

**AUDUBON
CHARTER SCHOOL**

Audit of Financial Statements

June 30, 2006

LSRH

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Independent Auditor's Report

To the Board of Trustees
Audubon Charter School
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Audubon Charter School (the School), a nonprofit organization, as of June 30, 2006, and the related statements of activities and cash flows for the period from inception to June 30, 2006. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Audubon Charter School as of June 30, 2006, and the results of its operations and its cash flows for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

An audit was performed for the purpose of forming an opinion on the financial statements of Audubon Charter School. The accompanying supplemental information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied to 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2006, on our consideration of Audubon Charter School's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A Professional Accounting Corporation

December 7, 2006

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AUDUBON CHARTER SCHOOL
Statement of Financial Position
June 30, 2006

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,129,983
Grants Receivable	542,729
Prepaid Expenses	<u>22,645</u>
Total Assets	<u><u>\$ 1,695,357</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 41,282
Accrued Payroll Liabilities	<u>30,178</u>
Total Liabilities	<u>71,460</u>
Net Assets	
Unrestricted	<u>1,623,897</u>
Total Net Assets	<u>1,623,897</u>
Total Liabilities and Net Assets	<u><u>\$ 1,695,357</u></u>

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

AUDUBON CHARTER SCHOOL
Statement of Activities
For the Period Ended June 30, 2006

	Unrestricted
Revenue, Grants and Other Support	
State Public School Funding	\$ 1,033,876
Other State Funding	8,634
Federal Grants	1,140,729
School Food Service Reimbursement	29,670
Donations	474,627
Other Income	144,220
	<hr/>
Total Revenue, Grants and Other Support	2,831,756
	<hr/>
Expenses	
Program Services	
Regular Education Programs	763,168
Special Education Programs	20,716
Other Instructional	7,124
Support Services	
School Administration	140,889
Operation and Maintenance of Plant	123,875
Food Service	47,282
General Administration	45,606
Instructional Staff Support	30,010
Other	25,189
Fundraising	4,000
	<hr/>
Total Expenses	1,207,859
	<hr/>
Increase in Net Assets	1,623,897
Net Assets, Beginning of Period	<hr/>
Net Assets, End of Period	\$ 1,623,897

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

AUDUBON CHARTER SCHOOL
Statement of Cash Flows
For the Period Ended June 30, 2006

Cash Flows from Operating Activities	
Increase in Net Assets	\$ 1,623,897
Adjustments to Reconcile Increase in Net Assets to	
Net Cash Provided by Operating Activities:	
Increase in Grants Receivable	(542,729)
Increase in Prepaid Expenses	(22,645)
Increase in Accounts Payable	41,282
Increase in Accrued Payroll Liabilities	<u>30,178</u>
 Total Adjustments	 <u>(493,914)</u>
 Net Cash Provided by Operating Activities	 <u>1,129,983</u>
 Cash Flows from Financing Activities	
Proceeds from Notes Payable	85,000
Payments on Notes Payable	<u>(85,000)</u>
 Net Cash Provided by Financing Activities	 <u>-</u>
 Net Increase in Cash and Cash Equivalents	 1,129,983
 Cash and Cash Equivalents, Beginning of Period	 <u>-</u>
 Cash and Cash Equivalents, End of Period	 <u><u>\$ 1,129,983</u></u>

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

French and Montessori Education, Inc. (the Corporation) was created as a non-profit corporation under the laws of the State of Louisiana on October 28, 2005. The Corporation applied to the Orleans Parish School Board to operate a Type III charter school. On January 12, 2006, the Orleans Parish School Board approved the charter of Audubon Charter School (the School). The charter was granted for a minimum of five years. The School serves eligible students in pre-kindergarten through eighth grade.

The formation of the School was in response to the devastation left by Hurricane Katrina. Accordingly, the Orleans Parish School Board is allowing the School to operate the building formerly used by the Audubon Montessori School (a school of the Orleans Parish School Board) rent free. A summary of the School's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Financial Statement Presentation

The School follows the guidance of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the School is required to present a statement of cash flows.

The School also follows the guidance of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor imposed time or purpose restrictions.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of Audubon Charter School are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Revenues

The School's primary source of funding is through the State Public School Fund and the Orleans Parish School Board. The School receives \$322 from the State and \$260 from the School Board per eligible student in attendance on a monthly basis. State and Federal grants are on a cost reimbursement basis. Accrual is made when eligible expenses occur.

Fixed Assets and Depreciation

Fixed assets are recorded at historical cost or estimated historical cost if historical cost is not available. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the School. At June 30, 2006, the School had no significant fixed assets.

AUDUBON CHARTER SCHOOL
June 30, 2006

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The School is recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the School considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates

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

Concentrations

The School received 37% of its revenues in the period ended June 30, 2006, from the State of Louisiana, subject to its charter school contract with the State, and 40% of its funding from the Federal Government. Financial instruments that potentially subject the School to concentrations of credit risk consist of cash in excess of federally insured limits of \$972,390.

Note 2. Cash and Cash Equivalents

As of June 30, 2006, cash consists of demand deposits in a local bank of \$1,129,983.

Note 3. Grants Receivable

As of June 30, 2006, grants receivable consist of amounts due from the following sources:

Charter School Grants (CFDA #84.282A)	\$ 246,790
Hurricane Education Grants (CFDA #84.938A&C)	<u>295,939</u>
	<u>\$ 542,729</u>

Notes to Financial Statements

Note 4. Retirement Plans

Certain employees of the School participate in the Teachers' Retirement System of Louisiana (the System). Prior to June 30, 2006, newly hired teachers and teachers who had been terminated by the Orleans Parish School Board were not allowed to participate. Subsequently, these teachers will be required to participate in the System. The System is a cost-sharing, multiple-employer defined benefit pension plan administered by separate boards of trustees. Pertinent information relative to the plan follows:

Plan Description: The System provides retirement benefits as well as disability and survivor benefits. Ten years of service credit are required to become vested for retirement benefits, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Teachers Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

Funding Policy: Plan members are required to contribute 8% of their annual covered salary. The School is required to contribute at an actuarially determined rate. The current rate is 15.9% of annual eligible covered payroll. Member contributions and employer contributions for the System are established by state law, and rates are established by the Public Retirement System's Actuarial Committee. The School's contribution to the plan for the period ended June 30, 2006, is \$110,691, which is equal to the required contribution for the period.

Note 5. Subsequent Event

Subsequent to June 30, 2006, the School reached an agreement with the Orleans Parish School Board to use another vacant school for additional classroom space. The School is currently in the process of negotiating a lease with the School Board.

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**



LAPORTE SEHRT
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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
TO THE MANAGEMENT OF AUDUBON CHARTER SCHOOL**

To the Board of Trustees
Audubon Charter School
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Audubon Charter School and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of Audubon Charter School and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the *American Institute of Certified Public Accountants and Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings that relate to the accompanying schedules of supplemental information are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - Total Local Taxation Revenue
 - Total Local Earnings on Investment in Real Property
 - Total State Revenue in Lieu of Taxes
 - Nonpublic Textbook Revenue
 - Nonpublic Transportation Revenue

Findings:

During our test of transactions, we noted two disbursements for which the invoice or other documentation could not be found. However, the remaining items that were examined were classified and reported correctly.

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Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-Time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to School supporting payroll records as of October 1.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-Time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule. We traced each of the teachers to the individual's personnel file to determine if the individual's education level was properly classified on the schedule.

Findings:

Schedule 2 was not applicable as the School did not open until January 2006.

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings:

None

Experience of Public Principals and Full-Time Classroom Teachers (Schedule 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings:

Schedule 4 was not applicable, as the School did not open until January 2006.

Public Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced each to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

Findings:

None

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Findings:

None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1 roll books for those classes and determined if the class was properly classified on the schedule.

Findings:

Schedule 6 was not applicable as the School did not open until January, 2006.

Louisiana Educational Assessment Program (LEAP) for the 21st Century (Schedule 7)

9. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Audubon Charter School.

Findings:

None

The Graduation Exit Exam for the 21st Century (Schedule 8)

10. Not applicable.

The ILEAP Tests (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Audubon Charter School.

Findings:

None

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Audubon Charter School, the Orleans Parish School Board, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

December 7, 2006

AUDUBON CHARTER SCHOOL
Schedules Required by State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Period Ended June 30, 2006

Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 - Experience of Public Principals and Full-Time Classroom Teachers

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 - Public School Staff Data

This schedule includes average classroom teachers' salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students.

Schedule 7 - Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores by district for grade 4 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory.

Schedule 8 - The Graduation Exit Exam for the 21st Century

Not applicable.

Schedule 9 - The ILEAP Tests

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, 7 and 9 for each district. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes one period of data.

AUDUBON CHARTER SCHOOL
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Period Ended June 30, 2006

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$ 621,119	
Employee Benefits	133,573	
Instructional Materials and Supplies	<u>8,477</u>	

Total Teacher and Student Interaction Activities \$ 763,169

Other Instructional Activities 7,124

Pupil Support Activities

Less: Equipment for Pupil Support Activities

Net Pupil Support Activities -

Instructional Staff Services

Less: Equipment for Instructional Staff Services

Net Instructional Staff Services 30,010

Total General Fund Instructional Expenditures **\$ 800,303**

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

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	-
Sales and Use Taxes	<u>-</u>

Total Local Taxation Revenue **\$ -**

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property	-
Earnings from Other Real Property	<u>-</u>

Total Local Earnings on Investment in Real Property **\$ -**

State Revenue in Lieu of Taxes:

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

Total State Revenue in Lieu of Taxes **\$ -**

Nonpublic Textbook Revenue \$ -

Nonpublic Transportation Revenue \$ -

**AUDUBON CHARTER SCHOOL
Education Levels of Public School Staff
As of October 1, 2005**

This schedule does not apply to Audubon Charter School as the school did not open until January, 2006.

AUDUBON CHARTER SCHOOL
Number and Type of Public Schools
For the Period Ended June 30, 2006

Type	Number
Elementary	1
Middle/Jr. High	0
Secondary	0
Combination	0
Total	<u>1</u>

AUDUBON CHARTER SCHOOL
Experience of Public Principals and Full-Time Classroom Teachers
As of October 1, 2005

This schedule does not apply to Audubon Charter School as the school did not open until January, 2006.

**AUDUBON CHARTER SCHOOL
Public School Staff Data
For the Period Ended June 30, 2006**

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	38,653	38,397
Average Classroom Teachers' Salary Excluding Extra Compensation	38,653	38,397
Number of Teacher Full-Time Equivalent (FTEs) Used in Computation of Average Salaries	16.54	16.04

AUDUBON CHARTER SCHOOL
Class Size Characteristics
As of October 1, 2005

This schedule does not apply to Audubon Charter School as the school did not open until January, 2006.

AUDUBON CHARTER SCHOOL
Louisiana Educational Assessment Program (LEAP)
For the 21ST Century
For the Period Ended June 30, 2006

District Achievement Level Results	English Language Arts			Mathematics		
	2006	2005	2004	2006	2005	2004
Students	Percent	Percent	Percent	Percent	Percent	Percent
Grade 4						
Advanced	29%	N/A	N/A	0%	N/A	N/A
Mastery	14%	N/A	N/A	29%	N/A	N/A
Basic	48%	N/A	N/A	57%	N/A	N/A
Approaching Basic	9%	N/A	N/A	9%	N/A	N/A
Unsatisfactory	0%	N/A	N/A	5%	N/A	N/A
Total	100%	N/A	N/A	100%	N/A	N/A

District Achievement Level Results	Science			Social Studies		
	2006	2005	2004	2006	2005	2004
Students	Percent	Percent	Percent	Percent	Percent	Percent
Grade 8						
Advanced	0%	N/A	N/A	0%	N/A	N/A
Mastery	25%	N/A	N/A	25%	N/A	N/A
Basic	33%	N/A	N/A	59%	N/A	N/A
Approaching Basic	25%	N/A	N/A	8%	N/A	N/A
Unsatisfactory	17%	N/A	N/A	8%	N/A	N/A
Total	100%	N/A	N/A	100%	N/A	N/A

AUDUBON CHARTER SCHOOL
The Graduation Exit Exam for the 21st Century
For the Period Ended June 30, 2006

This schedule does not apply to Audubon Charter School as the school did not open until January, 2006.

AUDUBON CHARTER SCHOOL
The ILEAP Tests
For the Period Ended June 30, 2006

	Composite
	2006
Test of Basic Skills (ITBS)	
Grade 3	59
Grade 5	55
Grade 6	59
Grade 7	62

SUPPLEMENTAL INFORMATION

**AUDUBON CHARTER SCHOOL
Schedule of Board of Trustees
June 30, 2006**

Board Members	Compensation
Carlos Zervignon, Chairperson 8424 Zimpel Street New Orleans, LA 70118	\$ -0-
Edwin Shorty (Vice-Chairperson) 650 Poydras Street, Suite 1400 New Orleans, LA 70130	-0-
Laura Watts (Treasurer) 4038 Laurel Street, Suite New Orleans, LA 70115	-0-
Sarah Ottinger (Secretary) 2660 Lepage Street New Orleans, LA 70119	-0-
Teddi Locke 7508 Burthe Street New Orleans, LA 70118	-0-
Jill Otis 418 Calhoun New Orleans, LA 70118	-0-
Pierre LeBovics 1340 Poydras Street, Suite 1710 New Orleans, LA 70112	-0-
Karl Conner 365 Canal Street, Suite 2670 New Orleans, LA 70118	-0-

Audubon Charter School
Schedule of Expenditures of Federal Awards
For the Period Ended June 30, 2006

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Total Grant Award	Expenditures
United States Department of Education (Passed through the Louisiana Department of Education)			
Hurricane Relief - Displaced Students - Major Program	84.938C	254,030	\$ 246,790
Hurricane Relief - Restart School Operations - Major Program	84.938A	295,939	295,939
Public Charter School Program Grant - Major Program	84.282A	598,000	<u>598,000</u>
			<u>1,140,729</u>
United States Department of Agriculture (Passed through the Orleans Parish School Board)			
National School Lunch Program	10.555	29,671	<u>29,670</u>
			<u>\$ 1,170,399</u>

The accrual basis of accounting is used for reporting purposes.



**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 Trustees
Audubon Charter School
New Orleans, Louisiana

We have audited the financial statements of Audubon Charter School (a nonprofit organization) as of and for the period ended June 30, 2006, and have issued our report thereon dated December 7, 2006. 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 Audubon Charter School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Audubon Charter School's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in a separate letter dated December 7, 2006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Audubon Charter 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, the Louisiana Legislative Auditor, the Louisiana Department of Education, and the Orleans Parish School Board and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

December 7, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Audubon Charter School
New Orleans, Louisiana

Compliance

We have audited the compliance of Audubon Charter School (a non-profit entity) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the period ended June 30, 2006. Audubon Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Audubon Charter School's management. Our responsibility is to express an opinion on Audubon Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Audubon Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Audubon Charter School's compliance with those requirements.

In our opinion, Audubon Charter School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the period ended June 30, 2006.

Internal Control Over Compliance

The management of Audubon Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Audubon Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

December 7, 2006

AUDUBON CHARTER SCHOOL
Schedule of Findings and Questioned Costs
June 30, 2006

Section 1

Financial Statements

- | | |
|--|-------------|
| 1. Type of auditor's report | Unqualified |
| 2. Internal control over financial reporting | |
| a. Material weaknesses identified | None |
| b. Reportable conditions identified not considered to be material weaknesses | Yes |
| c. Noncompliance material to the financial statements noted | None |

Federal Awards

- | | |
|--|--|
| 1. Internal control over major programs | |
| a. Material weaknesses identified | None |
| b. Reportable conditions identified not considered to be material weaknesses | None |
| 2. Type of auditor's report issued on compliance for major program | Unqualified |
| 3. Audit findings disclosed that are required in accordance with OMB A-133, Section 510a | None |
| 4. A management letter was issued. | Yes |
| 5. Identification of major program | |
| 84.938C | Hurricane Relief - Displaced Students |
| 84.938A | Hurricane Relief - Restart School Operations |
| 84.282A | Public Charter School Program Grant |
| 6. Dollar threshold used to distinguish between Type A and B programs | \$300,000 |
| 7. Auditee qualified as a low-risk auditee under OMB A-133 Section 530 | No |

Section 2

Financial Statement Findings

None Reported

Section 3

Federal Awards Findings and Questioned Costs

None