

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA

Annual Financial Statements

June 30, 2009

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Independent Auditor's Report

To the Board of Directors
The Einstein Group, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of The Einstein Group, Inc. (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 our report dated September 24, 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 24, 2009

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2009

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,103,765
Grants Receivable	<u>765,399</u>
Total Current Assets	1,869,164
Fixed Assets	
Furniture and Equipment	170,348
Accumulated Depreciation	<u>(55,516)</u>
Total Fixed Assets, Net	<u>114,832</u>
Total Assets	<u><u>\$ 1,983,996</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accrued Liabilities	<u>\$ 123,966</u>
Total Liabilities	<u>123,966</u>
Net Assets	
Unrestricted	<u>1,860,030</u>
Total Net Assets	<u>1,860,030</u>
Total Liabilities and Net Assets	<u><u>\$ 1,983,996</u></u>

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2009

	Unrestricted
Revenue, Grants and Other Support	
State Public School Funding	\$ 3,960,790
Federal Grants	1,545,564
Other Income	<u>174,413</u>
Total Revenue, Grants and Other Support	<u>5,680,767</u>
Expenses	
Program Services	
Regular Education Programs	3,106,413
Operation and Maintenance	295,299
Special Education Programs	226,174
School Administration	214,303
Other Instructional Programs	193,345
Pupil Support Services	144,332
Instructional Staff Services	131,330
Depreciation	23,070
Food Services	15,540
Management and General	
Central Services	174,390
General Administration	114,761
Business Services	<u>120,555</u>
Total Expenses	<u>4,759,512</u>
Increase in Net Assets	921,255
Net Assets, Beginning of Year	<u>938,775</u>
Net Assets, End of Year	<u><u>\$ 1,860,030</u></u>

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2009

Cash Flows from Operating Activities	
Increase in Net Assets	\$ 921,255
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	23,070
Increase in Grants Receivable	(58,872)
Decrease in Accounts Payable	(67,564)
Decrease in Accrued Salaries	(61,647)
Decrease in Medicare Taxes Payable	<u>(123,301)</u>
Total Adjustments	<u>(288,314)</u>
Net Cash Provided by Operating Activities	632,941
Cash Flows from Investing Activities	
Purchases of Furniture and Equipment	<u>(60,000)</u>
Net Cash Used by Investing Activities	<u>(60,000)</u>
Net Increase in Cash and Cash Equivalents	572,941
Cash and Cash Equivalents, Beginning of Year	<u>530,824</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,103,765</u></u>

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The Einstein Group, Inc. (the School) 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. to create the Einstein Charter 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 Recovery School 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 Funding and the Orleans Parish School Board which made up 70% of its funding. State and Federal grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

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 is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. 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 70% of its revenues in the year ended June 30, 2009, from the State of Louisiana, subject to its charter school contract with the State, and 27% of its funding from the Federal Government.

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.

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 2. Cash and Cash Equivalents

The School's cash and cash equivalents (book balances) at June 30, 2009, are \$1,103,765, which are stated at cost and approximates market.

Note 3. Grants Receivable

As of June 30, 2009, grants receivable totaled \$765,399, which was a receivable for federal grants passed through the Orleans Parish School Board. This receivable has been discounted based on management's experience with the collection of grants from the Orleans Parish School Board. However, the stated balance is considered to be fully collectible.

Note 4. Fixed Assets

Depreciation expense for the year ended June 30, 2009, was \$23,070. Depreciation is calculated using the straight-line method with useful lives of 5 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.

Note 5. Accrued Liabilities

As of June 30, 2009, the School has recorded accrued liabilities of \$123,966. Of this amount, \$32,728 are for accrued salaries representing one pay period that ended prior to year end, but was not paid until after year end. The remaining \$91,238 are for accrued retirement payments due to the Teachers' Retirement System of Louisiana.

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 by a separate board of trustees. Pertinent information relative to the plan follows:

Notes to Financial Statements

Note 6. Retirement Plan (Continued)

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, were \$447,339, \$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.

Note 7. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 24, 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
The Einstein Group, Inc.
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 The Einstein Group, Inc. (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 Einstein Group, Inc. 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 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 the 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 the 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 Group, Inc., 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 24, 2009

THE EINSTEIN GROUP, 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.

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.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2009

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 2,084,902	
Other Instructional Staff Salaries	551,574	
Instructional Staff Employee Benefits	684,911	
Purchased Professional and Technical Services	30,075	
Instructional Materials and Supplies	214,060	
Instructional Equipment	<u>272</u>	
Total Teacher and Student Interaction Activities		\$ 3,565,794
Other Instructional Activities		19,739
Pupil Support Services	152,509	
Less: Equipment for Pupil Support Services	<u>-</u>	
Net Pupil Support Services		152,509
Instructional Staff Services	237,675	
Less: Equipment for Instructional Staff Services	<u>-</u>	
Net Instructional Staff Services		237,675
School Administration	214,303	
Less: Equipment for School Administration	<u>-</u>	
Net School Administration		<u>214,303</u>
Total General Fund Instructional Expenditures		<u>\$ 4,190,020</u>
Total General Fund Equipment Expenditures		<u>\$ 272</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>

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Education Levels of Public School Staff
As of October 1, 2008

Schedule 2

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	68%	7	70%				
Master's Degree	7	24%	3	30%	1	100%		
Master's Degree + 30	1	4%						
Specialist in Education								
Ph. D. or Ed. D.	1	4%						
Total	28	100%	10	100%	1	100%	0	0%

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Number and Type of Public Schools
For the Year Ended June 30, 2009

Schedule 3

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

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Experience of Public Principals, Assistant Principals
and Full Time Classroom Teachers
As of October 1, 2008

Schedule 4

	0 -1 Yr.	2 -3 Yrs.	4 -10 Yrs.	11-14 Yrs.	15 -19 Yrs.	20 - 24 Yrs.	25+ Yrs.	Total
Principals						1		1
Classroom Teachers	11	3	4	1	1	2	16	38
Total	11	3	4	1	1	3	16	39

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

**THE EINSTEIN GROUP, INC.
 NEW ORLEANS, LOUISIANA
 Public School Staff Data
 For the Year Ended June 30, 2009**

Schedule 5

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$48,906	\$48,906
Average Classroom Teachers' Salary Excluding Extra Compensation	\$48,639	\$48,639
Number of Teacher Full Time Equivalents (FTEs) Used in Computation of Average Salaries	38	38

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Class Size Characteristics
As of October 1, 2008

Schedule 6

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	93%	27	7%	2				

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2009

Schedule 7

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2009		2008		2007		2009		2008		2007		2009		2008		2007		2009		2008		2007	
Students	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 4																								
Advanced	0	0%	1	2%	0	0%	0	0%	1	2%	1	2%	0	0%	0	0%	1	2%	0	0%	0	0%	0	0%
Mastery	5	9%	17	28%	7	12%	2	4%	11	18%	6	10%	4	7%	5	8%	4	7%	0	0%	8	13%	0	0%
Basic	30	55%	21	35%	27	46%	27	49%	25	42%	26	44%	18	33%	26	43%	24	41%	21	38%	23	38%	23	38%
Approaching Basic	12	21%	14	23%	13	22%	15	27%	10	17%	12	20%	22	40%	18	30%	14	24%	24	44%	14	23%	18	31%
Unsatisfactory	8	15%	7	12%	12	20%	11	20%	13	21%	14	24%	11	20%	11	19%	16	26%	10	18%	15	26%	18	31%
Total	55	100%	60	100%	59	100%	55	100%	60	100%	59	100%	55	100%	60	100%	59	100%	55	100%	60	100%	59	100%

District Achievement Level Results	English Language Arts						Mathematics						Science						Social Studies					
	2009		2008		2007		2009		2008		2007		2009		2008		2007		2009		2008		2007	
Students	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%	Nbr.	%
Grade 8																								
Advanced	0	0%	1	2%	0	0%	7	12%	2	4%	3	6%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Mastery	10	17%	5	9%	3	6%	3	5%	2	4%	0	0%	7	12%	6	11%	4	8%	5	9%	5	9%	2	4%
Basic	19	33%	23	43%	18	35%	30	52%	26	48%	21	40%	26	44%	24	44%	19	36%	29	49%	29	54%	30	58%
Approaching Basic	23	40%	18	33%	23	44%	10	17%	12	22%	15	29%	16	28%	17	31%	14	27%	16	28%	13	24%	7	13%
Unsatisfactory	6	10%	7	13%	8	15%	8	14%	12	22%	13	25%	9	16%	7	14%	15	29%	8	14%	7	13%	13	25%
Total	58	100%	54	100%	52	100%	58	100%	54	100%	52	100%	58	100%	54	100%	52	100%	58	100%	54	100%	52	100%

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

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

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

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
iLEAP Test Results
For the Year Ended June 30, 2009

Schedule 9

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	0	0%	0	0%	0	0%	0	0%	0	0%	1	2%	1	2%	0	0%	0	0%	0	0%	0	0%	0	0%
Mastery	7	13%	2	4%	3	6%	6	11%	3	6%	2	4%	2	4%	0	0%	4	8%	4	8%	1	2%	1	2%
Basic	29	55%	23	45%	21	43%	25	47%	23	45%	23	47%	24	45%	10	20%	17	34%	32	59%	21	41%	20	41%
Approaching Basic	10	19%	21	41%	11	22%	8	15%	11	22%	13	27%	19	36%	26	51%	14	29%	13	25%	20	39%	16	33%
Unsatisfactory	7	13%	5	10%	14	29%	14	27%	14	27%	10	20%	7	13%	15	29%	14	29%	4	8%	9	18%	12	24%
Total	53	100%	51	100%	49	100%	53	100%	51	100%	49	100%	53	100%	51	100%	49	100%	53	100%	51	100%	49	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	1	2%	0	0%	1	2%	3	5%	3	5%	1	2%	1	2%	0	0%	1	2%	0	0%	0	0%	0	0%
Mastery	7	11%	5	8%	5	10%	4	6%	7	11%	4	8%	4	6%	1	2%	1	2%	5	8%	3	5%	4	8%
Basic	23	36%	28	45%	16	30%	18	29%	26	42%	18	35%	21	33%	22	35%	10	19%	27	43%	35	56%	11	21%
Approaching Basic	15	24%	17	27%	15	29%	19	30%	10	16%	9	17%	18	29%	23	37%	19	37%	20	32%	14	23%	17	33%
Unsatisfactory	17	27%	12	20%	15	29%	19	30%	16	26%	20	38%	19	30%	16	26%	21	40%	11	17%	10	16%	20	38%
Total	63	100%	62	100%	52	100%	63	100%	62	100%	52	100%	63	100%	62	100%	52	100%	63	100%	62	100%	52	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%	0	0%	1	2%	1	2%	3	6%	3	5%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Mastery	7	11%	7	14%	6	9%	6	10%	3	6%	3	5%	2	3%	7	14%	4	7%	3	5%	2	4%	3	5%
Basic	35	57%	22	43%	20	34%	35	57%	16	31%	19	32%	26	43%	15	29%	16	27%	29	48%	18	35%	17	28%
Approaching Basic	7	11%	13	25%	18	31%	7	11%	10	20%	19	32%	21	34%	17	33%	23	39%	16	26%	14	28%	24	41%
Unsatisfactory	11	19%	9	18%	14	24%	12	20%	19	37%	15	26%	12	20%	12	24%	16	27%	13	21%	17	33%	15	26%
Total	61	100%	51	100%	59	100%	61	100%	51	100%	59	100%	61	100%	51	100%	59	100%	61	100%	51	100%	59	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	2	4%	3	5%	0	0%	5	10%	3	5%	1	2%	0	0%	1	2%	0	0%	0	0%	1	2%	0	0%
Mastery	4	8%	8	15%	7	13%	3	6%	5	9%	7	13%	2	4%	3	5%	4	8%	9	18%	6	11%	4	8%
Basic	27	56%	27	48%	20	38%	25	52%	25	45%	24	45%	21	43%	23	41%	18	33%	28	58%	30	53%	28	53%
Approaching Basic	9	18%	14	25%	17	32%	8	16%	11	20%	11	21%	16	33%	18	32%	22	42%	10	20%	9	16%	15	28%
Unsatisfactory	7	14%	4	7%	9	17%	8	16%	12	21%	10	19%	10	20%	11	20%	9	17%	2	4%	10	18%	6	11%
Total	49	100%	56	100%	53	100%	49	100%	56	100%	53	100%	49	100%	56	100%	53	100%	49	100%	56	100%	53	100%

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

SUPPLEMENTAL INFORMATION

**THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2009**

Board Members

Compensation

Nolan Marshall, President
121 N. Murat Street
New Orleans, LA 70119
(504) 338-3823

\$-0-

Chuck Gasho, Vice President
2900 Green Acres Road
Metairie, LA 70003
(504) 975-3913

\$-0-

Ronald Carrere, Secretary/Treasurer
11131 Lake Forest
New Orleans, LA 70128
(504) 495-8228

\$-0-

Andrea McNeil
3019 Ponce de Leon
New Orleans, LA 70119
(504) 842-7129

\$-0-

Margaret Nguyen
13712 N. Nemours Street
New Orleans, LA 70129
(504) 975-6608

\$-0-

Ramona Jean Perkins
4648 St. Roch Avenue
New Orleans, LA 70122
(504) 813-0810

\$-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
The Einstein Group, Inc.
New Orleans, Louisiana

We have audited the financial statements of The Einstein Group, Inc. (the School), a non-profit organization, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 24, 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 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 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 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency 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 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 2009-1 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, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in accompanying schedule of findings and questioned costs as item 2009-2.

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 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 24, 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
The Einstein Group, Inc.
New Orleans, Louisiana

Compliance

We have audited the compliance of The Einstein Group, Inc. (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 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, 2009.

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.

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 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 24, 2009

THE EINSTEIN GROUP, 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 Educational Agencies (Major Program)	84.010	\$ 767,584
Title II Improving Teacher Quality State Grants	84.367	112,791
Title III English Language Acquisition Grants	84.365	9,172
Title IV Safe and Drug-Free Schools and Communities	84.186	11,659
Title V State Grants for Innovative Programs	84.298	127,474
Special Education Grants to States	84.027	49,423
Hurricane Education Recovery	84.938	166,994
Total		<u>\$ 1,245,097</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 \$300,467 in federal awards that were expended in the year ended June 30, 2008.

**THE EINSTEIN GROUP, 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) Internal control over financial reporting and compliance and other matters	
a) Material weaknesses identified	Yes
b) Significant deficiency identified not considered to be material weaknesses	None
c) Noncompliance noted	Yes
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

B. Internal Control Over Financial Reporting

2009 - 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 a condition that we believe constitutes a material weakness in internal control over financial reporting. The condition noted and the potential effects are as follows:

We noted during our audit procedures over payroll that salaries for certain employees changed during the year. Upon further examination, we noted that the school had no documentation to support the board of directors' approval of the salary changes in either the minutes of the board meetings or the personnel files. However, inquiry of several board members indicated that the change was approved.

Cause: The cause of the condition noted above appears to be an oversight of management.

Recommendation: We recommend that the salary or pay rate for all employees be approved by the board of directors and that documentation for the salary or pay rate include an executed corporate resolution or other document signed by the members of the board of directors. This document should be placed in each respective personnel file. The document should also include approval for additional pay items such as fringe benefits and overtime.

Management Response: We are in the process of updating all personnel files to contain all necessary documentation for all employees. We expect this to be completed no later than November 30, 2009.

C. Compliance and Other Matters

2009 - 2 Lack of Proper Percentage of Certified Instructional Staff

Criteria: As part of compliance with LRS 17:3991, at least 75% of the instructional staff should be certified by the State Board of Elementary and Secondary Education or the French Ministry of Education.

Condition: It was noted during our performance of agreed upon procedures that only 73% of instructional staff were certified by the State Board of Elementary and Secondary Education or the French Ministry of Education.

THE EINSTEIN GROUP, INC.
NEW ORLEANS, LOUISIANA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2009

C. Compliance and Other Matters (Continued)

2009 - 2 Lack of Proper Certified Instructional Staff Percentage (Continued)

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

Recommendation: We recommend that the School comply with the LRS and hire instructional staff with the proper certification.

Management Response: The School has taken the necessary steps and hired certified instructional staff and did not retain the services of uncertified staff for the coming school year.

**THE EINSTEIN GROUP, INC
NEW ORLEANS, LOUISIANA
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2009**

2008 - 1 Inadequate Internal Controls Over Payroll

Status: This condition has been partially resolved. See 2009 - 1.

2008 - 2 Lack of Proper Signatures on Checks

Status: This condition has been resolved. The School requires dual signatures on all checks.