

**EINSTEIN
CHARTER SCHOOL**

Audit of Financial Statements

June 30, 2007

Contents

Independent Auditor's Report	1
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Financial Statements

Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 7

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

Independent Accountant's Report on Applying Agreed-Upon Procedures	9 - 12
--	--------

Schedules Required by Louisiana State Law (R.S. 24:514 Performance and Statistical Data)	13
--	----

	Schedule	
General Fund Instructional and Support Expenditures and Certain Local Revenue Sources	1	14
Education Levels of Public School Staff	2	15
Number and Type of Public Schools	3	16
Experience of Public Principals and Full-Time Classroom Teachers	4	17
Public School Staff Data	5	18
Class Size Characteristics	6	19
Louisiana Educational Assessment Program (LEAP) for the 21 st Century	7	20
The Graduation Exit Exam for the 21 st Century	8	21
The ILEAP Tests	9	22

Report on Internal Control Over Financial and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23 - 24
---	---------

Schedule of Findings and Questioned Costs	25 - 27
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Independent Auditor's Report

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

We have audited the accompanying statement of financial position of Einstein Charter School (the School), a non-profit organization, as of June 30, 2007, 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.

Except as described in the following paragraph, 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.

During the year ended June 30, 2007, the School was governed by a board different from that established in the charter. Due to Hurricane Katrina, the School's board as described in its charter was displaced. The School was operated by its management as well as an operational but not official board. This board did not record minutes of any of its meetings. On July 11, 2007, the operational board was dismissed by court order and an official board was reinstated. A review of the minutes of the board is a necessary audit procedure to determine the validity of contracts, contingencies, policies and procedures, and many other areas significant to the audit.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had minutes of the board been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the financial position of Einstein Charter School as of June 30, 2007, and the results of its operations 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 December 14, 2007, on our consideration of Einstein 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 14, 2007

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EINSTEIN CHARTER SCHOOL
Statement of Financial Position
June 30, 2007

Assets

Current Assets

Cash and Cash Equivalents	\$ 867,727
Grants Receivable	<u>133,798</u>

Total Current Assets 1,001,525

Long-term Assets

Furniture and Equipment	86,159
Accumulated Depreciation	<u>(10,376)</u>

Total Long-term Assets 75,783

Total Assets \$ 1,077,308

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 49,400
Accrued Payroll Liabilities	<u>94,407</u>

Total Liabilities 143,807

Net Assets

Unrestricted	<u>933,501</u>
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Total Net Assets 933,501

Total Liabilities and Net Assets \$ 1,077,308

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

EINSTEIN CHARTER SCHOOL
Statement of Activities
For the Year Ended June 30, 2007

	<u>Unrestricted</u>
Revenue, Grants and Other Support	
State Public School Funding	\$ 3,188,141
Federal Grants	133,799
Other Income	<u>17,860</u>
Total Revenue, Grants and Other Support	 <u>3,339,800</u>
Expenses	
Program Services	
Regular Education Programs	1,658,103
Special Education Programs	129,783
Other Instructional	19,245
Support Services	
School Administration	266,890
Operation and Maintenance of Plant	188,812
Central Services	56,590
Pupil Support Services	38,592
Instructional Staff Support	27,739
Depreciation	10,376
Business Services	8,832
Food Service	<u>1,337</u>
Total Expenses	 <u>2,406,299</u>
Increase in Net Assets	933,501
Net Assets, Beginning of Period	 <u>-</u>
Net Assets, End of Period	 <u><u>\$ 933,501</u></u>

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

EINSTEIN CHARTER SCHOOL
Statement of Cash Flows
For the Year Ended June 30, 2007

Cash Flows from Operating Activities	
Increase in Net Assets	\$ 933,501
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	10,376
Increase in Grants Receivable	(133,798)
Increase in Accounts Payable	49,400
Increase in Accrued Payroll Liabilities	94,407
	<hr/>
Total Adjustments	20,385
	<hr/>
Net Cash Provided by Operating Activities	953,886
	<hr/>
Cash Flows from Financing Activities	
Fixed Asset Purchases	(86,159)
	<hr/>
Net Cash Used In Financing Activities	(86,159)
	<hr/>
Net Increase in Cash and Cash Equivalents	867,727
Cash and Cash Equivalents, Beginning of Period	-
	<hr/>
Cash and Cash Equivalents, End of Period	\$ 867,727
	<hr/> <hr/>

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

EINSTEIN CHARTER SCHOOL

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The Einstein Group, Inc. (the Corporation) was created as a non-profit corporation under the laws of the State of Louisiana on January 27, 2004. The Corporation applied to the Orleans Parish School Board to operate a Type III charter school. On October 12, 2004, the Orleans Parish School Board approved the charter of the Einstein Corporation, Inc. doing business as Einstein 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 School began operations subsequent to Hurricane Katrina. For the year ended June 30, 2007, the School was operated by its management and an operational board. On July 11, 2007, that board was removed by court order and replaced by a new board.

The School leases its building rent-free from the Louisiana School Recovery District. The lease was for only one year. The District has extended the lease until December 31, 2007.

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 Einstein 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 which made up 95% of its funding. State and Federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

EINSTEIN CHARTER SCHOOL

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Income Taxes

The School has applied to be recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization. As of the date of this audit, the School has not received a determination letter from the Internal Revenue Service.

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 95% of its revenues in the Year ended June 30, 2007, from the State of Louisiana, subject to its charter school contract with the State, and 4% 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 \$789,380.

As noted earlier the School is leasing its building from the Louisiana Recovery School District rent free. The original lease was extended to December 31, 2007. Should this lease not be extended further, it would have an unfavorable impact to the School.

Note 2. Cash and Cash Equivalents

As of June 30, 2007, cash consists of demand deposits in a local bank of \$867,727.

Note 3. Grants Receivable

As of June 30, 2007, grants receivable totaled \$133,798 which was a receivable for a federal grant passed through the State of Louisiana. This receivable is considered to be fully collectible.

EINSTEIN CHARTER SCHOOL

Notes to Financial Statements

Note 4. Fixed Assets

Depreciation expense for the year ended June 30, 2007, was \$10,376. Depreciation is calculated using the straight-line method with useful lives of 5 years.

All assets acquired with Department of Education funds are owned by the School while used in the purpose for which they were purchased. The 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.

Note 5. Retirement Plans

Certain employees of the School participate in the Teachers' Retirement System of Louisiana (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 15.8% 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 Year ended June 30, 2007, is \$256,917, which is equal to the required contribution for the Year.

**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 Trustees
Einstein 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 Einstein 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 Einstein 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 2nd.
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 2nd 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 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 2nd 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 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 2nd roll books for those classes and determined if the class was properly classified on the schedule.

Findings:

None

Louisiana Educational Assessment Program (LEAP) for the 21st Century (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 Einstein Charter School.

Findings:

None

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

11. 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 Einstein 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 Einstein 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 14, 2007

EINSTEIN CHARTER SCHOOL
Schedules Required by State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2007

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) for the 21st Century

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 Year of data.

EINSTEIN CHARTER SCHOOL
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2007

<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures		
Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 1,293,963	
Employee Benefits	311,410	
Instructional Materials and Supplies	52,730	
	<hr/>	
Total Teacher and Student Interaction Activities		\$ 1,658,103
Other Instructional Activities		149,028
Pupil Support Activities	38,592	
Less: Equipment for Pupil Support Activities	-	
	<hr/>	
Net Pupil Support Activities		38,592
Instructional Staff Services	27,739	
Less: Equipment for Instructional Staff Services	-	
	<hr/>	
Net Instructional Staff Services		27,739
		<hr/>
Total General Fund Instructional Expenditures		\$ 1,873,462
		<hr/>
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	-	
	<hr/>	
Total Local Taxation Revenue		\$ -
 Local Earnings on Investment in Real Property		
Earnings from 16th Section Property	-	
Earnings from Other Real Property	\$ -	
	<hr/>	
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	-	
	<hr/>	
Total State Revenue in Lieu of Taxes		\$ -
 Nonpublic Textbook Revenue		
	<hr/>	\$ -
 Nonpublic Transportation Revenue		
	<hr/>	\$ -

EINSTEIN CHARTER SCHOOL
 Education Levels of Public School Staff
 As of October 2, 2006

Category	Full-Time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	14	82%	5	83%				
Master's Degree	2	12%	1	17%	1	50%		
Master's Degree + 30					1	50%		
Specialist in Education								
Ph. D. or Ed. D.	1	6%						
Total	17	100%	6	100%	2	100%	-	0%

EINSTEIN CHARTER SCHOOL
Number and Type of Public Schools
For the Year Ended June 30, 2007

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

EINSTEIN CHARTER SCHOOL
Experience of Public Principals and Full-Time Classroom Teachers
As of October 2, 2006

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals								0
Principals							2	2
Classroom Teachers	4	2	3	3	1	2	8	23
Total	4	2	3	3	1	2	10	25

EINSTEIN CHARTER SCHOOL
 Public School Staff Data
 For the Year Ended June 30, 2007

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Including Extra Compensation	48,884	47,955
Average Classroom Teachers' Salary Excluding Extra Compensation	42,382	41,000
Number of Teacher Full-Time Equivalents (FTEs) Used in Computation of Average Salaries	21.55	19.65

EINSTEIN CHARTER SCHOOL
Class Size Characteristics
As of October 2, 2006

School Type	Class Size Range							
	1-20		21-26		27-33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Combination	46%	11	42%	10	12%	3	0%	0
Combination Activity Classes	0%	0	0%	0	0%	0	0%	0

EINSTEIN CHARTER SCHOOL
Louisiana Educational Assessment Program (LEAP)
for the 21ST Century
For the Year Ended June 30, 2007

District Achievement Level Results	English Language Arts						Mathematics					
	2007		2006		2005		2007		2006		2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	0	0%	N/A	N/A	N/A	N/A	1	2%	N/A	N/A	N/A	N/A
Proficient	7	11%	N/A	N/A	N/A	N/A	6	10%	N/A	N/A	N/A	N/A
Basic	27	47%	N/A	N/A	N/A	N/A	26	45%	N/A	N/A	N/A	N/A
Approaching Basic	13	21%	N/A	N/A	N/A	N/A	12	19%	N/A	N/A	N/A	N/A
Unsatisfactory	12	21%	N/A	N/A	N/A	N/A	14	24%	N/A	N/A	N/A	N/A
Total	59	100%					59	100%				

District Achievement Level Results	Science						Social Studies					
	2007		2006		2005		2007		2006		2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	0	0%	N/A	N/A	N/A	N/A	0	0%	N/A	N/A	N/A	N/A
Proficient	4	8%	N/A	N/A	N/A	N/A	2	4%	N/A	N/A	N/A	N/A
Basic	19	37%	N/A	N/A	N/A	N/A	30	58%	N/A	N/A	N/A	N/A
Approaching Basic	14	27%	N/A	N/A	N/A	N/A	7	13%	N/A	N/A	N/A	N/A
Unsatisfactory	15	28%	N/A	N/A	N/A	N/A	13	25%	N/A	N/A	N/A	N/A
Total	52	100%					52	100%				

EINSTEIN CHARTER SCHOOL
The Graduation Exit Exam for the 21st Century
For the Year Ended June 30, 2007

Einstein Charter School is an elementary school; therefore, this schedule does not apply.

Schedule 9

EINSTEIN CHARTER SCHOOL
The ILEAP Tests
For the Year Ended June 30, 2007

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2007		2007		2007		2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students								
Grade 3								
Advanced	0	0%	1	2%	0	0%	0	0%
Proficient	3	6%	2	4%	4	8%	1	2%
Basic	21	43%	23	47%	17	34%	20	41%
Approaching Basic	11	22%	13	27%	14	29%	16	33%
Unsatisfactory	14	29%	10	20%	14	29%	12	24%
Total	49	100%	49	100%	49	100%	49	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2007		2007		2007		2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students								
Grade 5								
Advanced	1	2%	1	2%	1	2%	0	0%
Proficient	5	10%	4	8%	1	2%	4	8%
Basic	16	30%	18	35%	10	19%	11	21%
Approaching Basic	15	29%	9	17%	19	37%	17	33%
Unsatisfactory	15	29%	20	38%	21	40%	20	38%
Total	52	100%	52	100%	52	100%	52	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2007		2007		2007		2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students								
Grade 6								
Advanced	1	2%	3	5%	0	0%	0	0%
Proficient	6	10%	3	5%	4	7%	3	5%
Basic	20	34%	19	32%	16	27%	17	29%
Approaching Basic	18	31%	19	32%	23	39%	24	41%
Unsatisfactory	14	23%	15	25%	16	27%	15	25%
Total	59	100%	59	100%	59	100%	59	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2007		2007		2007		2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Students								
Grade 7								
Advanced	0	0%	1	2%	0	0%	0	0%
Proficient	7	13%	7	13%	4	8%	4	8%
Basic	20	38%	24	45%	18	34%	28	53%
Approaching Basic	17	32%	11	21%	22	42%	15	28%
Unsatisfactory	9	17%	10	19%	9	16%	6	11%
Total	53	100%	53	100%	53	100%	53	100%



**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
Einstein Charter School
New Orleans, Louisiana

We have audited the financial statements of Einstein Charter School (a nonprofit organization) as of and for the Year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. 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 Einstein Charter 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 Einstein Charter 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 first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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.

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. We did identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, which are described as items 2007-1, 2007-2, and 2007-3 in the accompanying schedule of findings and questioned costs.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Einstein 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, 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 an instance of non-compliance or other matters that is required to be reported under *Government Auditing Standards* and is described as item 2007-4 in the accompanying schedule of findings and questioned costs.

The School's response to the findings identified in our audit is included in the accompanying schedule of findings and questioned cost. 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 Trustees, the Louisiana Legislative Auditor, the Louisiana Department of Education, and the Orleans Parish School Board, and federal awarding agencies and pass-through entities and is not intended to 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 14, 2007

EINSTEIN CHARTER SCHOOL
Schedule of Findings and Questioned Costs
June 30, 2007

2007-1 Inadequate Accounting System

Criteria: To provide proper controls over financial reporting, The School should have an accounting system which includes a general ledger and a chart of accounts. Also bank reconciliations should be performed on a timely basis.

Condition: At the beginning of the audit, it was determined that the School did not have an accounting system which could provide a general ledger with a chart of accounts as prescribed by the Louisiana Department of Education. Also, bank reconciliations had not been performed on a timely basis.

Cause: The School began operations amid the destruction caused by Hurricane Katrina. The management of the School directed its efforts toward the operation of the School. The management of the School was waiting for the Orleans Parish School Board to provide its general ledger software. However, this was not implemented until after June 30, 2007.

Recommendation: It was recommended that the School contract with an outside accounting firm to create the accounting system, enter all records for the year, and reconcile the bank account.

Management Response: As recommended, the School contracted with an outside accounting firm to provide the services described above. The School has recently hired a business manager and is in the process of implementing the general ledger system used by the Orleans Parish School Board.

2007-2 Lack of Documentation of Meetings of the Board

Criteria: To ensure that transactions are executed in accordance with the boards wishes, meetings of the board should be documented.

Condition: The School was operated by its management and an operational board during the year ended June 30, 2007. This board was removed by court order on July 11, 2007. During the year ended June 30, 2007 the board did not record minutes of its meetings.

2007-2 Lack of Documentation of Meetings of the Board (Continued)

Cause: The School board as listed in its charter was displaced by Hurricane Katrina.

Recommendation: It was recommended that the School begin to record the minutes of its board meetings.

Management Response: When the School's new board was instated, the School began to record the minutes of its board meetings.

2007-3 Inadequate Documentation for Payroll Transactions

Criteria: Payroll transactions should be documented by time records that substantiate number of hours worked. Also, a personnel file should be kept on each employee. For teachers, this should include the teacher's employee contract.

Condition: During the audit of the year ended June 30, 2007, we tested twelve payroll disbursements. For eight disbursements, the employee did not have fully completed time sheets in the pay period tested. As a result, hours worked could not be substantiated. For three other disbursements, the time records could not be located. Also, a personnel file could not be located for one employee.

Cause: The School's management did not have adequate controls over payroll transactions.

Recommendation: The School should implement procedures to ensure that all payroll disbursements are properly supported by proper documentation as to hours worked.

Management Response: The School will adopt procedures to ensure that all future payroll disbursements are adequately documented.

EINSTEIN CHARTER SCHOOL
Schedule of Findings and Questioned Costs
June 30, 2007

2007-4 Possible Violation of the Louisiana Code of Ethics

Criteria: LRS 42:1101 et seq. prohibits immediate family members of management from being employed or contracting with an entity. LRS 17:3996 B (20) applies these provisions to charter schools.

Condition: The principal of the School, its business manager, and a teacher are immediate family members of the director. Also, a company owned by the data manager provided computer services to the School. Also, an two immediate family member of the president of the operational board was employed at the school. Each of these relationships may be violations of the above referenced provisions of state law.

Cause: The management of the School was not aware that the Louisiana Code of Ethics was applicable to charter schools.

Recommendation: The School should request an opinion of the Louisiana Ethics Board and resolve any violations accordingly.

Management Response: The School requested and received an opinion from the Board of Ethics. Subsequent to year end, the School resolved each of the relationships described above. The director resigned. The other members of the family had already ceased employment of the School. On July 11, 2007, the operational board was removed by court order.