

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

Audit of Financial Statements

June 30, 2008

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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, 2008, 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, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2008, 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 important for 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 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 the 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 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 16, 2008

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2008**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 530,824
Grants Receivable	<u>706,527</u>
Total Current Assets	<u>1,237,351</u>
Fixed Assets	
Furniture and Equipment	110,348
Accumulated Depreciation	<u>(32,446)</u>
Total Fixed Assets, Net	<u>77,902</u>
Total Assets	<u><u>\$ 1,315,253</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 67,564
Accrued Salaries	185,613
Medicare Taxes Payable	<u>123,301</u>
Total Liabilities	<u>376,478</u>
Net Assets	
Unrestricted	<u>938,775</u>
Total Net Assets	<u>938,775</u>
Total Liabilities and Net Assets	<u><u>\$ 1,315,253</u></u>

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

**EINSTEIN CHARTER SCHOOL
 NEW ORLEANS, LOUISIANA
 Statement of Activities
 For the Year Ended June 30, 2008**

	Unrestricted
Revenue, Grants and Other Support	
State Public School Funding	\$ 3,738,801
Federal Grants	1,172,235
Other Income	<u>29,967</u>
Total Revenue, Grants and Other Support	<u>4,941,003</u>
Expenses	
Program Services	
Regular Education Programs	3,280,706
School Administration	360,806
Operation and Maintenance	291,847
Special Education Programs	239,766
Other Instructional	234,530
Pupil Support Services	117,878
Instructional Staff Services	39,143
Depreciation	22,070
Student Transportation Services	946
Management and General	
Central Services	175,924
General Administration	114,848
Business Services	<u>57,265</u>
Total Expenses	<u>4,935,729</u>
Increase in Net Assets	5,274
Net Assets, Beginning of Year	<u>933,501</u>
Net Assets, End of Year	<u><u>\$ 938,775</u></u>

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

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2008**

Cash Flows from Operating Activities	
Increase in Net Assets	\$ 5,274
Adjustments to Reconcile Increase in Net Assets to:	
Net Cash Used In Operating Activities	
Depreciation	22,070
Increase in Grants Receivable	(572,729)
Increase in Accounts Payable	18,164
Increase in Accrued Salaries	91,206
Increase in Medicare Taxes Payable	<u>123,301</u>
Total Adjustments	<u>(317,988)</u>
Net Cash Used In Operating Activities	<u>(312,714)</u>
Cash Flows from Investing Activities	
Purchases of Furniture and Equipment	<u>(24,189)</u>
Net Cash Used In Investing Activities	<u>(24,189)</u>
Net Decrease in Cash and Cash Equivalents	(336,903)
Cash and Cash Equivalents, Beginning of Year	<u>867,727</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 530,824</u></u>

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

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

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 Group, 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 leases its building rent free from the Louisiana School Recovery District.

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 which made up 76% 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
NEW ORLEANS, LOUISIANA**

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 76% of its revenues in the year ended June 30, 2008, from the State of Louisiana, subject to its charter school contract with the State, and 23% 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 \$455,466.

As noted earlier, the School is leasing its building from the Louisiana Recovery School District rent free. 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, 2008, cash consists of demand deposits in a local bank of \$530,824.

Note 3. Grants Receivable

As of June 30, 2008, grants receivable totaled \$706,527, 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
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 4. Fixed Assets

Depreciation expense for the year ended June 30, 2008, was \$22,070. 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. Accrued Salaries

The school has recorded accrued salaries of \$185,613 for two pay periods ended prior to year end, but not paid until after year end.

Note 6. Medicare Taxes Payable

The school has recorded an estimated Medicare tax liability of \$123,301. It was discovered during the year that Medicare taxes were not being withheld from a number of employees. Also, the employer portion of Medicare taxes for these employees was not being paid. It is expected that the School will amend all prior payroll tax returns and remit the required taxes. No estimated penalties have been accrued as management believes they have just cause to be relieved of all penalties.

Note 7. Retirement Plans

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 by a separate board 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.

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 7. Retirement Plans (Continued)

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 16.6% 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, 2008 and 2007, were \$433,587 and \$256,917, respectively, which is equal to the required contribution. The School's first year to contribute to the plan was the year ended June 30, 2007.

**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:

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 School 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 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 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 Einstein 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 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

September 16, 2008

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, 2008

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.

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 one year of data.

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2008**

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 2,274,354	
Employee Benefits	716,013	
Instructional Materials and Supplies	<u>527,282</u>	
Total Teacher and Student Interaction Activities		\$ 3,517,649
Other Instructional Activities		234,530
Pupil Support Activities	117,878	
Less: Equipment for Pupil Support Activities	<u>-</u>	
Net Pupil Support Activities		117,878
Instructional Staff Services	39,143	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		<u>39,143</u>
Total General Fund Instructional Expenditures		<u>\$ 3,909,200</u>
Total General Fund Equipment Expenditures		<u>\$ -</u>

Certain Local Revenue Sources

Local Taxation Revenue

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

Local Earnings on Investment in Real Property

Earnings from 16 th Section Property	-
Earnings from Other Real Property	<u>-</u>
Total Local Earnings on Investment in Real Property	<u>\$ -</u>

State Revenue in Lieu of Taxes

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

Nonpublic Textbook Revenue	<u>\$ -</u>
Nonpublic Transportation Revenue	<u>\$ -</u>

EINSTEIN CHARTER SCHOOL
 NEW ORLEANS, LOUISIANA
 Education Levels of Public School Staff
 As of October 1, 2007

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	19	66%	2	50%				
Master's Degree	8	28%	2	50%	2	100%		
Master's Degree + 30	1	3%						
Specialist in Education								
Ph. D. or Ed. D.	1	3%						
Total	29	100%	4	100%	2	100%	0	0%

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Number and Type of Public Schools
For the Year Ended June 30, 2008**

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

**EINSTEIN CHARTER SCHOOL
 NEW ORLEANS, LOUISIANA
 Experience of Public Principals, Assistant Principals
 and Full Time Classroom Teachers
 As of October 1, 2007**

	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	11	1	2	2	1	4	12	33
Total	11	1	2	2	1	5	13	35

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Public School Staff Data
For the Year Ended June 30, 2008**

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers Salary Including Extra Compensation	\$44,650	\$44,650
Average Classroom Teachers Salary Excluding Extra Compensation	\$44,205	\$44,205
Number of Teacher Full-Time Equivalents (FTEs) Used in Computation of Average Salaries	35	35

**EINSTEIN CHARTER SCHOOL
 NEW ORLEANS, LOUISIANA
 Class Size Characteristics
 As of October 1, 2007**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	89%	24	11%	3				
Middle/Jr. High								
Secondary								
Combination								

EINSTEIN CHARTER SCHOOL
 NEW ORLEANS, LOUISIANA
 Louisiana Educational Assessment Program (LEAP)
 For the Year Ended June 30, 2008

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies							
	2008		2007		2006		2008		2007		2006		2008		2007		2006		2008		2007		2006			
Students	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%		
Grade 4																										
Advanced	1	2%	0	0%	N/A		1	2%	1	2%	N/A		0	0%	1	2%	N/A		0	0%	0	0%	N/A			
Mastery	17	28%	7	12%	N/A		11	18%	6	10%	N/A		5	8%	4	7%	N/A		8	13%	0	0%	N/A			
Basic	21	35%	27	46%	N/A		25	42%	26	44%	N/A		26	43%	24	41%	N/A		23	38%	23	38%	N/A			
Approaching Basic	14	23%	13	22%	N/A		10	17%	12	20%	N/A		18	30%	14	24%	N/A		14	23%	18	31%	N/A			
Unsatisfactory	7	12%	12	20%	N/A		13	21%	14	24%	N/A		11	19%	16	26%	N/A		15	26%	18	31%	N/A			
Total	60	100%	59	100%	N/A		60	100%	59	100%	N/A		60	100%	59	100%	N/A		60	100%	59	100%	N/A			

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies							
	2008		2007		2006		2008		2007		2006		2008		2007		2006		2008		2007		2006			
Students	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%		
Grade 8																										
Advanced	1	2%	0	0%	N/A		2	4%	3	6%	N/A		0	0%	0	0%	N/A		0	0%	0	0%	N/A			
Mastery	5	9%	3	6%	N/A		2	4%	0	0%	N/A		6	11%	4	8%	N/A		5	9%	2	4%	N/A			
Basic	23	43%	18	35%	N/A		26	48%	21	40%	N/A		24	44%	19	36%	N/A		29	54%	30	58%	N/A			
Approaching Basic	18	33%	23	44%	N/A		12	22%	15	29%	N/A		17	31%	14	27%	N/A		13	24%	7	13%	N/A			
Unsatisfactory	7	13%	8	15%	N/A		12	22%	13	25%	N/A		7	14%	15	29%	N/A		7	13%	13	25%	N/A			
Total	54	100%	52	100%	N/A		54	100%	52	100%	N/A		54	100%	52	100%	N/A		54	100%	52	100%	N/A			

Note: Einstein's first school year was the 2006-2007 school year.

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Graduation Exit Exam
For the Year Ended June 30, 2008**

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

EINSTEIN CHARTER SCHOOL
 NEW ORLEANS, LOUISIANA
 iLEAP Test Results
 For the Year Ended June 30, 2008

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2008		2007		2006		2008		2007		2006		2008		2007		2006		2008		2007		2006	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 3																								
Advanced	0	0%	0	0%	N/A		0	0%	1	2%	N/A		0	0%	0	0%	N/A		0	0%	0	0%	N/A	
Mastery	2	4%	3	6%	N/A		3	6%	2	4%	N/A		0	0%	4	8%	N/A		1	2%	1	2%	N/A	
Basic	23	45%	21	43%	N/A		23	45%	23	47%	N/A		10	20%	17	34%	N/A		21	41%	20	41%	N/A	
Approaching Basic	21	41%	11	22%	N/A		11	22%	13	27%	N/A		26	51%	14	29%	N/A		20	39%	16	33%	N/A	
Unsatisfactory	5	10%	14	29%	N/A		14	27%	10	20%	N/A		15	29%	14	29%	N/A		9	18%	12	24%	N/A	
Total	51	100%	49	100%	N/A		51	100%	49	100%	N/A		51	100%	49	100%	N/A		51	100%	49	100%	N/A	

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2008		2007		2006		2008		2007		2006		2008		2007		2006		2008		2007		2006	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 5																								
Advanced	0	0%	1	2%	N/A		3	5%	1	2%	N/A		0	0%	1	2%	N/A		0	0%	0	0%	N/A	
Mastery	5	8%	5	10%	N/A		7	11%	4	8%	N/A		1	2%	1	2%	N/A		3	5%	4	8%	N/A	
Basic	28	45%	16	30%	N/A		26	42%	18	35%	N/A		22	35%	10	19%	N/A		35	56%	11	21%	N/A	
Approaching Basic	17	27%	15	29%	N/A		10	16%	9	17%	N/A		23	37%	19	37%	N/A		14	23%	17	33%	N/A	
Unsatisfactory	12	20%	15	29%	N/A		16	26%	20	38%	N/A		16	26%	21	40%	N/A		10	16%	20	38%	N/A	
Total	62	100%	52	100%	N/A		62	100%	52	100%	N/A		62	100%	52	100%	N/A		62	100%	52	100%	N/A	

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2008		2007		2006		2008		2007		2006		2008		2007		2006		2008		2007		2006	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 6																								
Advanced	0	0%	1	2%	N/A		3	6%	3	5%	N/A		0	0%	0	0%	N/A		0	0%	0	0%	N/A	
Mastery	7	14%	6	9%	N/A		3	6%	3	5%	N/A		7	14%	4	7%	N/A		2	4%	3	5%	N/A	
Basic	22	43%	20	34%	N/A		16	31%	19	32%	N/A		15	29%	16	27%	N/A		18	35%	17	28%	N/A	
Approaching Basic	13	25%	18	31%	N/A		10	20%	19	32%	N/A		17	33%	23	39%	N/A		14	28%	24	41%	N/A	
Unsatisfactory	9	18%	14	24%	N/A		19	37%	15	26%	N/A		12	24%	16	27%	N/A		17	33%	15	26%	N/A	
Total	51	100%	59	100%	N/A		51	100%	59	100%	N/A		51	100%	59	100%	N/A		51	100%	59	100%	N/A	

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2008		2007		2006		2008		2007		2006		2008		2007		2006		2008		2007		2006	
	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 7																								
Advanced	3	5%	0	0%	N/A		3	5%	1	2%	N/A		1	2%	0	0%	N/A		1	2%	0	0%	N/A	
Mastery	8	15%	7	13%	N/A		5	9%	7	13%	N/A		3	5%	4	8%	N/A		6	11%	4	8%	N/A	
Basic	27	48%	20	38%	N/A		25	45%	24	45%	N/A		23	41%	18	33%	N/A		30	53%	28	53%	N/A	
Approaching Basic	14	25%	17	32%	N/A		11	20%	11	21%	N/A		18	32%	22	42%	N/A		9	16%	15	28%	N/A	
Unsatisfactory	4	7%	9	17%	N/A		12	21%	10	19%	N/A		11	20%	9	17%	N/A		10	18%	6	11%	N/A	
Total	56	100%	53	100%	N/A		56	100%	53	100%	N/A		56	100%	53	100%	N/A		56	100%	53	100%	N/A	

Note: Einstein's first school year was the 2006-2007 school year.

SUPPLEMENTAL INFORMATION

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
June 30, 2008**

Board Members

Compensation

Nolan Marshall, President
5100 Cannes Street
New Orleans, LA 70129
(504) 338-3823

\$-0-

Chuck Gasho, Vice President
5100 Cannes Street
New Orleans, LA 70129
(504) 975-3913

\$-0-

Ronald Carrere, Jr.
5100 Cannes Street
New Orleans, LA 70129
(504) 495-8228

\$-0-

Karen Collins
5100 Cannes Street
New Orleans, LA 70129
(504) 908-2267

\$-0-

Margaret Nguyen
5100 Cannes Street
New Orleans, LA 70129
(504) 975-6608

\$-0-

Melanie Pittman
5100 Cannes Street
New Orleans, LA 70129
(504) 241-0829

\$-0-

Christy Williams
5100 Cannes Street
New Orleans, LA 70129
(504) 483-7867

\$-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 Trustees
Einstein Charter School
New Orleans, Louisiana

We have audited the financial statements of Einstein Charter School (the School), a non-profit organization, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 16, 2008. 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 audit 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 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 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 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 2008-1 and 2008-2 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 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 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 items 2008-1 and 2008-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School's response to the findings identified in our audit is included 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 Trustees, 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 16, 2008



**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 Trustees
Einstein Charter School
New Orleans, Louisiana

Compliance

We have audited the compliance of Einstein 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, 2008. The School's major federal programs are identified in the summary of auditors 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2008.

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

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RSM McGladrey Network

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.

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 noncompliance 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 noncompliance 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.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, 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 16, 2008

**EINSTEIN CHARTER SCHOOL
 NEW ORLEANS, LOUISIANA
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008**

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 Educational Agencies (Major Program)	84.010	\$ 854,239
Special Education Grants to States	84.027	<u>70,034</u>
Total		<u>\$ 924,273</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 \$247,962 in federal awards that were expended in the year ended June 30, 2007.

**EINSTEIN CHARTER SCHOOL
 NEW ORLEANS, LOUISIANA
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2008**

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	None
c) Noncompliance noted	None
3) Management letter comment provided	None

Federal Awards

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

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2008**

B. Internal Control Over Financial Reporting Deficiencies Noted

2008 - 1 Inadequate Internal Controls Over Payroll

Criteria: Internal controls over the payroll process 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 testing of payroll, we noted several conditions that we believe constitute a material weaknesses in internal control. The conditions noted and the potential effects are as follows:

Since the inception of the school Medicare taxes were not being withheld from several employees. Also, the employer portion of Medicare taxes for these employees was not being paid. This resulted in an estimated underpayment of payroll taxes of \$123,301.

Since the inception of the school federal unemployment taxes were paid. As a 501(c)(3), non-profit corporation, the School is exempt from federal unemployment taxes. This resulted in an estimated overpayment of unemployment taxes of \$8,000.

Only one timesheet for the entire year could be located. As a result, there is no way to verify the hours that an employee may have worked.

Several items were either not present in employee personnel files or poorly documented. We noted that there were no I-9, Employment Eligibility Verification, forms present in any files. The salary or pay rate was not stated and only referred to the "Recovery School District pay scale." No Federal Employee's Withholding Allowance Certificates, form W-4, were located. No Louisiana Employee Withholding Exemption Certificates, form L-4, were located.

Cause: The cause of the conditions noted above appear to be oversights of management.

Recommendation: As the largest expenditure of the School, it is important that the internal controls over payroll are in place and working properly. We recommend that the School review the current internal control structure over payroll and make changes as necessary. We also recommend that the School amend all payroll tax returns and remit the proper taxes as required. Past federal unemployment tax returns should be amended in order to obtain a refund of the federal unemployment taxes paid since the inception of the School. Timesheets should be kept in order to document hours worked. The timesheets should be signed by the employee and approved by their appropriate supervisor. Finally, we recommend that the requirements for employee personnel records be reviewed, and proper personnel records be built and maintained for all employees.

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2008**

2008 - 1 Inadequate Internal Controls Over Payroll (Continued)

*Management
Response:*

We agree with the conditions noted and consider this to be a serious matter that was addressed immediately. It is important to note that most of the conditions noted above were inherited by the prior administration of the school who has since been terminated. We are committed to educating our students in a fiscally responsible manner that protects the public funding that we receive.

We have engaged a qualified firm to amend all prior year payroll tax returns so that we may remit the necessary taxes due. The prior administration was under the incorrect belief that as members of the Teachers' Retirement System of Louisiana, our teachers were not subject to Medicare. Amended payroll tax returns are expected to be completed and filed no later than September 30, 2008.

We have engaged a qualified firm to amend all prior year federal unemployment returns in order to attempt to obtain a refund of these taxes. The administration was not aware that as a 501(c)(3), non-profit corporation, the School was exempt from federal unemployment taxes. Amended federal unemployment tax returns are expected to be completed no later than September 30, 2008.

Timesheets are now kept and require employees and their supervisor to sign representing that the timesheet reflects hours worked. Timesheets were kept during the prior year. However, we believe that the previous administration either misplaced the timesheets or removed them from the school premises. Our legal counsel has made repeated written requests of the prior administration to obtain the timesheets. However, to date, none have been obtained.

We have reevaluated our policy on maintaining personnel files. Currently, personnel files are being created with all necessary documentation for all employees. We expect this to be completed no later than October 15, 2008.

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2008**

2008 - 2 Lack of Proper Signatures on Checks

Criteria: As part of the internal control system over cash disbursements, two signatures are required on all checks.

Condition: It was noted during our testing of cash disbursements that several checks only had one signature.

Cause: This condition appears to be an oversight by management.

Recommendation: We recommend that the School follow the cash disbursement policies at all times and require dual signatures on all checks.

Management Response: The School will follow the cash disbursement policies at all times and will require dual signatures on all checks.

**EINSTEIN CHARTER SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2008**

2007 - 1 Inadequate Accounting System

Status: This condition has been resolved. As recommended, the School contracted with an outside accounting firm to provide the services described above. The School also hired a business manager and implemented the general ledger system used by the Orleans Parish School Board.

2007 - 2 Lack of Documentation of Meetings of the Board

Status: This condition has been resolved. The School recorded the minutes to all board meetings as required.

2007 - 3 Inadequate Documentation for Payroll Transactions

Status: This condition was continued to 2008. Please see condition 2008-1 noted in the Schedule of Findings and Questioned Costs above.

2007 - 4 Possible Violation of the Louisiana Code of Ethics

Status: This condition has been resolved. The School requested and received an opinion from the Board of Ethics. The School resolved each of the relationships in the prior year audit conditions