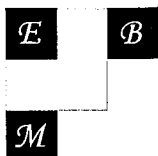


**PROJECT REFLECT, INC.
FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULES
AND
INDEPENDENT AUDITORS' REPORTS
YEARS ENDED JUNE 30, 2009 AND 2008**

**PROJECT REFLECT, INC.
FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULES
AND
INDEPENDENT AUDITORS' REPORTS
YEARS ENDED JUNE 30, 2009 AND 2008**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 10
SUPPLEMENTAL DATA:	
Schedules of Expenditures of Federal Awards and State Financial Assistance	11 – 12
Statements of Activities (Smithson-Craighead Academy)	13
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.	14 – 15



Edmondson, Betzler & Montgomery, PLLC

(Certified Public Accountants)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Project Reflect, Inc.

We have audited the accompanying statements of financial position of Project Reflect, Inc. as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 of America. Those standards require that we plan and perform the audits 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 audits provide 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 Project Reflect, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years 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 December 2, 2009, on our consideration of Project Reflect, Inc.'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 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 important for assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Project Reflect, Inc. taken as a whole. The accompanying supplementary data on pages 11 to 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Government Auditing Standards, and is also not a required part of the basic financial statements of the organization. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Edmondson, Betzler & Montgomery, PLLC

December 2, 2009

PROJECT REFLECT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 267,384	\$ 127,338
Grants receivable	25,605	-
Other receivable	2,500	-
Inventories	181	181
Prepaid expenses	<u>10,838</u>	<u>5,987</u>
Total current assets	306,508	133,506
Property and equipment, net	<u>1,466,621</u>	<u>1,416,006</u>
Total assets	<u><u>\$ 1,773,129</u></u>	<u><u>\$ 1,549,512</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,755	\$ 6,072
Line-of-credit	200,249	199,249
Current portion of long-term debt	<u>14,145</u>	<u>44,381</u>
Total current liabilities	220,149	249,702
Long-term debt	<u>226,458</u>	<u>244,797</u>
Total liabilities	<u>446,607</u>	<u>494,499</u>
Net assets:		
Unrestricted	1,210,979	1,055,013
Temporarily restricted	<u>115,543</u>	<u>-</u>
Total net assets	<u>1,326,522</u>	<u>1,055,013</u>
Total liabilities and net assets	<u><u>\$ 1,773,129</u></u>	<u><u>\$ 1,549,512</u></u>

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

PROJECT REFLECT, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2009 AND 2008

	Unrestricted	Temporarily Restricted	Total 2009	Total 2008
Changes in unrestricted net assets				
Public support and revenue:				
Government grants	\$ 100,000	\$ 225,000	\$ 325,000	\$ 72,000
Contributions	182,924	-	182,924	178,573
Donated facilities, services and supplies	26,652	-	26,652	13,008
Product sales	3,517	-	3,517	3,360
Other	398	-	398	1,959
Total public support and revenue	<u>313,491</u>	<u>225,000</u>	<u>538,491</u>	<u>268,900</u>
Charter school division support and revenue				
Metro Nashville Public School funding				
Title I and IDEA	1,882,386	-	1,882,386	1,693,161
Net assets released from restrictions	<u>109,457</u>	<u>(109,457)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,305,334</u>	<u>115,543</u>	<u>2,420,877</u>	<u>1,962,061</u>
Expenses:				
Program services:				
Charter School (SCA)	1,655,835	-	1,655,835	1,648,970
PREP	212,278	-	212,278	195,343
Total program services expense	<u>1,868,113</u>	<u>-</u>	<u>1,868,113</u>	<u>1,844,313</u>
Supporting services:				
Management and general	281,255	-	281,255	298,950
Total supporting services expense	<u>281,255</u>	<u>-</u>	<u>281,255</u>	<u>298,950</u>
Total expenses	<u>2,149,368</u>	<u>-</u>	<u>2,149,368</u>	<u>2,143,263</u>
Increase (decrease) in net assets	155,966	115,543	271,509	(181,202)
Net assets, beginning of year	<u>1,055,013</u>	<u>-</u>	<u>1,055,013</u>	<u>1,236,215</u>
Net assets, end of year	<u>\$ 1,210,979</u>	<u>\$ 115,543</u>	<u>\$ 1,326,522</u>	<u>\$ 1,055,013</u>

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

PROJECT REFLECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2009 AND 2008

	<u>PROGRAM SERVICES</u>		<u>Management and General</u>	<u>Total 2009</u>	<u>Total 2008</u>
	<u>PREP</u>	<u>Charter School (SCA)</u>			
Salaries and related expenses	\$ 168,542	\$ 1,457,221	\$ 126,715	\$ 1,752,478	\$ 1,725,138
Depreciation	-	-	56,207	56,207	71,012
MNPS agent fee	-	55,984	-	55,984	77,412
Utilities	3,375	33,751	11,090	48,216	50,425
Insurance	3,186	30,952	11,380	45,518	38,497
Transportation	-	38,958	-	38,958	36,847
Food and related supplies	27,401	-	2,663	30,064	15,052
Legal and professional	-	5,300	22,155	27,455	21,386
Interest	-	-	20,340	20,340	33,698
Supplies and materials	1,147	9,828	5,405	16,380	19,109
Repairs and maintenance	956	11,335	1,366	13,657	18,364
Communications	1,704	6,814	2,839	11,357	9,034
Miscellaneous	-	266	7,663	7,929	6,832
Security and monitoring	285	5,138	285	5,709	4,063
Scholarships	5,682	-	-	5,682	4,085
Marketing and advertising	-	-	5,306	5,306	2,296
Production expense	-	-	5,301	5,301	6,443
Postage	-	-	1,489	1,489	313
Bank fees	-	-	749	749	1,376
Taxes, licenses and fees	-	44	252	296	1,057
Dues and subscriptions	-	244	-	244	574
Donations	-	-	50	50	250
	<u>\$ 212,278</u>	<u>\$ 1,655,835</u>	<u>\$ 281,255</u>	<u>\$ 2,149,368</u>	<u>\$ 2,143,263</u>

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

PROJECT REFLECT, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 271,509	\$ (181,202)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	56,207	71,012
Donated equipment	-	(630)
(Increase) decrease in grant receivable	(25,605)	39,305
Increase in other receivable	(2,500)	-
Increase in prepaid expenses	(4,851)	(5,987)
Decrease in accounts payable and accrued expenses	<u>(317)</u>	<u>(17,457)</u>
Net cash provided by (used in) operating activities	<u>294,443</u>	<u>(94,959)</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(106,822)</u>	<u>(5,510)</u>
Net cash used in investing activities	<u>(106,822)</u>	<u>(5,510)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(48,575)	(48,283)
Net proceeds from line-of-credit	<u>1,000</u>	<u>954</u>
Net cash used in financing activities	<u>(47,575)</u>	<u>(47,329)</u>
Increase (decrease) in cash and cash equivalents	140,046	(147,798)
Cash and cash equivalents, beginning of year	<u>127,338</u>	<u>275,136</u>
Cash and cash equivalents, end of year	<u><u>\$ 267,384</u></u>	<u><u>\$ 127,338</u></u>
Supplemental data:		
Interest paid	<u><u>\$ 20,340</u></u>	<u><u>\$ 33,698</u></u>

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

PROJECT REFLECT, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 1 - NATURE OF ORGANIZATION

Project Reflect, Inc., was formed to address problems in poor and minority communities in areas that have had the greatest negative impact from faulty self and communal image, early school dropout, lack of access to economic resources, and escalating abandonment of Judeo-Christian ethic as well as the moral norm for human interaction and the resolution of social problems. For these challenges, Project Reflect offers the following programs:

Project Reflect Education Program (PREP) Summer School

This is a four-week program in June and July for children living in public housing. Students learn from certified teachers who are trained to motivate disadvantaged children at risk of failing. The PREP Reading Success curriculum includes language development, reading competency, math literacy, computer skills, music, dance, art, Tae Kwon Do, and civic and moral development.

PREP After School Program

After a regular school day, children who live in public housing come to PREP for tutoring and a Reading Success curriculum similar to the academic portion of the summer school program.

PREP Young Scholars

At risk children with high academic potential for college are identified and assisted in learning. Approximately one youth each year is selected for a partial high school scholarship.

Methods of Teaching Children at Risk of Failing School

For professional educators, this program offers instruction based on the Reading Success program developed especially for teach disadvantaged children.

Spiritual Discernment and Mission

This ecumenical group promotes the great commandment to love God and neighbor. Participants seek to draw closer to God in the community, help individuals discover their uniqueness and divine call, and prepare to offer volunteer service to the poor and marginalized.

Smithson-Berry Publications

Smithson-Berry Publications produces books, software and other media to be used for teaching literacy, working with disadvantaged children, and understanding poverty.

**PROJECT REFLECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 1 - NATURE OF ORGANIZATION (CONTINUED)

Smithson-Craighead Academy

Project Reflect was approved to become one of the first charter public schools in the State of Tennessee. Under the new state law, the charter school formed by Project Reflect began operating in August of 2003, serving approximately 220 at risk children.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Project Reflect have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities, in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Project Reflect is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Contributions

Contributions are recognized when the donor makes a promise to give to Project Reflect, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services

Contributed services are recognized if the services received create or enhance long lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2009 and 2008, Project Reflect received a significant amount of contributed time from unpaid volunteers who assist with programs and special projects that do not meet the recognition criteria described above. Accordingly, the value of the contributed time has not been determined and is not reflected in the accompanying financial statements.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Project Reflect considers all highly liquid assets available for current use with an initial maturity of three months or less to be cash equivalents.

PROJECT REFLECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories consist of educational materials held for sale and are stated at the lower of cost, determined on a first-in, first-out (FIFO) basis, or market (net realizable value).

Income Taxes

Project Reflect is exempt from federal taxes under the provisions of Section 501(c) 3 of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates by management.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided over the assets' estimated useful lives using the straight-line method. Donated assets are recognized at their estimated market value at the date of the gift. Assets acquired through capital lease are recorded at acquisition cost and amortized over the asset's useful life or the life the lease, whichever is shorter.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation or amortization are removed from the accounts, and the resulting gain or loss is included in operations.

Use of Estimates

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

Events Occurring After Reporting Date

Project Reflect has evaluated events and transactions that occurred between June 30, 2009 and December 2, 2009, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

PROJECT REFLECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 3 - CREDIT RISK AND OTHER CONCENTRATIONS

Project Reflect receives a substantial amount of its revenue from Metro Nashville Public Schools and government grants. A significant variance in this level of support, if this were to occur, may have an effect on the programs and activities of Project Reflect.

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2009	2008
Building and improvements	\$ 1,120,856	\$ 1,120,856
Land	305,000	305,000
Leasehold improvements	23,234	23,234
Equipment	279,479	278,324
Furniture and fixtures	54,214	53,794
Textbooks	101,076	-
Vehicles	<u>95,455</u>	<u>90,655</u>
Total property and equipment	1,979,314	1,872,493
Less accumulated depreciation and amortization	<u>(512,693)</u>	<u>(456,487)</u>
Net property and equipment	<u>\$ 1,466,621</u>	<u>\$ 1,416,006</u>

NOTE 5 - LINE-OF-CREDIT

Project Reflect has a \$200,000 revolving line of credit secured by land and a school building that has a variable interest rate at the bank's index rate plus 1.5%. Interest is due monthly and the principal and any unpaid interest is due on July 21, 2010. The balance as of June 30, 2009 and 2008 was \$200,249 and \$199,249, respectively.

NOTE 6 - NOTE PAYABLE

Long-term debt consists of the following:

	2009	2008
Commercial loan	\$ 240,603	\$ 289,178
Less: current portion	<u>(14,145)</u>	<u>(44,381)</u>
Long-term debt	<u>\$ 226,458</u>	<u>\$ 244,797</u>

The commercial loan is secured by land and property. The loan was obtained at the bank's prime interest plus 2.3% with a minimum rate limitation of 4% and is payable in equal monthly principal and interest payments of \$2,632 through August 6, 2014.

PROJECT REFLECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2009 AND 2008

NOTE 6 - NOTE PAYABLE (CONTINUED)

A summary of annual principal requirements follows:

2010	\$ 14,144
2011	19,624
2012	20,731
2013	21,900
2014	23,135
Thereafter	<u>141,069</u>
	<u>\$ 240,603</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30 were restricted for the following purposes:

	2009	2008
Grant for SCA – Middle School	<u>\$ 115,543</u>	<u>\$ -</u>
Total temporarily restricted net assets	<u>\$ 115,543</u>	<u>\$ -</u>

NOTE 8 - SMITHSON-CRAIGHEAD ACADEMY – MIDDLE SCHOOL

Project Reflect was approved in November 2008 to begin operations of a charter school for students in grades five through eight beginning August 2009, serving approximately 300 at risk children.

Project Reflect will lease facilities for this charter school beginning in July 2009 under an operating lease that expires in June 2010.

Future minimum rental payments required under all operating leases in effect at June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	
2010	<u>\$ 86,788</u>

SUPPLEMENTAL SCHEDULES

PROJECT REFLECT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<u>Federal awards</u>						
TN Department of Education - No Child Left Behind	(A) 84.282A	N/A	\$ -	\$ 225,000	\$ 109,457	\$ 115,543
Total federal awards			-	225,000	109,457	115,543
<u>State financial assistance</u>						
TN Department of Education - LEAPs	(B) N/A	Z 09-212302	-	74,395	100,000	(25,605)
Total state awards			-	74,395	100,000	(25,605)
Total federal and state awards			\$ -	\$ 299,395	\$ 209,457	\$ 89,938

(A) The No Child Left Behind program supports the planning, development, and initial implementation of charter schools and the dissemination of information on charter schools.

(B) The overall goal of Lottery for Education: Afterschool Programs (LEAPs) is to provide Tennessee students with academic enrichment opportunities that reinforce and complement the regular academic program for youth 5 - 18 years old, enrolled in elementary or secondary school.

PROJECT REFLECT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2008

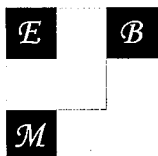
<u>Federal Grantor/Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred</u>
<u>Federal awards</u>						
TN Department of Education - 21st Century	(A) 84.287C	Z 07-034083	\$ (20,058)	\$ 20,058	\$ -	\$ -
Total federal awards			(20,058)	20,058	-	-
<u>State financial assistance</u>						
TN Department of Education - LEAPs	(B) N/A	Z 07-027743	(19,247)	19,247	-	-
TN Department of Education - LEAPs	(B) N/A	GR-08-23367-00	-	72,000	72,000	-
Total state awards			(19,247)	91,247	72,000	-
Total federal and state awards			\$ (39,305)	\$ 111,305	\$ 72,000	\$ -

(A) The 21st Century Community Learning Centers program provides support to develop partnerships between school personnel, community organizations, parents and students for the provision of extended learning opportunities that will impact student achievement and behavior.

(B) The overall goal of Lottery for Education: Afterschool Programs (LEAPs) is to provide Tennessee students with academic enrichment opportunities that reinforce and complement the regular academic program for youth 5 - 18 years old, enrolled in elementary or secondary school.

**PROJECT REFLECT, INC.
SMITHSON-CRAIGHEAD ACADEMY
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
Revenue and support:		
Metro Nashville Public School Funding, Title I and IDEA	<u>\$ 1,882,386</u>	<u>\$ 1,693,161</u>
Total revenue and support	<u>1,882,386</u>	<u>1,693,161</u>
Expenses:		
Salaries and related expenses	1,457,221	1,434,284
MNPS Agent fee	55,984	77,412
Transportation	38,958	36,413
Utilities	33,751	35,298
Insurance	30,952	26,178
Repairs and Maintenance	11,335	15,242
Supplies and materials	9,828	11,465
Communications	6,814	5,420
Legal and professional	5,300	1,200
Security and monitoring	5,138	3,657
Miscellaneous	266	597
Dues and subscriptions	244	574
Taxes, license and fees	44	159
Production expense	<u>-</u>	<u>1,071</u>
Total expenses	<u>1,655,835</u>	<u>1,648,970</u>
Total increase in net assets	<u><u>\$ 226,551</u></u>	<u><u>\$ 44,191</u></u>



Edmondson, Betzler & Montgomery, PLLC

(Certified Public Accountants)

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

To the Board of Directors
Project Reflect, Inc.

We have audited the financial statements of Project Reflect, Inc. (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 2, 2009. 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 Project Reflect, Inc.'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 Project Reflect, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a 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.

Our consideration of 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 internal control that might be 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Project Reflect Inc.'s financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Organization in a separate letter dated December 2, 2009.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and the Division of Municipal Audit, and is not intended to be and should not be used by anyone other than these specified parties.

Edmondson, Betty & Montgomery, PLLC

December 2, 2009