an Arizona not-for-profit corporation, which operates in Phoenix, Arizona. The School was established in March 2009 under a charter contract with the Arizona State Board for Charter Schools (Sponsor), and is funded primarily through its Sponsor based on student membership. The School provides educational services to students in kindergarten through fifth grades. The School's mission is to provide quality, professional and structurally sound education and enrichment services to the South Mountain community and surrounding areas. Our model provides a positive, individualized curriculum designed to maximize a student's potential to succeed, not only in academics but also as a future community leader. The School provided education to approximately 25 students in kindergarten through fifth grade during the 2010-2011 school year.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation – The School presents these financial statements in accordance with the FASB ASC 958-205, *Not-for-Profit Entities, Presentation of Financial Statement.* This codification establishes standards for general purpose external financial statements provided by a not-for-profit organization. Those financial statements include a statement of financial position, a statement of activities, and a statement of cash flows.

Under this codification, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly net assets of the School and changes therein are classified and reported as unrestricted, temporarily, or permanently restricted net assets. Unrestricted net assets are not subject to donor imposed restrictions. Temporarily restricted net assets are subject to donor imposed restrictions that may or will be met either by actions of the School and/or the passage of time. Permanently restricted net assets are subject to donor imposed restrictions that will be maintained permanently by the School. Generally, the donors of permanently restricted assets allow the School to use all or part of the income earned on related investments for general or specific purposes.

Donor Imposed Restrictions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the School reports that support as unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents – For purposes of the statement of cash flows, all highly liquid investments with an initial maturity of three months or less when purchased are considered cash equivalents.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property and Equipment – Land, buildings, and improvements with a cost of $3,000 or more and vehicles, furniture, and equipment with both a cost of $300 or more and an estimated useful life of one year or more are capitalized. Assets are stated at cost. Assets donated are recorded at their estimated fair market value as of the date received. Amortization of buildings and improvements and depreciation of furniture and equipment are provided on a straight–line basis over the useful lives of the respective assets.

Concentration of Credit Risk – The School places its cash with high quality financial institutions. At times, such cash may be in excess of FDIC insurance limits.

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

Donated Services – The School receives donated services throughout the year from unpaid volunteers. In accordance with FASB ASC 958-605-25-16, if donated services received (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School, the donated services are recognized as contributions. No amounts have been reflected in the financial statements for donated services since they do not meet the criteria for recognition.

Income Tax Status – The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under A.R.S. §43-1201. Accordingly, there are no income taxes reflected on the Statement of Financial Position or the Statement of Activities.

## NOTE 2 – CASH AND CASH EQUIVALENTS

The School maintains all of its cash with two financial institutions. The carrying amount of deposits was $21,884 and the bank balance was $22,648 at June 30, 2011. As of June 30, 2011, the entire $22,648 was covered by federal depository insurance.

## NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2011 consisted of the following:

| | |
|---|---|
| Furniture and equipment | $ 14,123 |
| Property and equipment, total | 14,123 |
| Accumulated depreciation | 2,067 |
| Property and equipment, net | $ 12,056 |

Depreciation expense was $1,471 for the year ended June 30, 2011.

## NOTE 4 – COMMITMENTS AND CONTINGENT LIABILITIES

Compliance – The School's compliance with certain laws and regulations is subject to review by their Sponsor and the State of Arizona, Office of the Auditor General and Department of Education. Such reviews could result in an adjustment of state equalization assistance.

Litigation – The School is contingently liable for claims and judgments resulting from lawsuits incidental to the normal operation of a school. In the opinion of the School's management, the School's insurance coverage is adequate to cover claims relating to normal operations and decisions that might adversely impact the School would not have a material effect on the financial statements. Accordingly, no provision for possible losses is reflected in the financial statements.

Operating leases – The School leased facilities under the provisions of a month-to-month agreement classified as an operating lease. Rental expense under the operating leases for the year ended June 30, 2011 totaled $29,252.

## NOTE 5 – RELATED PARTY TRANSACTIONS

The School is related to Beth El Outreach Ministries (Ministry) through common board members. The Ministry paid for various expenses of the School related to startup costs prior to July 1, 2009. The total paid was $7,918 and the entire amount remains payable as of June 30, 2011. The $7,918 balance is included in loans payable to related party on the statement of financial position.

Two board members, one of which is also the director, loaned the School $3,500 prior to July 1, 2010. During the fiscal year ended June 30, 2011, the same board members loaned another $20,000 to the School. The total of these two loans is $23,500. During the year ended June 30, 2011, $1,460 in principal and $4,537 in interest were paid. While the School has not agreed to any repayment terms, they have continued to make payments directly to a financial institution that provided the loan funds to the two board members. The interest rate on the funds provided by the financial institution is 14.99% and the interest amount paid is equal to the 14.99% interest rate. The remaining $21,780 balance is included in loans payable to related party on the statement of financial position

The same two board members as above also loaned the School $50,000 in July of 2009. The School has not agreed to any repayment terms on the loan as of the date of this report. The entire $50,000 remains payable at June 30, 2011, and is included in loans payable to related party on the statement of financial position.

In addition, as of June 30, 2011, the Director of the School was paid $3,317 for goods and services purchased on behalf of the School. Additionally, the Director purchased goods and services on the School's behalf totaling $2,397 that were not repaid as of June 30, 2011, and are included in due to related party on the statement of financial position.

## NOTE 6 – CONCENTRATIONS

The School receives a substantial amount of its support from the state government agencies of Arizona. If the State and its agencies significantly reduced the level of support provided to the School it would have a material effect on the School's operations. Management is aware of the concentration and its potential impact. If any reduction did occur, management would take action as appropriate to limit the effect on its programs.

## NOTE 7 – DESIGNATED UNRESTRICTED NET ASSETS

Classroom Site Project – In June of 2000, the Arizona Legislature created a Classroom Site Fund (CSF) to be administered by the Arizona Department of Education (ADE). The CSF was created to provide funding to school districts and charter schools for designated purposes. The measure (Proposition 301) was approved by the voters of Arizona and was implemented after May 31, 2001. Proposition 301 authorizes the State to levy and collect 0.60% sales tax for educational purposes. The ADE administers and allocates CSF funds to the School based on student count and other factors specified by statute. The School must allocate funding from CSF according to the following statutory parameters:

- 40% of the funds must be used for performance based teacher compensation increases and teacher employment related expenses;
- 40% of the funds must be used for maintenance and operations purposes including class-size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention programs, and teacher liability insurance premiums;
- 20% of the funds must be used for teacher base salary increases and employment related expenses.

The CSF funds are nonreverting; therefore unspent monies at fiscal year end may be used in future years. However, restrictions placed on the original allocation of revenues apply in future years. Therefore, the unexpended balance must be carried forward in each of the three categories.

## NOTE 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 9, 2012, and the financial statements were available to be issued on January 18, 2012.

Subsequent to June 30, 2011, the School entered into a new one-year lease agreement for facilities, ending June 30, 2012. The lease agreement is for monthly payments of $2,200.

Lorenzo, PLC
Certified Public Accountant

Anthony Lorenzo, CPA

*Member of American Institute of Certified Public Accountants*
*Member of Arizona State Society of Certified Public Accountants*

## 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
New Destiny Leadership Charter School

We have audited the financial statements of New Destiny Leadership Charter School, as of and for the year ended June 30, 2011, and have issued our report thereon dated January 18, 2012. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule as 2011 C-1 and 2011 C-2 that we consider to be significant deficiencies of internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Board of Directors
New Destiny Leadership Charter School

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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule as item 2011 F-1.

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

This report is intended solely for the information and use of management, the board of directors, the Arizona State Board for Charter Schools and the State of Arizona, Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Lorenzo, PLC

Lorenzo, PLC
Gilbert, Arizona
January 18, 2012

**NEW DESTINY LEADERSHIP CHARTER SCHOOL**
**INTERNAL CONTROL DEFICIENCY**
**JUNE 30, 2011**

**CONTROL ENVIRONMENT**
**REFERENCE: 2011 C-1**

CONDITION
The School's governing board is not sufficiently independent from management. During the year ended June 30, 2011, one of the three board members resigned from the governing board. One of the remaining two board members is the Director of the School, and the two board members are married.

CRITERIA
In order to provide adequate segregation of duties and monitoring of management, the governing board should be sufficiently independent from its management.

EFFECT
The control environment may not function as it should.

CAUSE
The board member resigned because she did not want to spend money to obtain a new fingerprint clearance card and fully retired.

RECOMMENDATION AND BENEFIT
The School should consider increasing or changing its governing board structure, or establish other controls to strengthen the environment. This should help to ensure that the governing board and management functions are adequately segregated from each other so that appropriate monitoring can be maintained.

CLIENT RESPONSE
We concur with the condition.

Individual responsible for implementation of corrective action plan:
Dr. Barbara J. Tinsley,

Corrective action plan:
The School has been recruiting for a qualified board member with necessary fingerprint clearance since the resignation of the third board member; the search has been unsuccessful. A qualified board member will be appointed on or before the next board meeting to be held on or before April 1, 2012.

Estimated completion date:
April 1, 2012

# NEW DESTINY LEADERSHIP CHARTER SCHOOL
# INTERNAL CONTROL DEFICIENCY
# JUNE 30, 2011

**REIMBURSEMENTS**
**REFERENCE: 2011 C-2**

CONDITION
The School did not provide support for a reimbursement to the School's Director totaling $1,462. Reimbursements to the Director totaled $3,317 for the year ended June 30, 2011.

CRITERIA
Support should be required for payment of all expenses to determine that the School is only paying for valid expenses.

EFFECT
Disbursements that are made without the proper support put the School at risk of paying for goods/services that are not related to the School's operations.

CAUSE
Unknown

RECOMMENDATION AND BENEFIT
The School should establish controls that require that all check payments should be supported by proper documentation. This will help the accounting department have support that disbursements/purchases are approved before they are made and before checks are prepared for signature. Management will also be in better control and more knowledgeable of the cash flow of the School since they will be aware of all purchases and their amounts prior to being made.

CLIENT RESPONSE
We concur with the condition.

Individual responsible for implementation of corrective action plan:
Dr. Barbara J. Tinsley, Executive Director

Corrective action plan:
The School will establish additional controls that require that all check payments are supported by proper documentation. So that the documentation will not be misplaced, all support will be duplicated and stored in two separate places.

Estimated completion date:
January 18, 2012

**ASBESTOS MANAGEMENT PLAN**
**REFERENCE: 2011 F-1**

CONDITION
The School did not have an Asbestos Management Plan.

CRITERIA
In accordance with the U.S. Environmental Protection's (EPA) "Asbestos in School Rule" (40 CFS Part 763, Subpart E), schools are required to perform an original inspection and periodical re-inspection once every 3 years for asbestos containing material. This regulatory requirement is designed to protect students, teachers, and other school employees from exposure to asbestos contained within non-profit private and public primary and secondary schools.

EFFECT
The School could be subject to a fine from the EPA.

CAUSE
Unknown

RECOMMENDATION AND BENEFIT
The School should obtain an asbestos inspection to determine if the School's facilities have any asbestos containing materials, and then design an Asbestos Management Plan to allow for proper monitoring of those asbestos materials, if any. This will help ensure the safety of staff and students and prevent a fine for noncompliance.

CLIENT RESPONSE
We concur with the condition.

Individual responsible for implementation of corrective action plan:
Dr. Barbara Tinsley

Corrective action plan:
On August 24, 2010 Dr. Barbara Tinsley completed the course which meets the required training for EPA/AHERA Designated Person & Awareness Training in accordance with 40 CFR 763.92.

Estimated completion date:
It is the intent of the School to obtain the Asbestos Management Plan as soon as finances will permit.

## NEW DESTINY LEADERSHIP CHARTER SCHOOL
## STATUS OF PRIOR YEAR FINDINGS OF NONCOMPLIANCE WITH LAWS AND REGULATIONS AND INTERNAL CONTROL DEFICIENCIES
## JUNE 30, 2011

We have reviewed our prior report dated November 8, 2010, and the School's prior year finding of noncompliance referenced as 2010 F-1 is repeated as 2011 F-1. The School had no internal control deficiencies.

K

**Arizona State Board for Charter Schools**

**Legal Compliance Questionnaire**

**NEW DESTINY LEADERSHIP CHARTER SCHOOL**

**Fiscal Year Ended June 30, 2011**

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## INSTRUCTIONS

**NOTE: This questionnaire should only be used for schools that are exempt from the Uniform System of Financial Records for Arizona Charter Schools (schools that HAVE an exception). If a school is subject to procurement requirements pursuant to A.R.S. §15-189.02 and 41-2535(A), this questionnaire should be used in conjunction with the Procurement Compliance Questionnaire (see audit guidelines memo dated 6/13/2011) which is available on the Arizona State Board for Charter Schools' website http://asbcs.az.gov.**

In order to determine whether a charter school that is exempt from the requirements of the Uniform System of Financial Records for Arizona Charter Schools (USFRCS) is complying with applicable legal requirements, the auditors must complete the following Legal Compliance Questionnaire (Note: This questionnaire is not comprehensive of all legal requirements for charter schools. As such, this document should not be the sole reference to determine all laws and regulations that are applicable to charter schools).

The following prescribed minimum audit standards for completing the Legal Compliance Questionnaire must be used in all audits. The State Board for Charter Schools may reject audits not meeting these standards.

- Sufficient, appropriate evidence must be obtained annually for each question to satisfactorily determine whether the school complies with the legal requirements, and the evidence must be included in the audit documentation.

- Evidence may be obtained through test work, observation, examination, and client assertion. However, client assertion alone is not adequate evidence to support "Yes" answers to the questionnaire.

- Population size should be considered in determining the number of items to test, and the items selected should be representative of the population.

- The number of items tested must be sufficient to determine whether a deficiency was the result of an isolated incident or a recurring problem. Therefore, testing one transaction, record, or item is not sufficient.

- The sample size should be expanded if the audit firm cannot clearly determine whether the school complies with the legal requirements of the question.

- If sufficient evidence has been obtained and documented during the current audit, that evidence may be referenced to answer questions.

- All "No" and "N/A" answers must be adequately explained in the comments column or in an attachment. Findings must be described in sufficient detail to enable the State Board for Charter Schools to describe the finding in a letter. The description should include the number of items tested and the number of exceptions noted.

- A "Yes" answer indicates that the audit firm has determined that the school complies with the legal requirements of the question and a "No" answer indicates the school does not comply. However, the final determination of compliance on each question, as well as overall compliance with legal requirements, is made by the State Board for Charter Schools based on the evidence presented in the questionnaire, audit reports, the audit documentation, and any other sources.

The resulting audit documentation supporting the audit firm's answers to the Legal Compliance Questionnaire must be made available on request for review by the State Board for Charter Schools. To facilitate this review, the audit firm may wish to include in the audit documentation a copy of the questionnaire containing references to audit procedures performed for each question.

# Legal Compliance Questionnaire

| Questions/Subject Area | Yes/No | Comments |
|---|---|---|
| **Personnel** | | |
| 1. Did the school have valid fingerprint clearance cards (FCC) for 100% of the required personnel as of the testing date? **A.R.S. §15-183 (C)(5) and A.R.S. §15-512(H)** | YES | |
| (QUESTIONS #2a THROUGH 2c ONLY APPLY TO NEW HIRES REQUIRED PURSUANT TO A.R.S. §15-183(C)(5) TO HAVE VALID FCCS AND DO NOT APPLY IF AN INDIVIDUAL'S FCC HAS EXPIRED.)<br><br>2. For each individual referenced in #1 that did not have a valid FCC, please provide the following information (provide supplemental pages, if necessary) (See agency guidance available on the Board's website prior to completing these questions)**A.R.S. §15-183(C)(5)**:<br><br>a. Was an application for a FCC on file with the Department of Public Safety (DPS) as of the testing date? | N/A | See question 1 above |
| b. Did DPS receive the application prior to the hire date? | N/A | See question 1 above |
| c. Prior to placement, did the school do all of the following?<br><br>i) Document the necessity for hiring/placing the individual prior to receiving a FCC? | N/A | See question 1 above |
| ii) Obtain statewide criminal history information on the individual? | N/A | See question 1 above |
| iii) Obtain references from the applicant's current and previous employers? | N/A | See question 1 above |
| 3. Did the charter school maintain up-to-date fingerprints of all governing board members as of the testing date? **Charter Contract[1]** | YES | |
| 4. Were all other personnel fingerprint checked as of the testing date? **A.R.S. §15-183 (C)(5) and A.R.S. §15-512** | YES | |
| 5. Did the charter school inform the parents and guardians of pupils enrolled in the school of the availability of resume information for all employees who provide instruction to pupils? **A.R.S. §15-183 (F)** | YES | |

[1] Specific contract cites could not be provided as term references vary per contract year.

| | Yes/No | Comments |
|---|---|---|
| **Required Filings** | | |
| 1. Is the school in good standing with the following regulatory bodies: | | |
| a. Internal Revenue Service **U.S.C. Title 26** | | |
| i. For payroll taxes, income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year? | YES | |
| ii. The school did not have any payroll or income taxes payable from a prior year(s) as of audited fiscal year end (June 30th) is a true statement. | YES | |
| iii. If the response to 1.a.i, 1.a.ii, or both is "no", does the school have a payment plan in place with the Internal Revenue Service? | N/A | See questions i. and ii. above |
| iv. If the answer to Question 1.a.iii is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30th)? | N/A | See question iii. above |
| b. Arizona Department of Revenue **A.R.S. §43-401 and §43-1111** | | |
| i. For payroll taxes, state income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year? | YES | |
| ii. The school did not have any payroll or income taxes payable from a prior year(s) as of audited fiscal year end (June 30th) is a true statement. | YES | |
| iii. If the response to 1.b.i, 1.b.ii, or both is "no", does the school have a payment plan in place with the Arizona Department of Revenue? | N/A | See questions i. and ii. above |
| iv. If the answer to Question 1.b.iii is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30th)? | N/A | See question iii. above |
| c. Arizona Department of Economic Security **A.R.S. § 23-721 et seq.** | | |
| i. State unemployment contributions requirements for the audited fiscal year? | YES | |
| ii. The school did not have any state unemployment contributions payable from a prior year(s) as of audited fiscal year end (June 30th) is a true statement. | YES | |
| iii. If the response to 1.c.i, 1.c.ii, or both is "no", does the school have a payment plan in place with the Arizona Department of Economic Security? | N/A | See questions i. and ii. above |
| iv. If the answer to Question 1.c.iii is "yes", has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30th)? | N/A | See question iii. above |
| d. Corporation Commission (e.g., annual report)? **Charter Contract** | YES | |

| | | |
|---|---|---|
| 2. Was a copy of the adopted budget signed by the Governing Board and filed with the Superintendent of Public Instruction by July 18th? **A.R.S. §15-905 (B) and (E) and §15-183 (E)(6)** | YES | |
| 3. Was the Annual Financial Report (AFR) sent to the Superintendent of Public Instruction by October 15th? **A.R.S. §15-183 (E) (6) and 15-904 (A)** | NO | The AFR was no sent until November 18, 2011 |
| **Special Education** | | |
| 1. Is the staff the school uses to provide special education services (internal or contracted) certified in special education? | YES | |
| 2. Does the school conduct 45 day screenings on all new students? **AAC R7-2-401** | YES | |
| 3. Are evaluations and IEPs on file for special education students? **34 CFR 300.341-350 and 300.531-536** | N/A | The School did not serve any special education students |
| **Classroom Site Fund - A.R.S. §15-977 & OAG Memorandum #44** | | |
| 1. Did the School properly allocate Classroom Site Fund receipts among the following projects: 1011—Base Salary (20%), 1012—Performance Pay (40%), and 1013—Other (40%)? | YES | |
| 2. For Project 1011, were expenses only for teacher base salary increases and employment-related expenses? | N/A | The School did not pay any expenses from project 1011 |
| 3. For Project 1012, were expenses only for performance-based teacher compensation increases and employment-related expenses? | YES | |
| 4. For Project 1013, were expenses only for class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention programs, and teacher liability insurance premiums? | YES | The School did not pay any expenses from project 1013 |
| 5. Did the School use Classroom Site monies to supplement rather than supplant, existing funding from all other sources? (See USFRCS Memorandum No. 44 for guidance for Classroom Site Projects.) | YES | |
| 6. If the School had monies remaining at year-end, were they properly carried forward in the three Classroom Site Projects (1011, 1012, and 1013) to help ensure that the restrictions placed on the original allocation of revenues is applied in future years? | YES | |
| 7. Did the School have sufficient cash at year- end to cover the carry over monies? | YES | |
| **Student Attendance Reporting** | | |
| **If test work performed in questions 3-15 and 18 of this section discloses a net overstatement or understatement of membership and/or absence days, report the net overstatement or understatement in the "Comments" column.** | | |

| | Yes/No | Comments |
|---|---|---|
| 1. Was school in session for at least 180 days or 144 days for schools operating on a 4-day week, or did the governing board adopt a calendar with an equivalent number of minutes of instruction per school year based on a different number of days of instruction and were membership and attendance recorded for each day school was in session? **A.R.S. §§15-902 (H), (I),** and (J) and **15-341.01** | YES | |
| 2. Did the School ensure that: (**Note:** Instruction hours do not include periods of the day in which an instructional program or course of study is not being offered, including, but not limited to, lunch, recesses, home room periods, study hall periods, and early release or late start hours. **ADE's** ***School Finance Procedures Manual)*** | | |
| a. Kindergarten was in session for at least 356 hours? **A.R.S. §15-901(A)(2)** | YES | |
| b. Grades 1 through 3 were in session for at least 712 hours? **A.R.S. §15-901(A)(2)** | YES | |
| c. Grades 4 through 6 were in session for at least 890 hours? **A.R.S. §15-901(A)(2)** | YES | |
| d. Grades 7 and 8 were in session for at least 1,000 hours? **A.R.S. §15-901(A)(2)** | N/A | The school serves grades Kindergarten through 5 only |
| e. For high school, a full-time instructional program meets at least 720 hours during the minimum number of days required? **A.R.S. §15-901(A)(2)** | N/A | The school serves grades Kindergarten through 5 only |
| f. For high school, a full-time instructional program includes at least four subjects, each of which if taught each school day for the minimum number of days required in a school year, would meet a minimum of 123 hours a year; or any number of subjects totaling at least 20 hours per week, prorated for any week with fewer than 5 school days? **A.R.S. §15-901(A)(2)** | N/A | The school serves grades Kindergarten through 5 only |
| **For Student Attendance Reporting questions 3-15, the audit firm must select and test the specified number of transactions (records, entries, withdrawals, or days) as shown in the sample size instructions before each section. That sample should include 3 or more grade levels and 3 or more campuses, where applicable. The listed sample sizes represent the minimum level of required test work. The audit firm should use its judgment in determining whether a larger sample is needed. All student attendance records tested in steps 3-10 and 15 should be selected from the 100th day reporting period.** **In the parentheses provided in questions 3-15, indicate the actual number of transactions tested. If all transactions were tested, indicate such in the "Comments" column.** | | |

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| **For questions 3-5 select at least 3 student attendance records.** | | |
| 3. If the School had an early (pre-)kindergarten program, based upon review of ( - ) early (pre-) kindergarten students' attendance records, did the School only calculate and submit ADM data to ADE for this program if the program was designed to advance students to the first grade at the end of the of the school year? **A.R.S. §15-901(A)(2)(a)(i) and USFRCS Memorandum No. 33** | N/A | The school does not have an early (pre-)kindergarten program. |
| 4. Based upon review of ( 3 ) students' attendance records in kindergarten programs with instructional time between 356 and 692 hours a year, were students not in attendance for at least three-quarters of the day counted as being absent? If the instructional time for the year was 692 hours or more, were students not in attendance at least one-half of the day counted as being absent? **A.R.S. §§15-901(A)(2)(a)(i) and 15-901(A)(6)(a)(i)** | YES | |
| 5. If the School had an early first grade program, based upon review of ( - ) early first grade students' attendance records, did the School calculate and submit ADM for this program as it would for kindergarten in accordance with ADE's *School Finance Procedures Manual?* **A.R.S. §15-901(A)(2)(b)(i) and USFRCS Memorandum No. 33** | N/A | The School does not have an early first grade program |
| **For questions 6 and 7, use the following sample sizes:** | | |
| **SCHOOLWIDE ADM** / **Student Attendance Records**<br>**<1,000** / **5**<br>**1,000-5,000** / **10**<br>**>5,000** / **15**<br>6. Based on review of ( 5 ) students' attendance records at elementary and junior high schools, in which attendance was based on half days, were students in attendance for less than one-half the day counted as being absent for one full day? Were students in attendance for at least one-half day, but less than three-quarters of a day, counted as being absent for one-half day? Were students in attendance for at least three-quarters of a day counted in attendance for a day? **A.R.S. §15-901(A)(6)(b)(ii)** | YES | |

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| 7. Based upon review of (_-_) students' attendance records at elementary and junior high schools where attendance was based on quarter days, were students in attendance for more than three-quarters of the day counted in attendance for a day? Were students in attendance for three-quarters of the day or less counted in attendance for each quarter of the day in attendance? **A.R.S. §15-901(A)(6)(b)(i)** | N/A | See question 6 above |
| **For questions 8 through 12, use the following sample sizes:** | | |
| **SCHOOLWIDE ADM** / **Student Attendance Records**<br>**<1,000** / **3**<br>**1,000-5,000** / **5**<br>**>5,000** / **7**<br>8. For schools approved to report minutes of attendance, based upon review of the attendance records for a 1 month period for (_-_) students whose attendance was reported in minutes, did the School report minutes of attendance only for actual classroom instruction attended by the students in accordance with ADE's *School Finance Procedures Manual*? | N/A | The school serves grades Kindergarten through 5 only |
| 9. Based upon review of (_-_) high school students' records whose attendance was reported in terms of absences, for all absence days reported in a 1 month period, did the School report the absences in accordance with the method(s) provided in ADE's *School Finance Procedures Manual*? | N/A | The school serves grades Kindergarten through 5 only |
| 10. Based upon review of (_-_) high school students' attendance records, did the School prorate the membership of the high school students enrolled in less than four subjects as provided in ADE's *School Finance Procedures Manual*? | N/A | The school serves grades Kindergarten through 5 only |

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| 11. For schools offering an Arizona Online Instruction (AOI) Program, based upon a review of (-) AOI students' attendance records for 4 weeks:<br>a. Was the guardian-approved or School computer-generated daily log describing the amount of time spent by the student on academic tasks maintained by the participating AOI School? **A.R.S. §15-808(E)** | N/A | No AOI Program |
| b. Did the hours reported to ADE agree to the guardian-approved or School computer-generated daily log? | N/A | See a. above |
| c. Were all pupils who participated in an AOI Program residents of this State? **A.R.S. §15-808** | N/A | See a. above |
| 12. Based upon review of (-) students' attendance records (all grades) for students withdrawn for having 10 consecutive unexcused absences, was the student only counted in membership through the last day of actual attendance? **A.R.S. §15-901(A)(2)** | N/A | The School did not have any students with 10 consecutive unexcused absences |
| **For questions 13 and 14, use the following sample sizes:** | | |
| **SCHOOLWIDE ADM** / **Entries/Withdrawals**<br>**<1,000** / **5**<br>**1,000-5,000** / **10**<br>**>5,000** / **15** | | |
| 13. Based upon review of (5) entries: (**Note:** Enrollment forms are not required for continuing students at the same school.) | | |
| a. Were entry dates entered into the School's computerized attendance system within 5 working days after the actual date of entry and was documentation maintained to support the date of data entry? | NO | See page 14, #1 |
| b. Did the entry date in the computerized attendance system agree to the entry form? | YES | |
| c. Did the teacher's attendance registers, if used, and other documentation support the entry date in the computerized attendance system? | YES | |
| d. Did membership for continuing/pre-enrolled students begin with either the first day of actual attendance or the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school? For all other students, did membership begin with the first day of actual attendance? **ADE's** ***School Finance Procedures Manual*** | YES | |

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| 14. Based upon review of (5) withdrawals: | | |
| a. Were the withdrawal dates entered into the School's computerized attendance system within 5 working days after the actual date of withdrawal and was documentation maintained to support the date of data entry? (**Note:** "Day of withdrawal" means: a.) the later of the student's withdrawal date or the day the school is notified the student will not be returning; or b.) the 10th day of non-attendance for students withdrawn for having ten consecutive unexcused absences.) | NO | See page 14, #2 |
| b. Did the withdrawal date in the attendance system agree to the withdrawal form? (**Note:** If the computerized attendance system requires the school to input the first day of non-attendance for a student to be counted in membership through the last day of actual attendance, the withdrawal date on the system should be the school day following the withdrawal date on the form.) | YES | |
| c. Did the teachers' attendance registers, if used, and other supporting documentation support the withdrawal date in the computerized attendance system? | NO | See page 14, #3 |
| d. Was an Official Notice of Pupil Withdrawal form prepared and retained for each withdrawal and signed by a school administrator? **A.R.S. §15-827** | YES | |
| **For question 15, use the following sample sizes:**<br>**SCHOOLWIDE ADM** — **Days**<br>**<1,000** — **3**<br>**1,000-5,000** — **5**<br>**>5,000** — **7** | | |
| 15. Based upon review of (3) days for various campuses, grades, and classes in the computerized attendance system, did the student absences from each day agree to the teachers' attendance registers, absence slips, or other supporting documentation, if used? | YES | |

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| 16. Did the school have adequate electronic or manual controls in place to ensure that any changes to the original record of student attendance data were properly authorized and documented, including the names or identification numbers of the persons making and authorizing the changes? | YES | |
| 17. Was the School's membership/absence information submitted to ADE electronically at least once every 20 school days through the last day of instruction (with the first 20 day period beginning the first day of school or the opening of SAIS for current fiscal year data submission, whichever is later)? **A.R.S. §15-1042(H)** | YES | |
| 18. Based upon review of the School's 40th and 100th day information uploaded to ADE, did the membership and absences agree with the School's computerized attendance system records? (**Note:** For an AOI program, review year-end attendance information.) | YES | |
| | **Yes/No** | **Comments** |
| **Open Meeting Law A.R.S. § 38-431.01 and § 38-431.02 (See also Attorney General Opinion I00-009)** | | |
| 1. Beginning July 29, 2010, did the school conspicuously post a statement on its website stating where all public notices of its meetings will be posted, including the physical and electronic locations? **Laws 2010, Chapter 88 ?** | YES | |
| 2. Beginning July 29, 2010, did the school post all public meeting notices on its website? **Laws 2010, Chapter 88** | YES | |
| 3. Did the school maintain a record of notices that includes a copy of each notice that was posted and information regarding the date, time and place of posting? | YES | |
| 4. Were notices and agenda of public meetings posted at least 24 hours before the meeting? | YES | |
| 5. Were written minutes prepared or a recording made of Governing Body meetings? | YES | |
| **Insurance Requirements A.R.S. §15-183(M)** | | |
| Does the school have the required insurance for liability and property loss? | YES | |

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| **Tuition A.R.S. §15-185 (B)(6) (See also Attorney General Opinion I98-007) and Laws 2010, 7th S.S., Ch. 8, Sec. 16** | | |
| Did the school refrain from charging fees that may be considered tuition other than as provided for in A.R.S. §15-185(B)(6) [nonresidents] and Laws 2010, 7th S.S., Ch. 8, Sec. 16 [full-day kindergarten for fiscal year 2011 only]? | YES | |
| **Records Management** | | |
| 1. Did the school retain records in accordance with the Records Retention and Disposition for Arizona School Districts Manual published by the Arizona State Library, Archives and Public Records (based on the testing conducted during the course of the audit)? | NO | See page 14, #4 |
| 2. Was adequate documentation retained to support amounts in the financial statements (if the school is not the primary reporting entity - was adequate documentation retained to support revenue and expenses in the charter school)? | YES | |

This Questionnaire was completed in accordance with the minimum audit standards as set forth in the instructions on pages 2 and 3.

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| Lorenzo, PLC | January 18, 2012 |
| Audit Firm | Date |
| Anthony Lorenzo | Managing Member |
| Preparer's Signature (Audit Firm Representative) | Title |

**NEW DESTINY LEADERSHIP CHARTER SCHOOL**
**LEGAL COMPLIANCE QUESTIONNAIRE**
**FISCAL YEAR ENDED JUNE 30, 2011**

COMMENTS

1. For 3 of 5 entries tested, entry dates of 8/16/10, 11/15/10 and 11/16/10 were not entered into the attendance system until 11/12/10, 11/24/10 and 11/24/10, respectively, which was after 5 working days. However, entry dates on the paper enrollment applications correspond with the information in the electronic system, which was uploaded to the State.
2. For 4 of 5 withdrawals tested, withdrawal dates of 10/8/10, 10/18/10, 10/21/10 and 9/30/10 were not entered into the attendance system until 11/17/10, 11/17/10, 11/24/10 and 10/15/10, respectively, which was after 5 working days. However, paper withdrawal slips were generated by the school office and maintained on file to verify accuracy and the original documents correspond with the information in the electronic system, which was uploaded to the State.
3. For 1 of 5 students tested, the School recorded the last date of actual attendance as 10/21/10 on the attendance system, and the actual last date of attendance per the teacher register was 10/18/10, resulting in an overstatement of 3 membership days.
4. The School did not retain all of their attendance documents. Teacher attendance rosters were not retained for 1 of 3 teachers for the month of October and were not retained for all teachers for the month of September and for all months subsequent to January 2011. Additionally, the School did not retain sign-in/-out sheets for the month of August and for all months from December to May. Also, the School did not retain support for 1 reimbursement paid to the School's Director. Management did report that an emergency move to a new facility was necessary mid-year due to the flooding of their old building, and some records were damaged.