

**FRENCH AND MONTESSORI
EDUCATION, INC.
D/B/A AUDUBON CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

Annual Financial Statements

June 30, 2009

Contents

Independent Auditor's Report	1 - 2
-------------------------------------	-------

Financial Statements

Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9

Independent Accountant's Report on Applying Agreed-Upon Procedures	11 - 14
---	---------

Schedules Required by Louisiana State Law (R.S. 24:514 Performance and Statistical Data)

	Schedule	
General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	1	16
Education Levels of Public School Staff	2	17
Number and Type of Public Schools	3	18
Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers	4	19
Public School Staff Data	5	20
Class Size Characteristics	6	21
Louisiana Educational Assessment Program (LEAP)	7	22
Graduation Exit Exam	8	23
iLEAP Test Results	9	24

Supplemental Information

Schedule of Board of Directors	26
--------------------------------	----

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	27 - 28
---	---------

Contents

Management Letter	29
--------------------------	----

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A - 133	30 - 31
---	---------

Schedule of Expenditures of Federal Awards	32
---	----

Schedule of Findings and Questioned Costs	33 - 36
--	---------

Schedule of Prior Year Findings and Questioned Costs	37
---	----



Independent Auditor's Report

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Charter School
New Orleans, Louisiana

We have audited the accompanying statement of financial position of French and Montessori Education, Inc., d/b/a Audubon Charter School (the School), a non-profit organization, as of June 30, 2009, 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 the School as of June 30, 2009, 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 a report dated September 17, 2009, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The schedules required by Louisiana State Law included as Schedules 1 through 9, are not a required part of the basic financial statements, but are supplementary information required by Louisiana State Law. We have applied certain limited procedures, which are described in the Independent Accountant's Report On Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the School taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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.


A Professional Accounting Corporation

September 17, 2009

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2009

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 833,719
Accounts Receivable	<u>1,203,800</u>
Total Current Assets	<u>2,037,519</u>
Fixed Assets	
Computers	225,879
Improvements	75,547
Accumulated Depreciation	<u>(139,760)</u>
Total Fixed Assets, Net	<u>161,666</u>
Total Assets	<u><u>\$ 2,199,185</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accrued Liabilities	<u>\$ 471,497</u>
Total Liabilities	<u>471,497</u>
Net Assets	
Unrestricted	<u>1,727,689</u>
Total Net Assets	<u>1,727,689</u>
Total Liabilities and Net Assets	<u><u>\$ 2,199,185</u></u>

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

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2009

	Unrestricted
Revenue, Grants and Other Support	
State and Local Public School Funding	\$ 4,995,917
Federal Grants	1,568,312
Student Activity Revenue	403,140
Donations	223,265
School Food Service Reimbursement	132,324
Other Income	100,624
Interest Income	5,903
	<hr/>
Total Revenue, Grants and Other Support	7,429,485
	<hr/>
Expenses	
Program Services	
Regular Education Programs	3,238,482
School Administration	546,083
Instructional Staff Support	577,756
Special Education Programs	538,651
Pupil Support Services	525,871
Special Programs	417,275
Operation and Maintenance of Plant	377,647
Food Service	293,984
Depreciation	85,654
Central Services	51,408
Other Instructional	1,695
Management and General	
Business Services	286,832
General Administration	200,064
	<hr/>
Total Expenses	7,141,400
	<hr/>
Change in Net Assets	288,085
	<hr/>
Net Assets, Beginning of Year	1,439,604
	<hr/>
Net Assets, End of Year	\$ 1,727,689
	<hr/> <hr/>

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

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2009

Cash Flows from Operating Activities	
Change in Net Assets	\$ 288,085
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used in Operating Activities	
Depreciation	85,654
(Increase) Decrease in:	
Accounts Receivable	(621,997)
Prepaid Expenses	26,445
Increase in Accrued Liabilities	<u>213,558</u>
Total Adjustments	<u>(296,341)</u>
Net Cash Used in Operating Activities	<u>(8,256)</u>
Net Decrease in Cash and Cash Equivalents	(8,256)
Cash and Cash Equivalents, Beginning of Year	<u>841,975</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 833,719</u></u>

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

**FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

French and Montessori Education, Inc. (FAME) was created as a non-profit corporation under the laws of the State of Louisiana on October 28, 2005. FAME 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 in 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. Restricted contributions, for which the restriction is met in the same year, are classified as unrestricted.

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 the 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 received \$4,995,917 from the State and School Board based on eligible students 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.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fixed Assets and Depreciation (Continued)

Depreciation of fixed assets is calculated using the straight-line method over the estimated useful lives of the assets. Depreciation expense totaled \$85,654 for the year ended June 30, 2009. The following are the estimated useful lives of the fixed assets of the School:

Improvements	7 - 10 Years
Computers	3 Years

Income Taxes

The School is recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization. However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* - an interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. In accordance with FASB Staff Position (FSP) FIN 48-3, the School has elected to defer the application of FIN 48. Management has not assessed the impact of FIN 48 on its financial position and results of operations and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

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 67% of its revenues in the year ended June 30, 2009, from local sources and the State of Louisiana, subject to its charter school contract with the State, and 21% of its funding from the Federal Government.

Concentrations of Credit Risk Arising From Cash Deposits in Excess of Insured Limits

The School periodically maintains cash in bank accounts in excess of insured limits. The School has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

**FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The Board of Directors of the School grants all contracted employees of the School a total of 10 days of sick pay per year, provided, however, that the employee is contracted for a full year. Contracted employees may carry over 4 sick days from year to year. The liability at June 30, 2009, is considered to be immaterial and is not recorded in the financial statements.

Note 2. Cash and Cash Equivalents

The School's cash and cash equivalents (book balances) at June 30, 2009, are \$833,719, which are stated at cost which approximates market.

Note 3. Accounts Receivable

As of June 30, 2009, accounts receivable totaled \$1,203,800 which is a receivable for federal grants passed through the State of Louisiana. This receivable is considered to be fully collectible.

Note 4. Fixed Assets

Depreciation expense for the year ended June 30, 2009, was \$85,654. Depreciation is calculated using the straight-line method with useful lives of 3, 5, 7, or 10 years.

All assets acquired with Louisiana Department of Education funds are owned by the School while used in the purpose for which they were purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency. Assets purchased with private funds remain the property of the School.

Note 5. Accrued Liabilities

As of June 30, 2009, the School has recorded liabilities of \$471,497. Of this amount, \$117,110 is payable to the School's custodial and food service provider, and \$185,964 is payable various providers of educational materials and supplies. The remaining amounts of \$59,626, \$74,024, and \$34,773 are for accrued salaries, accrued retirement payments due to the Teachers' Retirement System of Louisiana and employee benefits, respectively.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA

Notes to Financial Statements

Note 6. Retirement Plan

Certain employees of the School participate in the Teachers' Retirement System of Louisiana (TRSL). The TRSL is a cost-sharing, multiple-employer defined benefit pension plan administered and controlled by separate boards of trustees. Pertinent information relative to the plan follows:

Plan Description

The TRSL 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 TRSL issues a publicly available financial report that includes financial statements and required supplementary information for the TRSL. 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 15.5% of annual eligible covered payroll. Member contributions and employer contributions for the TRSL 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 years ended June 30, 2009, 2008, and 2007 was \$590,374, \$548,441, and \$337,471, respectively, which is equal to the required contribution.

Note 7. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 17, 2009, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
French and Montessori Education, Inc.
d/b/a 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 French and Montessori Education, Inc., d/b/a Audubon Charter School (the 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 the 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:

None

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, Assistant Principals, and Full time Classroom Teachers” (Schedule 4) to the combined total number of full time classroom teachers per this schedule and to the School’s supporting payroll records as of October 1st.
3. We reconciled the combined total of principals and assistant principals per the schedule “Experience of Public Principals, Assistant 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 principals, assistant principals, and full time classroom teachers by classification as of October 1st 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:

None

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 I 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, Assistant Principals, and Full Time Classroom Teachers (Schedule 4)

6. We obtained a list of principals, assistant principals, and full time classroom teachers by classification, as of October 1st 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:

None

Public School 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.

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 1st roll books for those classes and determined if the class was properly classified on the schedule.

Findings:

None

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. 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

Graduation Exit Exam (Schedule 8)

11. Not applicable.

iLEAP Test Results (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, 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

September 17, 2009

FRENCH AND MONTESSORI EDUCATION, INC.
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2009

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, Assistant Principals, and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, assistant 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 grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule contains three years of data.

Schedule 8 - Graduation Exit Exam

Not applicable.

Schedule 9 - iLEAP Test Results

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7 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 three years of data.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2009

<u>General Fund Instructional and Equipment Expenditures</u>	
General Fund Instructional Expenditures	
Teacher and Student Interaction Activities	
Classroom Teacher Salaries	\$ 2,989,304
Other Instructional Staff Salaries	212,408
Instructional Staff Employee Benefits	782,711
Purchased Professional and Technical Services	6,254
Instructional Materials and Supplies	177,509
Instructional Equipment	-
Total Teacher and Student Interaction Activities	\$ 4,168,186
Other Instructional Activities	1,695
Pupil Support Services	525,871
Less: Equipment for Pupil Support Services	-
Net Pupil Support Services	525,871
Instructional Staff Services	577,756
Less: Equipment for Instructional Staff Services	-
Net Instructional Staff Services	577,756
School Administration	546,083
Less: Equipment for School Administration	-
Net School Administration	546,083
Total General Fund Instructional Expenditures	\$ 5,819,590
Total General Fund Equipment Expenditures	\$ -
<u>Certain Local Revenue Sources</u>	
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	-
Total Local Taxation Revenue	\$ -
Local Earnings on Investment in Real Property	
Earnings from 16 th Section Property	\$ -
Earnings from Other Real Property	-
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	-
Total State Revenue in Lieu of Taxes	\$ -
Nonpublic Textbook Revenue	\$ -
Nonpublic Transportation Revenue	\$ -

See independent accountant's report on applying agreed-upon procedures.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Education Levels of Public School Staff
As of October 1, 2008

	Full Time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
Category	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	29	62%	3	75%				
Master's Degree	17	36%	1	25%	1	50%		
Master's Degree + 30	1	2%			1	50%		
Specialist in Education								
Ph. D. or Ed. D.								
Total	47	100%	4	100%	2	100%	0	0%

See independent accountant's report on applying agreed-upon procedures.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Number and Type of Public Schools
For the Year Ended June 30, 2009

Type	Number
Elementary	
Middle/Jr. High	
Secondary	
Combination	1
Total	1

See independent accountant's report on applying agreed-upon procedures.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Experience of Public Principals, Assistant Principals,
and Full Time Classroom Teachers
As of October 1, 2008

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ Yrs.	Total
Assistant Principals							1	1
Principals							1	1
Classroom Teachers	3	8	11	3	7	8	11	51
Total	3	8	11	3	7	8	13	53

See independent accountant's report on applying agreed-upon procedures.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Public School Staff Data
For the Year Ended June 30, 2009

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$46,552	\$46,182
Average Classroom Teachers' Salary Excluding Extra Compensation	\$46,528	\$46,157
Number of Teacher Full Time Equivalent (FTEs) Used in Computation of Average Salaries	51.5	49.5

See independent accountant's report on applying agreed-upon procedures.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Class Size Characteristics
As of October 1, 2008

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Combination	26%	9	64%	25				
Combination Activity Classes								

See independent accountant's report on applying agreed-upon procedures.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2009

District Achievement Level Results	English Language Arts						Mathematics					
	2009		2008		2007		2009		2008		2007	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	3	4%	3	4%	5	9%	2	3%	4	5%	1	2%
Mastery	20	28%	21	26%	23	40%	9	13%	16	20%	5	9%
Basic	39	54%	36	44%	29	49%	35	49%	35	43%	45	77%
Approaching Basic	9	13%	15	18%	1	2%	19	26%	14	17%	3	5%
Unsatisfactory	1	1%	7	8%	0	0%	7	9%	13	15%	4	7%
Total	72	100%	82	100%	58	100%	72	100%	82	100%	58	100%

District Achievement Level Results	Science						Social Studies					
	2009		2008		2007		2009		2008		2007	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	1	5%	0	0%	0	0%	0	0%	0	0%	1	5%
Mastery	3	14%	2	10%	5	26%	8	36%	2	10%	4	21%
Basic	10	45%	13	65%	8	42%	11	50%	15	75%	9	48%
Approaching Basic	8	36%	4	20%	3	16%	3	14%	3	15%	5	26%
Unsatisfactory	0	0%	1	5%	3	16%	0	0%	0	0%	0	0%
Total	22	100%	20	100%	19	100%	22	100%	20	100%	19	100%

See independent accountant's report on applying agreed-upon procedures.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Graduation Exit Exam
For the Year Ended June 30, 2009

Audubon Charter School does not have grades 10 or 11; therefore, this schedule does not apply.

See independent accountant's report on applying agreed-upon procedures.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
iLEAP Test Results
For the Year Ended June 30, 2009

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2009		2008		2007		2009		2008		2007		2009		2008		2007		2009		2008		2007	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 3																								
Advanced	6	7%	0	0%	4	5%	8	9%	0	0%	7	10%	4	4%	1	1%	6	8%	1	1%	1	1%	2	3%
Mastery	17	19%	9	13%	22	31%	21	23%	8	11%	12	17%	22	24%	1	1%	16	22%	21	23%	1	1%	17	24%
Basic	46	51%	18	25%	26	36%	43	48%	20	28%	32	44%	37	42%	20	28%	32	44%	53	59%	34	48%	39	54%
Approaching Basic	17	19%	26	36%	17	24%	9	10%	24	33%	14	19%	22	24%	30	42%	11	16%	11	12%	19	26%	11	15%
Unsatisfactory	4	4%	19	26%	3	4%	9	10%	20	28%	7	10%	5	6%	20	28%	7	10%	4	5%	17	24%	3	4%
Total	90	100%	72	100%	72	100%	90	100%	72	100%	72	100%	90	100%	72	100%	72	100%	90	100%	72	100%	72	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2009		2008		2007		2009		2008		2007		2009		2008		2007		2009		2008		2007	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 5																								
Advanced	5	8%	0	0%	0	0%	11	17%	3	6%	5	14%	4	6%	0	0%	2	5%	5	8%	1	2%	1	3%
Mastery	21	32%	4	8%	11	30%	5	8%	0	0%	6	16%	18	27%	1	2%	9	24%	13	20%	5	10%	6	16%
Basic	28	42%	21	43%	20	53%	31	47%	18	37%	21	56%	24	37%	14	29%	22	60%	32	47%	24	49%	28	76%
Approaching Basic	10	15%	13	27%	5	14%	11	17%	13	27%	4	11%	14	21%	25	51%	4	11%	11	17%	11	22%	2	5%
Unsatisfactory	2	3%	11	22%	1	3%	8	11%	15	30%	1	3%	6	9%	9	18%	0	0%	5	8%	8	17%	0	0%
Total	66	100%	49	100%	37	100%	66	100%	49	100%	37	100%	66	100%	49	100%	37	100%	66	100%	49	101%	37	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2009		2008		2007		2009		2008		2007		2009		2008		2007		2009		2008		2007	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 6																								
Advanced	1	2%	3	6%	4	9%	2	3%	4	7%	6	14%	1	2%	0	0%	1	2%	12	19%	7	13%	1	2%
Mastery	13	20%	9	16%	17	39%	8	13%	5	9%	13	30%	10	16%	4	7%	7	16%	15	24%	6	11%	9	20%
Basic	42	67%	35	65%	21	48%	46	73%	35	65%	23	52%	39	62%	31	57%	29	66%	31	49%	32	59%	26	59%
Approaching Basic	5	8%	6	11%	1	2%	3	5%	7	13%	1	2%	11	17%	19	36%	4	9%	5	8%	7	13%	6	14%
Unsatisfactory	2	3%	1	2%	1	2%	4	6%	3	6%	1	2%	2	3%	0	0%	3	7%	0	0%	2	4%	2	5%
Total	63	100%	54	99%	44	100%	63	100%	54	100%	44	100%	63	100%	54	101%	44	100%	63	100%	54	100%	44	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2009		2008		2007		2009		2008		2007		2009		2008		2007		2009		2008		2007	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 7																								
Advanced	3	6%	0	0%	0	0%	4	8%	0	0%	1	4%	1	2%	0	0%	0	0%	1	2%	0	0%	1	4%
Mastery	15	31%	10	42%	7	28%	7	14%	2	8%	3	12%	11	23%	2	8%	5	20%	18	38%	5	21%	1	4%
Basic	29	59%	13	54%	14	56%	34	70%	17	71%	18	72%	32	67%	17	71%	12	48%	27	56%	18	75%	14	56%
Approaching Basic	2	4%	1	4%	4	16%	4	8%	3	13%	1	4%	4	8%	5	21%	8	32%	2	4%	1	4%	8	32%
Unsatisfactory	0	0%	0	0%	0	0%	0	0%	2	8%	2	8%	0	0%	0	0%	0	0%	0	0%	0	0%	1	4%
Total	49	100%	24	100%	25	100%	49	100%	24	100%	25	100%	48	100%	24	100%	25	100%	48	100%	24	100%	25	100%

See independent accountant's report on applying agreed-upon procedures.

SUPPLEMENTAL INFORMATION

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2009

Board Members	Compensation	Board Members	Compensation
Carlos Luis Zervigon (Chairman) 8424 Zimple Street New Orleans, LA 70118	\$-0-	Corey J. Hebert, M.D. 1426 N. Derbigny Street New Orleans, LA 70115	\$-0-
Teddi Locke (Vice Chair) 7818 Panola Street New Orleans, LA 70118	\$-0-	Wynn Seemann 428 Walnut Street New Orleans, LA 70118	\$-0-
Christine Brennan (Secretary) LSUHSC School of Public Health 1615 Poydras Street Suite 1400, Room 1556 New Orleans, LA 70112	\$-0-	Olivier Brochenin Consul General of New Orleans French Consulate 1340 Poydras Street, Suite 1710 New Orleans, LA 70112	\$-0-
Shawn M. Barney (Treasurer) Managing Director CLB Porter, LLC	\$-0-	Robert Sloan 639 Loyola Avenue New Orleans, LA 70130	\$-0-
Gladys Barrett-Merrick, MSW 5829 Congress Drive New Orleans, LA 70126	\$-0-	Cornelius Tilton 819 First Street New Orleans, LA 70130	\$-0-
Linda Blakley 1949 S. Chippewa Street New Orleans, LA 70130	\$-0-	Allen Miller Canal Place 365 Canal Street, Suite 2000 New Orleans, LA 70130	\$-0-
Benjamin W. Comer 2620 State Street New Orleans, LA 70118	\$-0-		



**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
French and Montessori Education, Inc.
d/b/a Audubon Charter School
New Orleans, Louisiana

We have audited the financial statements of French and Montessori Education, Inc., d/b/a Audubon Charter School (the School), a non-profit organization, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 17, 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 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School'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 School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2 to be significant deficiencies in internal control over financial reporting.

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 School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies noted above, we consider item 2009-2 to be a material weakness.

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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Audubon Charter School in a separate letter dated September 17, 2009.

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School's response 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 Louisiana Legislative Auditor, the Louisiana Department of Education, the Orleans Parish School Board, 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

September 17, 2009



MANAGEMENT LETTER

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Charter School
New Orleans, Louisiana

In planning and performing our audit of the financial statements of French and Montessori Education, Inc., d/b/a Audubon Charter School (the School), a non-profit corporation, as of and for the year ended June 30, 2009, we considered the School's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

However, during our audit, we became aware of a matter that may result in an opportunity to strengthen internal controls and operating efficiency. This letter does not affect our report dated September 17, 2009, on the financial statements of the School.

We will review the status of this comment during our next engagement. We will be pleased to discuss this comment in further detail at your convenience, or to assist you in implementing the recommendation. Our comment is as follows:

Properly Classify Revenue by Source

We believe that the existing chart of accounts is not sufficiently utilized to record the various sources of federal, state, donation, and other income. We noted several miscellaneous revenue accounts which contained revenue from each of the aforementioned sources, as well as federal and state revenue accounts with various other income items recorded. We believe a more detailed and efficient recording of each revenue source is needed in the general ledger, in order to provide a more meaningful analysis of revenue. In addition, the retention of detailed documentation is necessary to aid in identifying these revenue sources.

This report is intended solely for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, the Louisiana Department of Education, the Orleans Parish School Board, 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

September 17, 2009



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

To the Board of Directors
French and Montessori Education, Inc.
d/b/a Audubon Charter School
New Orleans, Louisiana

Compliance

We have audited the compliance of French and Montessori Education, Inc., d/b/a Audubon Charter School (the School), a non-profit corporation, 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 year ended June 30, 2009. The 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 the School's management. Our responsibility is to express an opinion on the 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 non-compliance 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 the 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 the School's compliance with those requirements.

In our opinion the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements, which is to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2009-1.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. The significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs is not considered to be a material weakness.

The School's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School's response 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 Louisiana Legislative Auditor, the Louisiana Department of Education, the Orleans Parish School Board, 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

September 17, 2009

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Federal Expenditures
United States Department of Education (Passed through the Orleans Parish School Board)		
Title I Grants to Local Education Agencies (LEAs) - Major Program	84.010	\$ 570,806
Improving Teacher Quality State Grants	84.367	135,363
State Grants for Innovative Programs	84.298	33,500
Hurricane Relief - Restart School Operations	84.938	38,564
Hurricane Katrina Foreign Contributions Grant	84.940C	101,157
National School Lunch Program - Major Program	10.555	132,324
Special Education Grants - Grants to States (IDEA)	84.027	<u>86,510</u>
Total United States Department of Education		<u><u>\$ 1,098,224</u></u>
Total Federal Financial Assistance		<u><u>\$ 1,098,224</u></u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - The schedule is prepared on the accrual basis of accounting.

Note 2 - The School recorded revenues of \$602,412 in federal awards that were expended in the year ended June 30, 2008.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

A. Summary of Audit Results

Financial Statements

- | | |
|---|-------------|
| 1) Type of auditor's report | Unqualified |
| 2) Compliance and internal control over financial reporting | |
| a) Material weaknesses identified | Yes |
| b) Significant deficiency identified not considered to be material weaknesses | Yes |
| c) Non-compliance noted | No |
| 3) Management letter comment provided | Yes |

Federal Awards

- | | |
|---|-------------|
| 4) Internal control over major programs | |
| Material weaknesses identified | None |
| Significant deficiency identified not considered to be material weaknesses | Yes |
| 5) Type of auditor's report issued on compliance for major federal programs | Unqualified |
| 6) Audit findings disclosed that are required in accordance with OMB Circular A-133, Section 510(a) | Yes |
| 7) Identification of major programs | |
| 84.010 - Title I Grants to Local Educational Agencies | |
| 10.555 - National School Lunch Program | |
| 8) Dollar threshold used to distinguish between Type A and B programs | \$300,000 |
| 9) Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530 | No |

B. Findings Related to the Financial Statements

I. Compliance and Internal Control Over Financial Reporting

2009-1 Reimbursement Request Preparation

Criteria: Internal controls over reimbursement request preparation are required in order to reduce the likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal controls.

Condition: During our audit, we noted that the School does not have adequate controls over the initiating, authorizing, recording, and processing of reimbursement requests for federal grant awards. This lack of controls resulted in some reimbursement requests being prepared incorrectly, which resulted in required revision and resubmission for reimbursement. Delays in this process could result in unnecessary delays in the receipt of much needed funds.

In addition, requests were not timely prepared, which would allow for adequate processing and review. This ultimately caused requests submitted at year end to contain mathematical errors and inconsistencies.

Finally, the School did not maintain adequate documentation policies and procedures to facilitate the proper recording of both the grant receivable or the subsequent receipt of funds.

Cause: The cause of this condition appears to be a combination of an oversight by management and delays imposed by the grantor agency.

Recommendation: The School should establish policies and procedures to ensure that reimbursement requests are properly initiated, authorized, recorded, processed, and reviewed. The School should develop an internal timeline for the processing of reimbursement requests to facilitate timely request and receipt of funding. The School should establish a policy for documentation to be compiled for the reimbursement request as well as a document retention policy to facilitate proper recording upon receipt of the funds. The School should establish the roles and responsibilities of each individual involved in the process to ensure proper performance and sufficient controls at each stage of request preparation to reduce the likelihood that a material misstatement of the financial statements will be prevented or detected.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2009

B. Findings Related to the Financial Statements (Continued)

I. Compliance and Internal Control Over Financial Reporting (Continued)

2009-1 Reimbursement Request Preparation (Continued)

*Management's
Response:*

Management is aware of the problems with reimbursement requests during the year and considers this to be a serious matter. We have reassigned the responsibilities to prepare and review the requests to new personnel. We will develop a set of policies and procedures over this process. We expect this to be completed no later than December 31, 2009.

2009-2 Accounts Payable

Criteria:

Internal controls over accounts payable are required in order to reduce the likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal controls.

Condition:

During our audit, we noted that the School does not have adequate controls over the receipt, recording, and processing of invoices received from vendors. This lack of controls resulted in several invoices being sent to the Carrolton campus which were not forwarded to the Finance Manager. The Finance Manager, located at the Broadway campus, was unaware of these invoices. As a result, these invoices were not timely recorded or paid.

Cause:

The cause of this condition appears to be an oversight by management.

Recommendation:

The School needs to centralize the receipt and processing of invoices by having all invoice sent to the Finance Manager at the Broadway campus.

*Management's
Response:*

Management is aware of the problems with receipt of invoices and the subsequent recording and payment. We are implementing new policies and procedures designed to ensure all invoices are received at the Broadway campus and distributed to the Finance Manager. In addition, new policies and procedures currently being implemented for the request, approval and processing of purchase orders will strengthen controls over payables. We expect this to be completed no later than December 31, 2009.

FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2009

B. Findings Related to the Financial Statements (Continued)

II. Management Letter Comment

Properly Classify Revenue by Source

<i>Criteria:</i>	We believe that the existing chart of accounts is not sufficiently utilized to record the various sources of federal, state, donation, and other income.
<i>Condition:</i>	Revenue is not currently recorded with sufficient detail to provide meaningful analysis of revenue from various sources.
<i>Cause:</i>	The cause of this condition appears to be an oversight by management.
<i>Recommendation</i>	We believe a more detailed and efficient recording of each revenue source is needed in the general ledger, in order to provide a more meaningful analysis of revenue. In addition, the retention of detailed documentation is necessary to aid in identifying these revenue sources.
<i>Management's Response:</i>	Management is aware of the problems with the chart of accounts and classifications. Management has experienced some delays in the transition of its accounting function during the year. Management will develop and implement policies and procedures to consistently and accurately record the various revenue sources as soon as possible. We expect this to be completed no later than December 31, 2009.

C. Findings and Questioned Costs Related to Major Federal Award Programs

See 2009-1 listed above.

**FRENCH AND MONTESSORI EDUCATION, INC.
NEW ORLEANS, LOUISIANA
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2009**

Section A: Findings Related to the Financial Statements

I. Compliance and Internal Control Over Financial Reporting

2008-1 Financial Statements

Based on current auditing standards, the School should have a person who has the qualifications and training necessary to prepare the financial statements and the notes to the financial statements in accordance with generally accepted accounting principles.

Status: This condition has been resolved.

2008-2 Payroll Expense Allocations

In order to prepare financial statements in accordance with generally accepted accounting principles, it is necessary to allocate payroll to expense accounts based on functional categories.

Status: This condition has been resolved.

II. Management Letter Comment

Unreconciled Differences in Bank Reconciliation

Status: This condition has been resolved.

Section B: Findings and Questioned Costs Related to Major Federal Award Programs

None